



Annual Financial Report  
June 30, 2019

**William S. Hart**  
**Union High School District**



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

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### **JUNE 30, 2019**

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

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## **FINANCIAL SECTION**



## 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 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, 2019, 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, budgetary comparison schedule on page 77, schedule of changes in the District's total OPEB liability and related ratios on page 78, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 79, schedule of the District's proportionate share of net pension liability on page 80, and the schedule of District contributions on page 81, 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 6, 2019, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
December 6, 2019



# **William S. Hart Union High School District**

This section of William S. Hart Union High School District's (the District) (2018-2019) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. 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 prepared using the economic resources measurement focus and the accrual basis of accounting.

*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

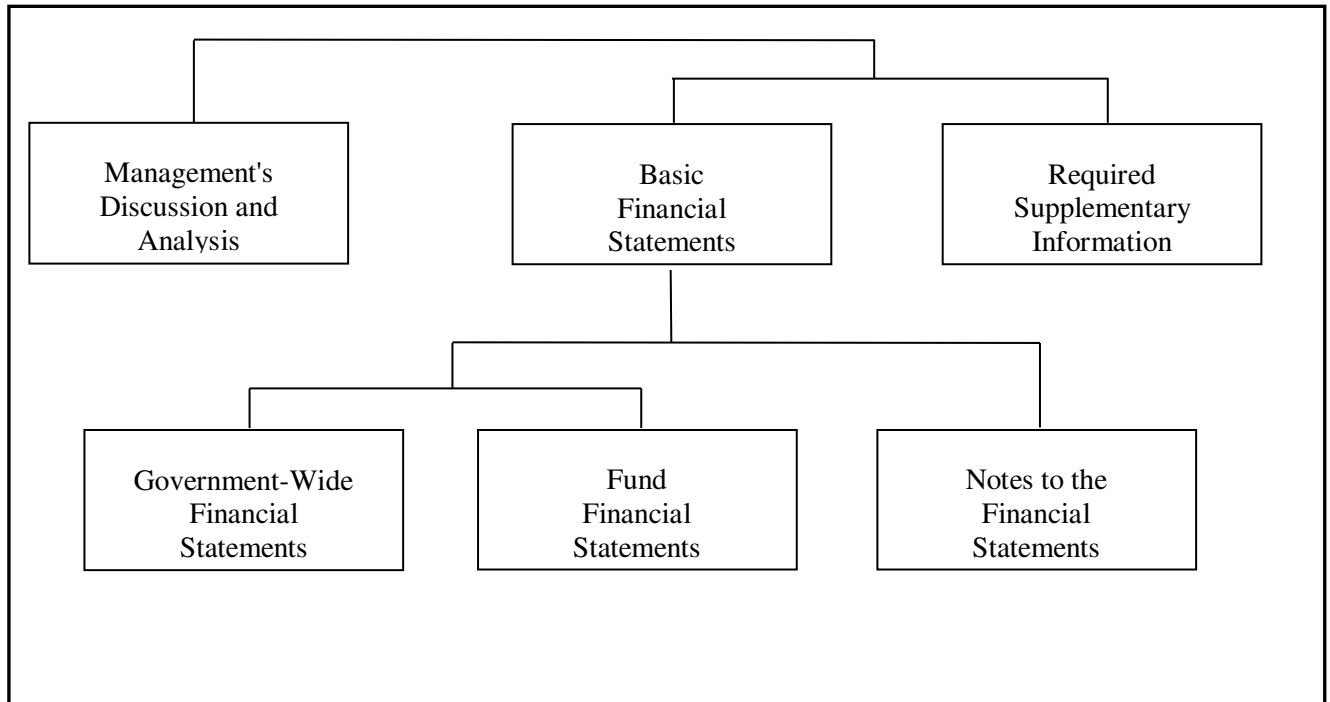
## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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**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 \$3,689,715 compared to the prior year for a new net position of \$148,179,914.
- Revenues, transfers in, and other financing sources for all funds totaled \$303,199,569. Expenses, transfers out, and other uses totaled \$306,889,284.
- The General Fund audited ending balance, which includes \$21,353,850 in Fund 17 - Special Reserve Fund for Other Than Capital Outlay Projects, totaled \$58,289,467. This represents an increase of \$8,063,988 from the prior year.
- Fiscal year 2018-2019 was the sixth year of the Local Control Funding Formula (LCFF). Total LCFF increased from \$185,059,117 in 2017-2018 to \$206,193,067 in 2018-2019.
- Total General Fund expenditures and transfers out totaled \$261,507,764 and included actions to support the goals outlined in the District's Local Control Accountability Plan.
- The District's 2018-2019 P-2 Average Daily Attendance (ADA), excluding charter schools and students in County programs, was reported at 21,476, a decrease of 173 over the prior year.
- The District filed a positive status for both the First and Second Interim reports in 2018-2019.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

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### ***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, 2019**

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***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, 2019

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### *FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE*

#### *Net Position*

The District's net position was \$148,179,914 for the fiscal year ended June 30, 2019. 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	
	2019	2018
<b>Assets</b>		
Current and other assets	\$ 208,350,338	\$ 260,695,865
Non-current assets	2,101,529	2,067,618
Capital assets	739,248,453	662,737,832
<b>Total Assets</b>	<b>949,700,320</b>	<b>925,501,315</b>
<b>Deferred Outflows of Resources</b>	<b>70,548,884</b>	<b>80,838,259</b>
<b>Liabilities</b>		
Current liabilities	36,841,094	37,982,123
Long-term obligations	570,970,324	553,745,309
Aggregate pension liability	239,152,179	240,328,319
<b>Total Liabilities</b>	<b>846,963,597</b>	<b>832,055,751</b>
<b>Deferred Inflows of Resources</b>	<b>25,105,693</b>	<b>22,414,194</b>
<b>Net Position</b>		
Net investment in capital assets	370,664,847	373,270,720
Restricted	68,021,116	49,538,313
Unrestricted (Deficit)	(290,506,049)	(270,939,404)
<b>Total Net Position</b>	<b>\$ 148,179,914</b>	<b>\$ 151,869,629</b>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### *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 16. Table 2 takes the information from the statement for the year.

**Table 2**

	Governmental Activities	
	2019	2018
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 208,427	\$ 327,851
Operating grants and contributions	49,684,845	34,130,573
General revenues:		
Federal and State aid, not restricted	164,056,975	146,741,410
Property taxes	83,791,336	77,199,965
Other general revenues	5,457,986	16,399,598
<b>Total Revenues</b>	<b>303,199,569</b>	<b>274,799,397</b>
<b>Expenses</b>		
Instruction	159,150,747	151,018,725
Instruction-related	34,753,522	30,360,596
Pupil services	38,932,508	36,059,654
Administration	24,217,581	21,489,979
Plant services	25,938,116	24,366,291
Ancillary and community services	2,109,955	1,493,748
Debt service	20,411,678	19,714,117
Other	1,375,177	529,323
<b>Total Expenses</b>	<b>306,889,284</b>	<b>285,032,433</b>
<b>Change in Net Position</b>	<b>\$ (3,689,715)</b>	<b>\$ (10,233,036)</b>

### *Governmental Activities*

As reported in the *Statement of Activities* on page 16, the cost of all governmental activities this year was \$306,889,284. The amount that our taxpayers ultimately financed for these activities through local taxes was \$83,791,336. The remaining cost was paid by those who benefited from the programs \$208,427, or by other governments and organizations who subsidized certain programs with \$49,684,845 in grants and contributions. The remaining "public benefit" portion of our governmental activities were paid with \$164,056,975 in Federal and State aid, and with \$5,457,986 other revenue sources such as interest and general entitlements.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

In Table 3, we have presented the cost of each of the District's largest functions - instruction including 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	
	2019	2018	2019	2018
Instruction and instruction-related	\$ 193,904,269	\$ 181,379,321	\$ (156,801,879)	\$ 156,997,448
Pupil services	38,932,508	36,059,654	(28,864,431)	27,857,270
Administration	24,217,581	21,489,979	(23,291,246)	20,938,711
Plant services	25,938,116	24,366,291	(25,235,904)	24,352,049
Ancillary and community services	2,109,955	1,493,748	(1,841,156)	1,304,810
Debt service	20,411,678	19,714,117	(20,411,678)	19,714,117
Other outgo	1,375,177	529,323	(549,718)	(590,396)
<b>Total</b>	<b>\$ 306,889,284</b>	<b>\$ 285,032,433</b>	<b>\$ (256,996,012)</b>	<b>\$ 250,574,009</b>

### THE DISTRICT'S FUNDS

Upon completion of the 2018-2019 fiscal year, the District's governmental funds reported a combined fund balance of \$174,259,967, a decrease of \$51,546,067 from 2017-2018 (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2018	Revenues	Expenditures	June 30, 2019
General Fund	\$ 50,225,479	\$ 269,571,752	\$ 261,507,764	\$ 58,289,467
Building Fund	94,158,767	1,451,496	60,723,346	34,886,917
Special Reserve Fund for Capital Outlay Projects	29,684,768	22,352,993	16,835,325	35,202,436
Bond Interest and Redemption Fund	17,418,061	25,851,696	21,523,938	21,745,819
Non-Major Governmental	34,052,962	14,234,640	24,152,274	24,135,328
<b>Total</b>	<b>\$ 225,540,037</b>	<b>\$ 333,462,577</b>	<b>\$ 384,742,647</b>	<b>\$ 174,259,967</b>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### *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 19, 2019. (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 77.)

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### *Capital Assets*

At June 30, 2019, the District had \$739,248,453 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 \$76,510,621, or 11.54 percent, over the prior year (Table 5).

**Table 5**

	Governmental Activities	
	2019	2018
Land and construction in progress	\$ 368,531,306	\$ 303,113,395
Buildings and improvements, net of depreciation	366,155,968	354,889,854
Furniture and equipment, net of depreciation	4,561,179	4,734,583
<b>Total</b>	<b>\$ 739,248,453</b>	<b>\$ 662,737,832</b>

This year's additions totaled \$91,273,827, with the majority of expenses related to the site construction for Castaic High School 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 2019-2020 year include construction of Castaic High School, Saugus High School Auditorium, permanent classroom additions at Hart High School and Sierra Vista Junior High Schools, infrastructure upgrade at Hart High School, and Proposition 39 energy projects.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### *Long-Term Obligations*

At June 30, 2019, the District had \$454,184,922 in general obligation bonds and certificates of participation outstanding compared to \$462,362,610 in June 30, 2018, a decrease of \$8,177,688, or 1.77 percent. Other obligations consisted of those items listed in Table 6 below.

**Table 6**

	Governmental Activities	
	2019	2018
General obligation bonds	\$ 435,772,623	\$ 436,325,619
Premium on issuance	18,412,299	20,036,991
Certificates of participation	-	6,000,000
Direct placement debt issuance	22,816,272	23,031,998
Lease revenue bonds	21,795,000	-
Discount on issuance	(292,394)	-
Capital Leases	3,388,789	3,804,125
Compensated absences (vacaiton)	1,271,265	865,465
Net other postemployment benefits (OPEB) liability	67,806,470	63,681,111
<b>Total</b>	<b>\$ 570,970,324</b>	<b>\$ 553,745,309</b>

### *Net Pension Liability (NPL)*

At year end, the District had a net pension liability of \$239,152,179 versus \$240,328,319 last year, a decrease of \$1,176,140, or 0.49 percent.

### ***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](mailto:rpeschek@hartdistrict.org).



# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 191,391,012
Receivables	15,147,122
Prepaid expenses	981,548
Stores inventories	244,972
Other current assets	585,684
Non-current assets	2,101,529
Capital Assets:	
Land and construction in process	368,531,306
Other capital assets	570,524,202
Less: Accumulated depreciation	(199,807,055)
Total Capital Assets	739,248,453
<b>Total Assets</b>	<b>949,700,320</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	3,343,331
Deferred outflows of resources related to pensions	65,455,379
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	1,750,174
<b>Total Deferred Outflows of Resources</b>	<b>70,548,884</b>
<b>LIABILITIES</b>	
Accounts payable	28,737,685
Interest payable	3,764,925
Unearned revenue	2,990,963
Current loans	1,347,521
Long-Term Obligations	
Current portion of long-term obligations other than pensions	17,836,891
Noncurrent portion of long-term obligations other than pensions	553,133,433
Total Long-Term Obligations	570,970,324
Aggregate net pension liability	239,152,179
<b>Total Liabilities</b>	<b>846,963,597</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	22,985,803
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	2,119,890
<b>Total Deferred Inflows of Resources</b>	<b>25,105,693</b>

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

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

## **STATEMENT OF NET POSITION (CONTINUED)** **JUNE 30, 2019**

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### **NET POSITION**

Net investment in capital assets	\$ 370,664,847
Restricted for:	
Debt service	17,980,894
Capital projects	42,758,327
Educational programs	6,180,770
Other activities	1,101,125
Unrestricted	<u>(290,506,049)</u>
<b>Total Net Position</b>	<b><u>\$ 148,179,914</u></b>

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, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 159,150,747	\$ 149,878	\$ 32,510,059	\$ (126,490,810)
Instruction-related activities:				
Supervision of instruction	7,632,243	9,421	2,206,783	(5,416,039)
Instructional library, media, and technology	3,162,328	-	232,635	(2,929,693)
School site administration	23,958,951	2	1,993,612	(21,965,337)
Pupil services:				
Home-to-school transportation	4,951,678	95	267,854	(4,683,729)
Food services	3,774,298	-	2,192,986	(1,581,312)
All other pupil services	30,206,532	46,996	7,560,146	(22,599,390)
General administration:				
Data processing	9,547,641	-	93,866	(9,453,775)
All other general administration	14,669,940	-	832,469	(13,837,471)
Plant services	25,938,116	-	702,212	(25,235,904)
Ancillary services	2,046,258	40	268,759	(1,777,459)
Community services	63,697	-	-	(63,697)
Interest on long-term obligations	20,411,678	-	-	(20,411,678)
Other outgo	1,375,177	1,995	823,464	(549,718)
<b>Total Governmental Activities</b>	<b>\$ 306,889,284</b>	<b>\$ 208,427</b>	<b>\$ 49,684,845</b>	<b>(256,996,012)</b>
General Revenues and Subventions:				
Property taxes, levied for general purposes				52,162,848
Property taxes, levied for debt service				31,468,167
Property taxes, levied for other specific purposes				160,321
Federal and state aid not restricted to specific purposes				164,056,975
Interest and investment earnings				3,465,143
Interagency revenues				317,398
Miscellaneous				1,675,445
<b>Total General Revenues and Subventions</b>				<b>253,306,297</b>
<b>Change in Net Position</b>				<b>(3,689,715)</b>
Net Position - Beginning				151,869,629
Net Position - Ending				<b>\$ 148,179,914</b>

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2019

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
<b>ASSETS</b>			
Deposits and investments	\$ 63,424,420	\$ 42,510,547	\$ 37,574,197
Receivables	12,622,008	307,072	1,555,704
Prepaid expenditures	981,548	-	-
Stores inventories	187,656	-	-
Other current assets	585,684	-	-
<b>Total Assets</b>	<b>\$ 77,801,316</b>	<b>\$ 42,817,619</b>	<b>\$ 39,129,901</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 16,627,304	\$ 7,930,702	\$ 3,927,465
Due to developers	-	-	-
Unearned revenue	2,884,545	-	-
<b>Total Liabilities</b>	<b>19,511,849</b>	<b>7,930,702</b>	<b>3,927,465</b>
<b>Fund Balances:</b>			
Nonspendable	1,195,816	-	-
Restricted	6,180,770	34,886,917	27,898,113
Committed	-	-	-
Assigned	21,353,850	-	7,304,323
Unassigned	29,559,031	-	-
<b>Total Fund Balances</b>	<b>58,289,467</b>	<b>34,886,917</b>	<b>35,202,436</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 77,801,316</b>	<b>\$ 42,817,619</b>	<b>\$ 39,129,901</b>

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

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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 21,745,819	\$ 25,127,352	\$ 190,382,335
-	656,813	15,141,597
-	-	981,548
-	57,316	244,972
-	-	585,684
<u>\$ 21,745,819</u>	<u>\$ 25,841,481</u>	<u>\$ 207,336,136</u>

\$ -	\$ 252,214	\$ 28,737,685
-	1,347,521	1,347,521
-	106,418	2,990,963
<u>-</u>	<u>1,706,153</u>	<u>33,076,169</u>

-	115,150	1,310,966
21,745,819	17,222,092	107,933,711
-	6,613,472	6,613,472
-	184,614	28,842,787
-	-	29,559,031
<u>21,745,819</u>	<u>24,135,328</u>	<u>174,259,967</u>
<u>\$ 21,745,819</u>	<u>\$ 25,841,481</u>	<u>\$ 207,336,136</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

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**Total Fund Balance - Governmental Funds** **\$ 174,259,967**

**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	\$ 939,055,508	
Accumulated depreciation is	<u>(199,807,055)</u>	
Net Capital Assets		739,248,453

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.

(3,764,925)

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:

1,014,202

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.

3,343,331

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	21,189,925	
Net change in proportionate share of net pension liability	5,334,252	
Differences between projected and actual earnings on pension plan investments	561,233	
Differences between expected and actual experience in the measurement of the total pension liability.	5,015,062	
Changes of assumptions	<u>33,354,907</u>	
Total Deferred Outflows of Resources Related to Pensions		65,455,379

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, 2019

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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	\$ (13,931,780)	
Difference between projected and actual earnings on pension plan investments	(6,574,105)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(2,479,918)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (22,985,803)

Deferred outflows of resources related to OPEB 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 OPEB at year end consist of amounts paid by the District for OPEB as benefits become due subsequent to measurement date.

1,750,174

Deferred inflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year end consist of OPEB changes of assumptions.

(2,119,890)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.

(239,152,179)

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

2,101,529

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, 2019

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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:

General obligation bonds	\$ (341,954,641)
Premium on issuance	(18,412,299)
Direct placement debt issuances	(22,816,272)
Lease revenue bonds	(21,795,000)
Discount on issuance	292,394
Capital lease obligations	(3,388,789)
Compensated absences (vacations)	(1,271,265)
Net other postemployment benefits (OPEB) liability	(67,806,470)

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

(93,817,982)

Total Long-Term Obligations

\$ (570,970,324)

**Total Net Position - Governmental Activities**

**\$ 148,179,914**

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, 2019

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
<b>REVENUES</b>			
Local Control Funding Formula	\$ 206,193,067	\$ -	\$ -
Federal sources	8,623,441	-	-
Other State sources	35,866,600	189	-
Other local sources	18,888,644	1,451,307	842,503
<b>Total Revenues</b>	<b>269,571,752</b>	<b>1,451,496</b>	<b>842,503</b>
<b>EXPENDITURES</b>			
Current			
Instruction	146,903,313	-	-
Instruction-related activities:			
Supervision of instruction	7,074,735	-	-
Instructional library, media, and technology	2,928,664	-	-
School site administration	20,921,260	-	-
Pupil services:			
Home-to-school transportation	4,598,795	-	-
Food services	812	-	-
All other pupil services	27,806,550	-	-
General administration:			
Data processing	9,198,567	-	-
All other general administration	12,560,725	-	-
Plant services	24,003,120	108,689	397,686
Ancillary services	1,954,153	-	-
Community services	49,815	-	-
Other outgo	574,298	-	-
Facility acquisition and construction	908,902	60,614,657	15,909,997
Debt service			
Principal	631,062	-	-
Interest and other	607,993	-	527,642
<b>Total Expenditures</b>	<b>260,722,764</b>	<b>60,723,346</b>	<b>16,835,325</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>8,848,988</b>	<b>(59,271,850)</b>	<b>(15,992,822)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	8,938
Other sources - bond proceeds	-	-	21,501,552
Transfers out	(785,000)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(785,000)</b>	<b>-</b>	<b>21,510,490</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>8,063,988</b>	<b>(59,271,850)</b>	<b>5,517,668</b>
<b>Fund Balances - Beginning</b>	<b>50,225,479</b>	<b>94,158,767</b>	<b>29,684,768</b>
<b>Fund Balances - Ending</b>	<b>\$ 58,289,467</b>	<b>\$ 34,886,917</b>	<b>\$ 35,202,436</b>

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

---

<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 206,193,067
-	2,420,243	11,043,684
163,522	1,111,660	37,141,971
25,688,174	9,178,664	56,049,292
<u>25,851,696</u>	<u>12,710,567</u>	<u>310,428,014</u>
-	421,823	147,325,136
-	170,808	7,245,543
-	-	2,928,664
-	333,915	21,255,175
-	-	4,598,795
-	3,534,385	3,535,197
-	37,435	27,843,985
-	-	9,198,567
-	407,724	12,968,449
-	(1,791,475)	22,718,020
-	-	1,954,153
-	-	49,815
-	800,879	1,375,177
-	13,477,890	90,911,446
12,335,000	6,000,000	18,966,062
9,188,938	10,879	10,335,452
<u>21,523,938</u>	<u>23,404,263</u>	<u>383,209,636</u>
<u>4,327,758</u>	<u>(10,693,696)</u>	<u>(72,781,622)</u>
-	1,524,073	1,533,011
-	-	21,501,552
-	(748,011)	(1,533,011)
-	776,062	21,501,552
4,327,758	(9,917,634)	(51,280,070)
17,418,061	34,052,962	225,540,037
<u>\$ 21,745,819</u>	<u>\$ 24,135,328</u>	<u>\$ 174,259,967</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, 2019

---

Total Net Change in Fund Balances - Governmental Funds \$ (51,280,070)

**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	\$ 91,273,827	
Depreciation expense	(14,440,987)	
	<u>76,832,840</u>	
Net Expense Adjustment		76,832,840

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. (322,219)

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 earned was more than amounts used by \$405,800. (405,800)

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. (11,334,722)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (4,125,359)

Proceeds received from the issuance of debt is a revenue in the governmental funds, but it increases the long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

Lease revenue bonds	(21,795,000)	
Discount on issuance	293,448	
	<u>(21,501,552)</u>	
Combined adjustment		(21,501,552)

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, 2019

---

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	\$ 12,335,000	
Certificates of participation	6,000,000	
Direct placement debt issuances	215,726	
Capital lease obligations	415,336	
Combined adjustment		\$ 18,966,062

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 debt discount	(1,054)	
Amortization of deferred amount on refunding	(470,013)	
Increase in cash surrender value of insurance	33,911	
Combined adjustment		1,187,536

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 \$24,511, and second, \$11,782,004 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(11,757,493)

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.

### Change in Net Position of Governmental Activities

51,062  
\$ (3,689,715)

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, 2019**

---

	<b>Governmental Activities Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 1,008,677
Receivables	5,525
<b>Total Assets</b>	<u><u>\$ 1,014,202</u></u>
<b>NET POSITION</b>	
Restricted	<u><u>\$ 1,014,202</u></u>

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, 2019**

---

	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges to other funds and miscellaneous revenues	\$ 30,526
<b>NONOPERATING REVENUES</b>	
Interest income	\$ 20,536
<b>Change in Net Position</b>	51,062
<b>Total Net Position - Beginning</b>	963,140
<b>Total Net Position - Ending</b>	<u>\$ 1,014,202</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, 2019**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from assessments made to other funds	<u>\$ 30,125</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>20,536</u>
Net Increase in Cash and Cash Equivalents	50,661
Cash and Cash Equivalents - Beginning	958,016
Cash and Cash Equivalents - Ending	<u><u>\$ 1,008,677</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 30,526
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Receivables	<u>(401)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 30,125</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, 2019

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	Agency Funds			
	Associated Student Bodies	Debt Service Special Tax Bonds	Funds Held On Behalf of Other Agencies	Warrant Pass-Through
<b>ASSETS</b>				
Deposits and investments	\$ 3,518,910	\$ 13,487,283	\$ 7,374,022	\$ 784,541
Receivables	26,180	18,170	-	13,755
Prepaid expenditures	89,400	-	-	-
Stores inventory	267,381	-	-	-
Other current assets	13,051	-	-	-
<b>Total Assets</b>	<u>\$ 3,914,922</u>	<u>\$ 13,505,453</u>	<u>\$ 7,374,022</u>	<u>\$ 798,296</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,895,154	\$ 17,350	\$ -	\$ -
Due to student groups	1,019,768	-	-	-
Due to bond holders	-	13,488,103	-	-
Due to other agencies	-	-	7,374,022	798,296
<b>Total Liabilities</b>	<u>\$ 3,914,922</u>	<u>\$ 13,505,453</u>	<u>\$ 7,374,022</u>	<u>\$ 798,296</u>
<b>NET POSITION</b>				
Held in trust for scholarships				

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



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<b>Trust Funds</b>	
<b>Private-Purpose Trust Fund</b>	<b>Total Fiduciary Funds</b>
\$ 391,722	\$ 25,556,478
2,195	60,300
-	89,400
-	267,381
-	13,051
<u>393,917</u>	<u>25,986,610</u>
5,500	2,918,004
-	1,019,768
-	13,488,103
-	8,172,318
<u>5,500</u>	<u>25,598,193</u>
<u><u>\$ 388,417</u></u>	<u><u>\$ 388,417</u></u>

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

## **FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Private-Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Private donations	\$ 151,500
Interest	7,731
<b>Total Additions</b>	<u>159,231</u>
<b>DEDUCTIONS</b>	
Other expenditures	<u>164,500</u>
<b>Change in Net Position</b>	(5,269)
<b>Net Position - Beginning</b>	<u>393,686</u>
<b>Net Position - Ending</b>	<u><u>\$ 388,417</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **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 QZAB Fund. 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, 2019

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### 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 \$21,353,850.

**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.

**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).

**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).

### 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 the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

**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 to be used for 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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). 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).

**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 resources for, and the retirement of, principal and interest on general long-term obligations.

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

**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.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District's trust fund is a private-purpose trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for student body activities (ASB), debt service special tax bonds, funds held on behalf of other agencies, and warrant pass-through.

### **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, 2019

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**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, 2019**

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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, 2019, 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.



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

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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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 yearend 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 with less than 10 years of employment do not gain a vested right to accumulated sick leave. Upon retirement, the earned but unused sick leave of any unit member maybe converted to retirement credit for employees with 10 years or more of employment with the District. The employee must notify the District of the retirement and request such conversion of sick leave to service credit, no later than six months after retirement. Upon retirement, any earned but unused sick leave of any unit that has not been converted to service credit will be awarded the equivalent of the number of hours or days of pay at the current rate of pay in their final accounting check not to exceed \$7,500. Due to the District not having the ability to substantiate amount of retirement credit that may be converted, 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 0.004 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.

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

## **NOTES TO FINANCIAL STATEMENTS**

### **JUNE 30, 2019**

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#### **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.

#### **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 refunding of debt, for pension related items, and for OPEB 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 and for OPEB 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.

#### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District's Plan and MPP's fiduciary net position have been determined on the same basis as they are reported by the District's Plan and MPP. For this purpose, the District's Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

#### **Fund Balances - Governmental Funds**

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**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.

### **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, 2019. 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 \$68,021,116 of restricted net position.

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

## **NOTES TO FINANCIAL STATEMENTS**

### **JUNE 30, 2019**

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#### **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.

#### **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 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.

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

## **NOTES TO FINANCIAL STATEMENTS**

### **JUNE 30, 2019**

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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 District has implemented the provisions of this Statement as of June 30, 2019.

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

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

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

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

The District has implemented the provisions of this Statement as of June 30, 2019.

### **New Accounting Pronouncements**

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 the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

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

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

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

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

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

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2019**

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This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

### **NOTE 2 - DEPOSITS AND INVESTMENTS**

#### **Summary of Deposits and Investments**

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 191,391,012
Fiduciary funds	25,556,478
Total Deposits and Investments	<u>\$ 216,947,490</u>

Deposits and investments as of June 30, 2019, consisted of the following:

Cash on hand and in banks	\$ 15,219,962
Cash in revolving	84,446
Investments	201,643,082
Total Deposits and Investments	<u>\$ 216,947,490</u>



# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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 Los Angeles County Treasury 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.

### 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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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.

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/ Average Maturity in Days
Commercial Paper	\$ 3,064,640	40
Certificates of Deposit	3,549,000	181
Money Market Mutual Funds - Invesco Treasury Portfolio	1,896,008	7/1/2019
Money Market Mutual Funds - Blackrock	32,277,966	7/1/2019
Money Market Mutual Funds - Fidelity	1,393,883	7/1/2019
Money Market Mutual Funds - Vanguard	64,097	7/1/2019
Los Angeles County Treasury Investment Pool	159,397,488	547
Total	<u>\$ 201,643,082</u>	

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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, 2019	Reported Amount
Commercial Paper	P-1	P-1	\$ 3,064,640
Certificates of Deposit	Not Required	Not Required	3,549,000
Money Market Mutual Funds - Invesco Treasury Portfolio	Not Required	AAA-mf	1,896,008
Money Market Mutual Funds - Blackrock	Not Required	AAA-mf	32,277,966
Money Market Mutual Funds - Fidelity	Not Required	AAA-mf	1,393,883
Money Market Mutual Funds - Vanguard	Not Required	AAA-mf	64,097
Los Angeles County Treasury Investment Pool	Not Required	Not Rated	159,397,488
Total			<u>\$ 201,643,082</u>

### 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, 2019, the District's bank balance of \$12,880,029 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Reported Amount	Fair Value Measurements Using	Uncategorized
		Level 2 Inputs	
Commercial Paper	\$ 3,064,640	\$ 3,064,640	\$ -
Certificates of Deposit	3,549,000	3,549,000	-
Los Angeles County Treasury Investment Pool	159,397,488	-	159,397,488
Total	<u>\$ 166,011,128</u>	<u>\$ 6,613,640</u>	<u>\$ 159,397,488</u>

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
Federal Government				
Categorical aid	\$ 5,555,190	\$ -	\$ -	\$ 380,971
State Government				
Categorical aid	3,361,094	-	-	105,147
Lottery	1,041,752	-	-	-
Local Government				
Interest	177,478	266,681	41,412	159,279
Other local sources	2,486,494	40,391	1,514,292	11,416
Total	<u>\$ 12,622,008</u>	<u>\$ 307,072</u>	<u>\$ 1,555,704</u>	<u>\$ 656,813</u>
	Internal Service Fund	Total Governmental Activities	Fiduciary Fund	
Federal Government				
Categorical aid	\$ -	\$ 5,936,161	\$ -	
State Government				
Categorical aid	-	3,466,241	-	
Lottery	-	1,041,752	-	
Local Government				
Interest	5,525	650,375	-	
Other local sources	-	4,052,593	60,300	
Total	<u>\$ 5,525</u>	<u>\$ 15,147,122</u>	<u>\$ 60,300</u>	

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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, 2019, the cash surrender balance outstanding was \$2,101,529.

### NOTE 6 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 123,839,428	\$ -	\$ -	\$ 123,839,428
Construction in progress	179,273,967	90,375,087	24,957,176	244,691,878
Total Capital Assets Not Being Depreciated	303,113,395	90,375,087	24,957,176	368,531,306
Capital Assets Being Depreciated				
Land improvements	58,214,036	150,388	-	58,364,424
Buildings	460,040,366	24,795,254	1,631,300	483,204,320
Furniture and equipment	28,053,729	910,274	8,545	28,955,458
Total Capital Assets Being Depreciated	546,308,131	25,855,916	1,639,845	570,524,202
Total Capital Assets	849,421,526	116,231,003	26,597,021	939,055,508
Less Accumulated Depreciation				
Land improvements	32,435,545	3,056,285	-	35,491,830
Buildings	130,929,003	10,307,433	1,315,490	139,920,946
Furniture and equipment	23,319,146	1,077,269	2,136	24,394,279
Total Accumulated Depreciation	186,683,694	14,440,987	1,317,626	199,807,055
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 662,737,832</b>	<b>\$ 101,790,016</b>	<b>\$ 25,279,395</b>	<b>\$ 739,248,453</b>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

### Governmental Activities

Instruction	\$ 7,681,051
Supervision of instruction	264,394
Instructional library, media, and technology	141,440
School site administration	1,024,355
Home-to-school transportation	293,634
Food services	238,422
All other pupil services	1,220,641
Ancillary services	80,010
Community services	13,882
All other administration	800,171
Data processing	220,333
Plant services	2,462,654
Total Depreciation Expenses Governmental Activities	<u>\$ 14,440,987</u>

### NOTE 7 - INTERFUND TRANSACTIONS

#### Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
Special Reserve Fund for Capital Outlay Projects	\$ -	\$ 8,938	\$ 8,938
Non-Major Governmental Funds	785,000	739,073	1,524,073
Total	<u>\$ 785,000</u>	<u>\$ 748,011</u>	<u>\$ 1,533,011</u>

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund to cover costs. \$ 785,000

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 Fund for Capital Outlay Projects for reimbursement of costs. 8,938

The Capital Facilities Non-Major Governmental Fund transferred to the Capital Projects Non-Major Governmental Fund for Blended Component Units for debt service payments. 362,168

Total \$ 1,533,011

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
Vendor payables	\$ 3,329,003	\$ -	\$ -	\$ 215,130
State principal apportionment	2,962,958	-	-	-
Salaries and benefits	10,335,343	-	-	29,508
Construction	-	7,930,702	3,927,465	7,576
Total	<u>\$ 16,627,304</u>	<u>\$ 7,930,702</u>	<u>\$ 3,927,465</u>	<u>\$ 252,214</u>

	Total Governmental Activities	Fiduciary Funds
Vendor payables	\$ 3,544,133	\$ 2,918,004
State principal apportionment	2,962,958	-
Salaries and benefits	10,364,851	-
Construction	11,865,743	-
Total	<u>\$ 28,737,685</u>	<u>\$ 2,918,004</u>

### NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 1,312,979	\$ -	\$ 1,312,979
State categorical aid	1,449,922	-	1,449,922
Other local	121,644	106,418	228,062
Total	<u>\$ 2,884,545</u>	<u>\$ 106,418</u>	<u>\$ 2,990,963</u>



# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 10 - LONG-TERM OBLIGATIONS

#### Summary

A schedule of changes in long-term obligations for the year ended June 30, 2019, is shown below:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 436,325,619	\$ 11,782,004	\$ 12,335,000	\$ 435,772,623	\$ 16,325,000
Premium on issuance	20,036,991	-	1,624,692	18,412,299	-
Certificates of participation	6,000,000	-	6,000,000	-	-
Direct placement debt issuance	23,031,998	-	215,726	22,816,272	936,256
Lease revenue bonds	-	21,795,000	-	21,795,000	125,000
Discount on issuance	-	(293,448)	(1,054)	(292,394)	-
Capital Leases	3,804,125	-	415,336	3,388,789	450,635
Compensated absences (vacation)	865,465	405,800	-	1,271,265	-
Net other postemployment benefits (OPEB) liability	63,681,111	7,015,694	2,890,335	67,806,470	-
Total Governmental Activities	\$ 553,745,309	\$ 40,705,050	\$ 23,480,035	\$ 570,970,324	\$ 17,836,891

The payments for general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The payments on the certificates of participation are made in the QZAB Fund. The payments for direct placement debt issuance and capital lease obligations are made by the General Fund. The payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds. The payments for the net other postemployment benefits (OPEB) liability will be paid by the fund for which the employee worked.

#### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Capital Appreciation	Redeemed	Bonds Outstanding June 30, 2019
06/23/05	09/01/29	3.86% - 4.86%	\$ 66,196,106	\$ 77,399,404	\$ 3,442,755	\$ 6,470,000	\$ 74,372,159
06/10/09	08/01/33	4.00% - 6.47%	75,174,767	78,090,960	4,713,657	1,485,000	81,319,617
11/30/11	08/01/36	2.75% - 6.50%	40,567,734	51,500,779	2,680,481	1,280,000	52,901,260
03/07/12	09/01/27	1.25% - 5.00%	48,945,000	42,490,000	-	515,000	41,975,000
02/21/13	08/01/38	2.00% - 5.03%	168,280,123	160,909,476	945,111	2,420,000	159,434,587
06/30/16	08/01/25	2.00% - 5.00%	26,735,000	25,935,000	-	165,000	25,770,000
				<u>\$ 436,325,619</u>	<u>\$ 11,782,004</u>	<u>\$ 12,335,000</u>	<u>\$ 435,772,623</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### Debt Service Requirements to Maturity

The bonds mature through August 1, 2038 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Accreted Interest to Maturity	Total
2020	\$ 16,229,670	\$ 10,351,863	\$ 95,330	\$ 26,676,863
2021	16,938,397	11,632,063	401,603	28,972,063
2022	18,181,694	11,702,363	718,306	30,602,363
2023	19,917,787	11,606,788	1,047,213	32,571,788
2024	21,689,323	11,641,563	1,870,677	35,201,563
2025-2029	110,645,790	33,041,413	21,479,210	165,166,413
2030-2034	102,566,591	16,064,600	104,583,409	223,214,600
2035-2039	129,603,371	12,362,025	77,056,629	219,022,025
Total	<u>\$ 435,772,623</u>	<u>\$ 118,402,678</u>	<u>\$ 207,252,377</u>	<u>\$ 761,427,678</u>

### 2001 General Obligation Bonds, Series B

On June 23, 2005, the District issued \$66,196,106 in capital appreciation the Election 2001, General Obligation Bonds, Series 200B. The capital appreciation bonds accrete interest to a maturity value of \$140,075,000. The bonds mature on September 1, 2029, with interest rates ranging from 3.86 to 4.86 percent. The proceeds from the sale of the bonds were used to finance the construction, addition and modernization of school facilities.

\$ 74,372,159

### 2008 General Obligation Bonds, Series A

On June 10, 2009, the District issued \$32,470,000 in current interest serial bonds, \$28,022,957 in capital appreciation term bond, and \$14,681,810 in capital appreciation serial bonds of the Election 2008 General Obligation Bonds, Series A. The capital appreciation term bond accrete interest to a maturity value of \$109,950,000 and the capital appreciation serial bonds accrete interest to a maturity value of \$65,840,000. The bonds mature on August 1, 2025, August 31, 2031, and August 1, 2033 respectively, with interest rates ranging from 4.00 to 6.47 percent. The proceeds from the sale of the bonds were used to finance the construction, addition and modernization of school facilities.

81,319,617

### 2008 General Obligation Bonds, Series B

On November 30, 2011, the District issue \$13,830,000 in current interest serial bonds and \$26,737,734 in capital appreciation bond, of the Election 2008 General Obligation Bonds, Series B. The capital appreciation term bond accrete interest to a maturity value of \$101,015,000. The bonds mature on August 1, 2023 and August 1, 2036 respectively, with interest rates ranging from 2.75 to 6.50 percent. The proceeds from the sale of the bonds were used to finance the construction, addition and modernization of school facilities.

52,901,260

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 2012 General Obligation Refunding Bonds

On March 7, 2012, the District issued \$48,945,000 of the 2012 Series General Obligation Refunding Bonds. The bonds mature on September 1, 2027 with interest rates ranging from 1.25 to 5.0 percent. The proceeds from the sale of the bonds were used to refund a portion of the current interest bonds related to the Election 2001 General Obligation Bonds, Series A.

\$ 41,975,000

### 2008 General Obligation Bonds, Series C

On February 21, 2013 the District issued \$153,830,000 in current interest serial bonds and \$14,450,123 in capital appreciation term bonds of the Election 2008 General Obligation Bonds, Series C. The capital appreciation bonds accrete interest to a maturity value of \$48,670,000. The bonds mature on August 1, 2038 and August 1, 2037 respectively, with interest rates ranging from 2.00 to 5.03 percent. The proceeds from the sale of the bonds were used to finance the construction, addition and modernization of school facilities.

159,434,587

### 2016 General Obligation Refunding Bonds

On June 30, 2016, the District issued \$26,735,000 of the 2016 General Obligation Refunding Bonds. The bonds mature on August 1, 2025 with interest rates ranging from 2.00 to 5.00 percent. The proceeds from the sale of the bonds were used to refund the current interest bonds related to the Election 2008 General Obligation Bonds, Series A.

\$ 25,770,000

Subtotal bonds outstanding

435,772,623

2001 General Obligation Bonds, Series B  
2008 General Obligation Bonds, Series A  
2008 General Obligation Bonds, Series B  
2012 General Obligation Refunding Bonds  
2008 General Obligation Bonds, Series C  
2016 General Obligation Refunding Bonds

562,661  
1,249,065  
2,278,840  
4,225,347  
6,207,760  
3,888,626

Subtotal premium on bonds

18,412,299

Deferred amount on 2012 Refunding bonds  
Deferred amount on 2016 Refunding bonds

(276,848)  
(3,066,483)

Subtotal deferred amount on refunding

(3,343,331)

\$ 450,841,591

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### Lease Revenue Bonds

#### Bonded Debt

The outstanding lease revenue bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued	Redeemed	Bonds Outstanding June 30, 2019
10/18/18	05/01/42	3.38% - 5.00%	\$ 21,795,000	\$ -	\$ 21,795,000	\$ -	\$ 21,795,000

#### Debt Service Requirements to Maturity

The bonds mature through May 1, 2042

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 125,000	\$ 816,763	\$ 941,763
2021	75,000	811,763	886,763
2022	65,000	808,763	873,763
2023	75,000	806,163	881,163
2024	95,000	803,163	898,163
2025-2029	760,000	3,945,813	4,705,813
2030-2034	1,375,000	3,720,563	5,095,563
2035-2039	11,645,000	3,111,156	14,756,156
2040-2042	7,580,000	556,875	8,136,875
Total	\$ 21,795,000	\$ 15,381,022	\$ 37,176,022

#### Lease Revenue Bonds, Series 2018

On October 18, 2018, the District issued \$2,245,000 of uninsured serial bonds, \$11,970,000 of insured serial bonds, and \$7,580,000 of insured term bond of the Series 2018 Lease Revenue Bonds. The bonds mature on May 1, 2033, May 1, 2039, and May 1, 2042, respectively, with interest rates ranging from 3.38 to 5.00 percent. The proceeds from the sale of the bonds were used to finance the construction, addition and modernization of school facilities.

	\$ 21,795,000
Discount on bonds lease revenue bonds, series 2018	(292,394)
	<u>\$ 21,502,606</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### Capital Leases - Governmental Activities

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

	Energy Management Equipment	Direct Placement Debt Issuance Energy Management Equipment
Balance, July 1, 2018	\$ 4,302,839	\$ 32,635,564
Additions	-	-
Payments	526,368	712,687
Balance, June 30, 2019	<u>\$ 3,776,471</u>	<u>\$ 31,922,877</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment	Direct Placement Debt Issuance Lease Payment
2020	\$ 548,944	\$ 2,010,408
2021	569,344	1,995,074
2022	547,690	2,025,582
2023	535,056	2,057,094
2024	529,824	2,001,530
Thereafter	1,045,613	21,833,189
Total	3,776,471	31,922,877
Less: Amount Representing Interest	387,682	9,106,605
Present Value of Minimum Lease Payments	<u>\$ 3,388,789</u>	<u>\$ 22,816,272</u>

Leased equipment under capital leases in capital assets at June 30, 2019, includes the following:

Construction in progress	\$ 12,261,187
Buildings	9,882,524
Equipment	1,053,472
Less: Accumulated depreciation	(724,263)
Total	<u>\$ 22,472,920</u>

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$1,271,265.

### Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 66,530,231	\$ 1,750,174	\$ 2,119,890	\$ 4,313,302
Medicare Premium Payment (MPP) Program	1,276,239	-	-	(187,943)
Total	<u>\$ 67,806,470</u>	<u>\$ 1,750,174</u>	<u>\$ 2,119,890</u>	<u>\$ 4,125,359</u>

The details of each plan are as follows:

### District Plan

#### Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

#### *Plan Membership*

At June 30, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	165
Active employees	1,906
	<u>2,071</u>

#### *Benefits Provided*

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Hart District Teachers' Association (HDTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, HDTA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid \$2,211,260 in benefits.

### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	6.00 percent for 2019

The discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.

Mortality rates were based on the rates used by the 2015 California State Teachers Retirement System (STRS) and the 2017 CalPERS pension valuation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

### **Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 62,216,929
Service cost	4,775,541
Interest	2,240,153
Changes of assumptions or other inputs	(491,132)
Benefit payments	(2,211,260)
Net change in total OPEB liability	4,313,302
Balance at June 30, 2018	<u><u>\$ 66,530,231</u></u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.50%)	\$ 71,568,041
Current discount rate (3.50%)	66,530,231
1% increase (4.50%)	61,782,212

### *Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

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

<u>Healthcare Cost Trend Rate</u>	<u>Total OPEB Liability</u>
1% decrease (5.00%HMO/5.50%PPO decreasing to 4.00%HMO/4.50%PPO)	\$ 59,284,332
Current healthcare cost trend rate (6.00%HMO/6.50%PPO decreasing to 5.00%HMO/5.50%PPO)	66,530,231
1% increase (7.00%HMO/7.50%PPO decreasing to 6.00%HMO/6.50%PPO)	75,008,509

### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$4,313,302. At June 30, 2018, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Amounts paid by the District for OPEB as the benefits become due subsequent to the measurement date	\$ 1,750,174	\$ -
Changes of assumptions	-	2,119,890
Total	<u>\$ 1,750,174</u>	<u>\$ 2,119,890</u>



# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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Amounts reported as deferred outflows of resources related to OPEB for amounts paid by the District for OPEB as benefits become due subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the subsequent fiscal year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred (Inflows) of Resources
2020	\$ (344,220)
2021	(344,220)
2022	(344,220)
2023	(344,220)
2024	(344,220)
Thereafter	(398,790)
	<u>\$ (2,119,890)</u>

### **Medicare Premium Payment (MPP) Program**

#### **Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

### Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$1,276,239 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, was 0.3334 percent and 0.3480, respectively, resulting in a net increase in the proportionate share of 0.0146 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(187,943).

### Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2018, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB 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 OPEB Liability
1% decrease (2.87%)	\$ 1,411,585
Current discount rate (3.87%)	1,276,239
1% increase (4.87%)	1,154,033

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Cost Trend Rates*

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare cost trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare cost trend rates that are one percent lower or higher than the current rates:

Medicare Cost Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 1,163,802
Current Medicare cost trend rates (3.7% Part A and 4.1% Part B)	1,276,239
1% increase (4.7% Part A and 5.1% Part B)	1,397,164

**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 \$68,475,000 as of June 30, 2019, 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, 2019

### NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Project	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Revolving cash	\$ 26,612	\$ -	\$ -	\$ -	\$ 57,834	\$ 84,446
Stores inventories	187,656	-	-	-	57,316	244,972
Prepaid expenditures	981,548	-	-	-	-	981,548
Total Nonspendable	1,195,816	-	-	-	115,150	1,310,966
<b>Restricted</b>						
Educational programs	6,180,770	-	-	-	1,101,125	7,281,895
Capital projects	-	34,886,917	27,898,113	-	16,120,967	78,905,997
Debt services	-	-	-	21,745,819	-	21,745,819
Total Restricted	6,180,770	34,886,917	27,898,113	21,745,819	17,222,092	107,933,711
<b>Committed</b>						
Deferred maintenance program	-	-	-	-	6,613,472	6,613,472
<b>Assigned</b>						
Castaic opening	1,970,738	-	-	-	-	1,970,738
Castaic opening - technology	873,040	-	-	-	-	873,040
Instructional materials	5,477,141	-	-	-	-	5,477,141
School buses	460,754	-	-	-	-	460,754
LACOE best project	425,399	-	-	-	-	425,399
Fiscal solvency	12,146,778	-	-	-	-	12,146,778
Other assignments	-	-	7,304,323	-	184,614	7,488,937
Total Assigned	21,353,850	-	7,304,323	-	184,614	28,842,787
<b>Unassigned</b>						
Economic uncertainties	7,529,032	-	-	-	-	7,529,032
Remaining unassigned	22,029,999	-	-	-	-	22,029,999
Total Unassigned	29,559,031	-	-	-	-	29,559,031
<b>Total</b>	<b>\$ 58,289,467</b>	<b>\$ 34,886,917</b>	<b>\$ 35,202,436</b>	<b>\$ 21,745,819</b>	<b>\$ 24,135,328</b>	<b>\$ 174,259,967</b>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### NOTE 13 - 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.

### NOTE 14 - 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, 2019, 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	\$ 170,727,971	\$ 47,585,678	\$ 20,480,091	\$ 20,320,480
CalPERS	68,424,208	17,869,701	2,505,712	12,409,213
Total	<u>\$ 239,152,179</u>	<u>\$ 65,455,379</u>	<u>\$ 22,985,803</u>	<u>\$ 32,729,693</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.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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.

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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

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

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

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### **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, 2019, are presented above and the District's total contributions were \$15,198,955.

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

At June 30, 2019, 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	\$ 170,727,971
State's proportionate share of the net pension liability associated with the District	97,749,748
Total	<u>\$ 268,477,719</u>

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.1858 percent and 0.1922 percent, respectively, resulting in a net decrease in the proportionate share of 0.0065 percent.



# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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For the year ended June 30, 2019, the District recognized pension expense of \$20,320,480. In addition, the District recognized pension expense and revenue of \$11,483,391 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 15,198,955	\$ -
Net change in proportionate share of net pension liability	5,334,252	11,426,068
Differences between projected and actual earnings on pension plan investments	-	6,574,105
Differences between expected and actual experience in the measurement of the total pension liability	529,421	2,479,918
Changes of assumptions	26,523,050	-
Total	<u>\$ 47,585,678</u>	<u>\$ 20,480,091</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
2020	\$ 1,427,425
2021	(1,035,776)
2022	(5,515,419)
2023	(1,450,335)
Total	<u>\$ (6,574,105)</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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
2020	\$ 3,577,622
2021	3,577,622
2022	3,577,620
2023	3,212,207
2024	5,292,110
Thereafter	(756,444)
Total	<u>\$ 18,480,737</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, 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%

### Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 250,096,499
Current discount rate (7.10%)	170,727,971
1% increase (8.10%)	104,923,760

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

#### **Benefits Provided**

CalPERS 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, 2019, 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%	7.00%
Required employer contribution rate	18.062%	18.062%

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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, 2019, are presented above, and the total District contributions were \$5,990,971.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$68,424,208. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.2566 percent and 0.2620 percent, respectively, resulting in a net decrease in the proportionate share of 0.0054 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$12,409,213. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,990,971	\$ -
Net change in proportionate share of net pension liability	-	2,505,712
Difference between projected and actual earnings on pension plan investments	561,233	-
Differences between expected and actual experience in the measurement of the total pension liability	4,485,641	-
Changes of assumptions	6,831,856	-
Total	<u>\$ 17,869,701</u>	<u>\$ 2,505,712</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.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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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
2020	\$ 2,041,325
2021	488,165
2022	(1,564,388)
2023	(403,869)
Total	<u>\$ 561,233</u>

The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the expected average 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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 3,578,607
2021	4,011,342
2022	1,221,836
Total	<u>\$ 8,811,785</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

### Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	\$ 99,622,375
Current discount rate (7.15%)	68,424,208
1% increase (8.15%)	42,540,863

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

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2019**

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### **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 \$15,593,152 (9.828 percent of annual payroll) and CalPERS in the amount of \$2,319,887. 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. 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–19 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

## **NOTE 15 - 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, 2019.

### **Litigation**

The District is involved in various litigation 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, 2019.



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

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

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### **Construction Commitments**

As of June 30, 2019, 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>
Arroyo Seco Column Repair Project	\$ 56,106	2019-2020
Parking Lot Resurfacing/Restriping Project	36,580	2019-2020
Hart Q Bldg Roof Replacement Project	28,841	2019-2020
Sierra Vista Classroom Addition Project	797,292	2019-2020
Hart Classroom Addition Project	8,082,077	2019-2020
Saugus Auditorium Project	192,745	2019-2020
Castaic High School Project	28,963,466	2020-2021
Castaic South Access Road	633,067	2021-2022
Saugus Insurance Replacement/Repair Project	24,220	2019-2020
La Mesa Marquee Project	12,400	2019-2020
Shade Structure Project	34,886	2019-2020
Prop 39 Project, Phase 2	11,764,638	2020-2021
	<u>\$ 50,626,318</u>	

### **NOTE 16 - 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 (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, 2019, the District made payments of \$1,433,160, \$25,165,028, and \$1,359,087 to SIRMA I, 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, 2019

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
<b>REVENUES</b>				
Local Control Funding Formula	\$ 202,387,979	\$ 203,810,225	\$ 206,193,067	\$ 2,382,842
Federal sources	8,783,534	8,135,104	8,623,441	488,337
Other State sources	18,247,395	20,684,832	35,866,600	15,181,768
Other local sources	14,210,552	17,343,085	18,888,644	1,545,559
<b>Total Revenues</b> <sup>1, 2</sup>	<u>243,629,460</u>	<u>249,973,246</u>	<u>269,571,752</u>	<u>19,598,506</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	104,225,774	107,453,391	107,821,065	(367,674)
Classified salaries	38,483,871	38,303,892	38,775,218	(471,326)
Employee benefits	56,385,391	60,687,659	74,610,915	(13,923,256)
Books and supplies	12,107,554	11,858,820	11,770,746	88,074
Services and operating expenditures	27,494,345	25,250,359	24,088,442	1,161,917
Other outgo	70,869	1,785,956	727,659	1,058,297
Capital outlay	218,444	348,044	1,689,664	(1,341,620)
Debt service - principal	415,336	607,993	631,062	(23,069)
Debt service - interest	111,032	631,062	607,993	23,069
<b>Total Expenditures</b> <sup>1, 2</sup>	<u>239,512,616</u>	<u>246,927,176</u>	<u>260,722,764</u>	<u>(13,795,588)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>4,116,844</u>	<u>3,046,070</u>	<u>8,848,988</u>	<u>5,802,918</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	325,427	1,127,587	-	(1,127,587)
Transfers out	(8,232,321)	(4,678,912)	(785,000)	3,893,912
<b>Net Financing Sources (Uses)</b>	<u>(7,906,894)</u>	<u>(3,551,325)</u>	<u>(785,000)</u>	<u>2,766,325</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(3,790,050)</u>	<u>(505,255)</u>	<u>8,063,988</u>	<u>8,569,243</u>
<b>Fund Balance - Beginning</b>	<u>50,225,479</u>	<u>50,225,479</u>	<u>50,225,479</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 46,435,429</u>	<u>\$ 49,720,224</u>	<u>\$ 58,289,467</u>	<u>\$ 8,569,243</u>

<sup>1</sup> Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects 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.

<sup>2</sup> On behalf payments related to Senate Bill 90 (Chapter 33, Statutes of 2019) of \$8,891,340 are included in actual revenues and expenditures, but have not been included in the budget amounts.

See accompanying note to required supplementary information.

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

## **SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019**

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	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 4,775,541	\$ 5,052,821
Interest	2,240,153	1,825,059
Changes of assumptions	(491,132)	(2,606,848)
Benefit payments	(2,211,260)	(2,076,882)
<b>Net change in total OPEB liability</b>	<b>4,313,302</b>	<b>2,194,150</b>
<b>Total OPEB liability - beginning</b>	<b>62,216,929</b>	<b>60,022,779</b>
<b>Total OPEB liability - ending</b>	<b>\$ 66,530,231</b>	<b>\$ 62,216,929</b>
 <b>Covered-employee payroll</b>	 <b>N/A<sup>1</sup></b>	 <b>N/A<sup>1</sup></b>
 <b>District's net OPEB liability as a percentage of covered-employee payroll</b>	 <b>N/A<sup>1</sup></b>	 <b>N/A<sup>1</sup></b>

<sup>1</sup> The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

See accompanying note to required supplementary information.

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

## **SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019**

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Year ended June 30,	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.3334%</u>	<u>0.3480%</u>
District's proportionate share of the net OPEB liability	<u>\$ 1,276,239</u>	<u>\$ 1,464,182</u>
District's covered-employee payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>-0.40%</u>	<u>0.01%</u>

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program;  
therefore, the covered payroll disclosure is not applicable.

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

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, 2019

	2019	2018	2017
<b>CalSTRS</b>			
District's proportion of the net pension liability	0.1858%	0.1922%	0.1864%
District's proportionate share of the net pension liability	\$ 170,727,971	\$ 177,779,375	\$ 150,755,276
State's proportionate share of the net pension liability associated with the District	97,749,748	105,172,777	85,822,289
Total	\$ 268,477,719	\$ 282,952,152	\$ 236,577,565
District's covered-employee payroll	\$ 108,324,740	\$ 98,798,227	\$ 93,049,767
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	157.61%	179.94%	162.02%
Plan (CalSTRS) fiduciary net position as a percentage of the total pension liability	71%	69%	70%
<b>CalPERS</b>			
District's proportion of the net pension liability	0.2566%	0.2620%	0.2751%
District's proportionate share of the net pension liability	\$ 68,424,208	\$ 62,548,944	\$ 54,339,744
District's covered-employee payroll	\$ 35,487,168	\$ 33,759,699	\$ 32,643,167
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	192.81%	185.28%	166.47%
Plan (CalPERS) fiduciary net position as a percentage of the total pension liability	71%	72%	74%

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

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
<u>0.2030%</u>	<u>0.1962%</u>
\$ 136,700,881	\$ 114,641,815
<u>72,299,697</u>	<u>69,225,678</u>
<u>\$ 209,000,578</u>	<u>\$ 183,867,493</u>
<u>\$ 93,894,189</u>	<u>\$ 101,064,291</u>
<u>145.59%</u>	<u>113.43%</u>
<u>74%</u>	<u>77%</u>
<u>0.2941%</u>	<u>0.2818%</u>
<u>\$ 43,349,761</u>	<u>\$ 31,993,077</u>
<u>\$ 32,646,589</u>	<u>\$ 33,638,218</u>
<u>132.78%</u>	<u>95.11%</u>
<u>79%</u>	<u>83%</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
<b>CalSTRS</b>			
Contractually required contribution	\$ 15,198,955	\$ 15,631,260	\$ 12,428,817
Contributions in relation to the contractually required contribution	15,198,955	15,631,260	12,428,817
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 93,359,674	\$ 108,324,740	\$ 98,798,227
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%
<b>CalPERS</b>			
Contractually required contribution	\$ 5,990,971	\$ 5,511,512	\$ 4,688,547
Contributions in relation to the contractually required contribution	5,990,971	5,511,512	4,688,547
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 33,168,924	\$ 35,487,168	\$ 33,759,699
Contributions as a percentage of covered-employee payroll	18.06%	15.53%	13.89%

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

See accompanying note to required supplementary information.



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<u>2016</u>	<u>2015</u>
\$ 9,984,240	\$ 8,337,804
<u>9,984,240</u>	<u>8,337,804</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 93,049,767</u>	<u>\$ 93,894,189</u>
<u>10.73%</u>	<u>8.88%</u>
\$ 3,867,236	\$ 3,842,830
<u>3,867,236</u>	<u>3,842,830</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 32,643,167</u>	<u>\$ 32,646,589</u>
<u>11.85%</u>	<u>11.77%</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

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.

At June 30, 2018, the District major fund exceeded the budgeted amount in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	\$ 246,927,176	\$ 260,722,764	\$ 13,795,588

#### Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. 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 valuation for other postemployment benefits.

***Changes of Assumptions*** – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life.

#### Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefit Terms*** – There were no changes in the benefit terms since the previous valuation.

***Changes of Assumptions*** – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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

## **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019**

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### **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 of 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, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster			
School Breakfast Basic	10.553	13390	\$ 45,597
School Breakfast Needy	10.553	13526	531,851
National School Lunch	10.555	13523	1,455,069
Food Distribution	10.555	13524	259,614
Total Child Nutrition Cluster			<u>2,292,131</u>
Forest Reserve Funds	10.665	10044	<u>76,541</u>
Total U.S. Department of Agriculture			<u>2,368,672</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Passed through California Department of Defense:			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	<u>158,673</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through CDE:			
Adult Education - Basic Grants			
Adult Basic Education and ELA	84.002A	14508	69,899
Adult Secondary Education	84.002	13978	43,450
English Literacy and Civics Education	84.002A	14109	14,763
Elementary and Secondary Education Act			
Title I, Part A	84.010	14329	1,828,393
Title II, Part A	84.367	14341	409,028
Title III			
Immigrant Student Program	84.365	15146	5,655
English Learner Student Program	84.365	14346	108,552
Title IV, Part A	84.424	15396	43,445
Vocational Educational Grant			
Carl Perkins	84.048	14894	245,288
Vocational Rehabilitation Grant			
Workability II	84.126	10006	323,010
Passed through Santa Clarita Special Education Local Plan Area			
Special Education Cluster			
Local Assistance - Basic	84.027	13379	3,559,617
Local Assistance - Private Schools ISPs	84.027	10115	6,766
Mental Health Allocation Plan	84.027A	15197	<u>526,162</u>
Total U.S. Department of Education			<u>7,184,028</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, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Human Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	\$ 498,319
Medical Administrative Activities	93.778	10060	1,081,641
Total U.S. Department of Health and Human Services			<u>1,579,960</u>
Total Expenditures of Federal Awards			<u><u>\$ 11,291,333</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, 2019**

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### **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 Jenson	President	2022
Linda Storli	Clerk	2020
Dr. Cherise Moore	Assistant Clerk	2022
Joseph V. Messina	Member	2022
Steven M. Sturgeon	Member	2020

### **ADMINISTRATION**

Victoria Engbrecht	Superintendent
Mike Kuhlman	Deputy Superintendent
Michael Vierra	Assistant Superintendent, Human Resources
Ralph Peschek	Chief Financial Officer
Collyn Nielsen	Chief Administrative Officer

See accompanying note to supplementary information.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT****SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

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	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	6,778.19	6,761.44
Ninth through twelfth	14,629.32	14,527.81
Total Regular ADA	21,407.51	21,289.25
Extended Year Special Education		
Seventh and eighth	11.24	11.24
Ninth through twelfth	11.15	11.15
Total Extended Year Special Education	22.39	22.39
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	9.85	10.26
Ninth through twelfth	30.80	32.20
Total Special Education, Nonpublic, Nonsectarian Schools	40.65	42.46
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	1.38	1.38
Ninth through twelfth	3.82	3.82
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	5.20	5.20
Total ADA	21,475.75	21,359.30

See accompanying note to supplementary information.



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

## **SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2019**

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Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	54,000				
Grade 7		54,965	180	N/A	Complied
Grade 8		54,965	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,140	180	N/A	Complied
Grade 10		65,140	180	N/A	Complied
Grade 11		65,140	180	N/A	Complied
Grade 12		65,140	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, 2019**

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>	<u>Cafeteria Non-Major Governmental Fund</u>
<b>FUND BALANCE</b>		
Balance, June 30, 2019, Unaudited Actuals	\$ 60,472,192	\$ 634,405
Decrease in:		
Unearned revenue	-	13,866
Increase in:		
Accounts payable	(2,182,725)	-
Cash in bank	-	252,131
Balance, June 30, 2019, Audited Financial Statement	<u>\$ 58,289,467</u>	<u>\$ 900,402</u>

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, 2019

	(Budget) 2020 <sup>1</sup>	2019	2018	2017
GENERAL FUND <sup>2</sup>				
Revenues	\$ 247,850,665	\$ 269,571,752	\$ 233,387,268	\$ 232,665,835
Other sources and transfers in	3,582,341	-	-	-
Total Revenues and Other Sources	251,433,006	269,571,752	233,387,268	232,665,835
Expenditures	261,989,674	260,722,764	233,387,773	228,931,554
Other uses and transfers out	785,000	785,000	3,087,199	2,052,138
Total Expenditures and Other Uses	262,774,674	261,507,764	236,474,972	230,983,692
INCREASE (DECREASE) IN FUND BALANCE	\$ (11,341,668)	\$ 8,063,988	\$ (3,087,704)	\$ 1,682,143
ENDING FUND BALANCE <sup>2</sup>	\$ 28,806,946	\$ 40,148,614	\$ 32,084,626	\$ 35,172,330
AVAILABLE RESERVES <sup>3</sup>	\$ 23,322,161	\$ 31,741,756	\$ 29,100,171	\$ 32,509,988
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>5</sup>	8.88%	12.57%	12.64%	14.46%
LONG-TERM OBLIGATIONS	N/A	\$ 570,970,324	\$ 570,970,324	\$ 530,432,041
K-12 AVERAGE DAILY ATTENDANCE AT P-2 <sup>4</sup>	21,481	21,476	21,649	21,484

The General Fund balance has increased by \$4,976,284 over the past two years. The fiscal year 2019-2020 budget projects a further decrease of \$11,341,668 (28.25 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 surpluses in two of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$40,538,283 over the past two years.

Average daily attendance has decreased by eight over the past two years. Additional growth of five ADA is anticipated during fiscal year 2019-2020.

<sup>1</sup> Budget 2020 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> Available reserves consist of all unassigned fund balances contained within the General Fund and Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>4</sup> Excludes Charter School ADA.

<sup>5</sup> Additional on behalf payments related to Senate Bill 90 (Chapter 33, Statutes of 2019) of \$8,891,340 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

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

## **SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2019**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
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, 2019

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>ASSETS</b>			
Deposits and investments	\$ 391,714	\$ 592,473	\$ 6,750,857
Receivables	180,447	319,449	32,675
Stores inventories	-	57,316	-
<b>Total Assets</b>	<u>\$ 572,161</u>	<u>\$ 969,238</u>	<u>\$ 6,783,532</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 71,674	\$ 404	\$ 170,060
Other current liabilities	-	-	-
Unearned revenue	-	68,432	-
<b>Total Liabilities</b>	<u>71,674</u>	<u>68,836</u>	<u>170,060</u>
<b>Fund Balances:</b>			
Nonspendable	-	115,150	-
Restricted	315,873	785,252	-
Committed	-	-	6,613,472
Assigned	184,614	-	-
<b>Total Fund Balances</b>	<u>500,487</u>	<u>900,402</u>	<u>6,613,472</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 572,161</u>	<u>\$ 969,238</u>	<u>\$ 6,783,532</u>

See accompanying note to supplementary information.

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<b>Capital Facilities Fund</b>	<b>Capital Projects Fund for Blended Component Units</b>	<b>QZAB Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 16,135,219	\$ 1,257,089	\$ -	\$ 25,127,352
118,078	6,164	-	656,813
-	-	-	57,316
<u>\$ 16,253,297</u>	<u>\$ 1,263,253</u>	<u>\$ -</u>	<u>\$ 25,841,481</u>
\$ 7,576	\$ 2,500	\$ -	\$ 252,214
1,347,521	-	-	1,347,521
37,986	-	-	106,418
<u>1,393,083</u>	<u>2,500</u>	<u>-</u>	<u>1,706,153</u>
-	-	-	115,150
14,860,214	1,260,753	-	17,222,092
-	-	-	6,613,472
-	-	-	184,614
<u>14,860,214</u>	<u>1,260,753</u>	<u>-</u>	<u>24,135,328</u>
\$ 16,253,297	\$ 1,263,253	\$ -	\$ 25,841,481

# 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, 2019

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>REVENUES</b>			
Federal sources	\$ 128,112	\$ 2,292,131	\$ -
Other State sources	951,314	160,346	-
Other local sources	182,719	1,593,721	123,280
<b>Total Revenues</b>	<b>1,262,145</b>	<b>4,046,198</b>	<b>123,280</b>
<b>EXPENDITURES</b>			
Current			
Instruction	421,823	-	-
Instruction-related activities:			
Supervision of instruction	170,808	-	-
School site administration	333,915	-	-
Pupil services:			
Food services	-	3,534,385	-
All other pupil services	37,435	-	-
General administration:			
All other general administration	38,636	183,149	-
Plant services	650	110,612	-
Other outgo	61,544	-	-
Facility acquisition and construction	88,696	-	170,060
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>1,153,507</b>	<b>3,828,146</b>	<b>170,060</b>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	<b>108,638</b>	<b>218,052</b>	<b>(46,780)</b>
<b>Other Financing Sources</b>			
Transfers in	-	-	785,000
Transfers out	-	-	-
<b>Net Financing Sources</b>	<b>-</b>	<b>-</b>	<b>785,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>108,638</b>	<b>218,052</b>	<b>738,220</b>
<b>Fund Balances - Beginning</b>	<b>391,849</b>	<b>682,350</b>	<b>5,875,252</b>
<b>Fund Balances - Ending</b>	<b>\$ 500,487</b>	<b>\$ 900,402</b>	<b>\$ 6,613,472</b>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>Capital Projects Fund for Blended Component Units</b>	<b>QZAB Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 2,420,243
-	-	-	1,111,660
6,594,831	127,134	556,979	9,178,664
6,594,831	127,134	556,979	12,710,567
-	-	-	421,823
-	-	-	170,808
-	-	-	333,915
-	-	-	3,534,385
-	-	-	37,435
185,939	-	-	407,724
99,781	(2,002,518)	-	(1,791,475)
-	-	739,335	800,879
6,542,730	6,676,404	-	13,477,890
-	-	6,000,000	6,000,000
-	10,879	-	10,879
6,828,450	4,684,765	6,739,335	23,404,263
(233,619)	(4,557,631)	(6,182,356)	(10,693,696)
-	-	739,073	1,524,073
(376,905)	(371,106)	-	(748,011)
(376,905)	(371,106)	739,073	776,062
(610,524)	(4,928,737)	(5,443,283)	(9,917,634)
15,470,738	6,189,490	5,443,283	34,052,962
\$ 14,860,214	\$ 1,260,753	\$ -	\$ 24,135,328



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

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

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**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.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 11,043,684
Medi-Cal Billing Option	93.778	<u>247,649</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 11,291,333</u></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, 2019**

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### **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 has met 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**



**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, 2019, 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 6, 2019.

**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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses or schedule of findings and questioned costs as items 2019-001 that we consider to be significant deficiencies.

## **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* and which are described in the accompanying schedule of findings and responses or schedule of findings and questioned costs as items 2019-001.

We noted certain matters that we reported to management of William S. Hart Union High School District in a separate letter dated December 6, 2019.

### **William S. Hart Union High School District's Response to Findings**

William S. Hart Union High School District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses or 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 it.

### **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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 6, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT 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, 2019. 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 the 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, 2019.

### **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 not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in cursive script that reads "Eric Bailly LLP".

Rancho Cucamonga, California  
December 6, 2019



## 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 *2018-2019 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, 2019.

### ***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 *2018-2019 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.

### ***Basis for Qualified Opinion on Instructional Materials and Unduplicated Local Control Funding Formula Pupil Counts***

As described in the accompanying schedule of findings and questioned costs, William S. Hart Union High School District did not comply with requirements regarding Instructional Materials and Unduplicated Local Control Funding Formula Pupil Counts, as identified in finding 2019-002 and 2019-003. Compliance with such requirements is necessary, in our opinion, for William S. Hart Union High School District to comply with the requirements applicable to that program.



***Qualified Opinion on Instructional Materials and Unduplicated Local Control Funding Formula Pupil Counts***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, William S. Hart Union High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

***Unmodified Opinion on Each of the Other Programs***

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, 2019, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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:

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	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
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below

	Procedures Performed
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
After/Before 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
<b>CHARTER SCHOOLS</b>	
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 any procedures related to the Kindergarten Continuance.

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 any procedures related to the K-3 Grade Span Adjustment.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District does not offer a After/Before School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before 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 Charter Schools are independent of the District; therefore, we did not perform any procedures related to charter schools.

*Eide Sully LLP*

Rancho Cucamonga, California  
December 6, 2019



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2019

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### 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>No</u>
Significant deficiency identified?	<u>None reported</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>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.010</u>	<u>Title I, Part A</u>
<u>84.027, 84.027A</u>	<u>Special Education Cluster</u>
<u>93.778</u>	<u>Medical Assistance Program</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>
Unmodified for all programs except for the following program which was qualified:	

<u>Name of Program</u>
<u>Instructional Materials</u>
<u>Unduplicated Local Control Funding</u>
<u>Formula Pupil Count</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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

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

### 2019-001      30000 – Financial Statement Preparation and Audit Adjustments

#### Criteria

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited. This includes proper reporting on a modified accrual basis of accounting and the ability to convert the trial balance from modified accrual to full accrual under the requirements of the Governmental Accounting Standards Board (GASB). It also includes the ability to prepare the required footnote disclosures by GASB.

#### Condition

Communicating Internal Control Related Matters Identified in an Audit defines a material weakness and significant deficiency. According to these definitions, an internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor. As auditors, we were requested to assist management in the preparation of the financial statements from the trial balances. This preparation included certain accrual closing entries, government-wide reporting conversion entries and footnotes.

#### Questioned costs

There is not questioned costs identified with the condition note.

#### Context

Accruals related to accrued liabilities and a cash balance were not recorded and accounted for due to not having a control system in place.

#### Effect

The auditor proposed certain accrual closing entries, government-wide reporting conversion entries and prepared the footnotes and reported financial data in accordance with generally accepted accounting principles to address the year end adjustment.

#### Cause

The timing of the accruals were during a transition period for new personnel making it difficult to implement this level of internal control to monitor year end accruals.

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

## **FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019**

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### **Recommendation**

Management and those charged with governance should implement a control system which allows for the monitoring of accruals and the related disclosure and consider whether to accept the degree of risk associated with this condition because of cost or other considerations.

### **Corrective Action Plan**

The District agrees that having an internal control system over monitoring the year end accruals is an important part of the District's overall internal control process. The District has created processes to monitor and implement these controls.

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

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.



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

## **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019**

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The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance
70000	Instructional Materials

### **2019-002      70000 – Instructional Material**

#### **Criteria or Specific Requirements**

Education Code section 60119 requires a public hearing to be held on or before the end of the eighth week from the first day pupils attended school for that year, or, in a school district or COE having schools that operate on a multitrack, year-round calendar, on or before the end of the eighth week from the first day pupils attended school for that year on any track that began in August or September.

#### **Condition**

The District is required to hold a public hearing on or before the end of the eighth week from the first day pupils attended school for the year. The District held the public hearing on October 10, 2018, which was 5 days after the deadline of October 5, 2018.

#### **Questioned Costs**

No question costs have been identified.

#### **Context**

The District did not hold a public hearing within the time frame required.

#### **Effect**

As a result of our testing, the District was not compliant with Education Code section 60119 for the 2018-2019 fiscal year since the District did not hold the public hearing in a timely manner.

#### **Cause**

The District did not monitor the date to ensure it was performed within the required time frame.

#### **Recommendation**

It is recommended that the District implement procedures to ensure that the public hearing is performed in the time frame as noted in the above referenced Education Code.

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

## **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019**

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### **Corrective Action Plan**

The District will implement procedures to ensure that the public hearing is performed in the time frame as noted in the above referenced Education Code.

### **2019-003      40000 – Unduplicated Local Control Funding Formula Pupil Counts**

#### **Criteria or Specific Requirements**

California Education Code Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System.

#### **Condition**

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported eligibility for a total of 43 students for Free and Reduced students and 95 English learners on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

#### **Questioned Costs**

The District over claimed the total eligible pupils by 138, resulting in a decrease of approximately \$76,351 in LCFF funding.

#### **Context**

The condition was determined through a selection of students from Form 1.18 based on the criteria as stated on the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2018-2019* Section 19849(a)(2): "Select a representative sample to achieve a high level of assurance, from students that are only Free and Reduced eligible as identified under the "Free and Reduced" column, "English Learner" column and verify there is supporting documentation that indicates the student was eligible for the designation."

The auditor selected a sample of 60 students and obtained student records to support the Free and Reduced designation, and another sample of 51 student's records to support the English Learner designation. Upon review of student records, we found 2 students who should have been reclassified from Free and Reduced status and 3 students who should have been reclassified from English Learners status. The auditor inquired further with the District and determined that the CALPADS data was not updated to reflect students who had been reclassified during the year. The auditor requested that the District identify all remaining students whose status should have been changed to reflect the reclassification from Free and Reduced. The auditor obtained this list and noted a total of 1136 students whose status should have been changed in the CALPADs from Free and Reduced to another designation and 161 students whose status should have been changes in CALPADs from English Learners to another designation.

## WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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#### Effect

The District does not appear to be in compliance with *Education Code* Section 42238.02(b)(4). In addition, the District appears to be over claiming the total Free and Reduced designated pupils by 43 students and English Learners designated pupils by 95 for a reduction in funding of approximately \$76,351.

Total Enrollment	Unduplicated FRPM/EL/Foster Youth Total	Adjustment by Auditor	Adjusted Total Unduplicated Pupil Count	Total Adjusted Enrollment
22,434	7,023	(138)	6,885	22,434

#### Cause

It appears that the condition identified has materialized as a result of the CALPADS system not being updated properly to reflect the change in designation of Free and Reduced and English Learner students.

#### Recommendation

The District should ensure that students classified as Free and Reduced and students classified as English Learners properly reflect their designation in CALPADS by updating the students who have changed designations throughout the year.

#### Corrective Action Plan

The District will update CALPADS throughout the year to ensure that the students' designation is accurately reflected in the system and matches the Free and Reduced meal application status and English Learner status.

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

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019**

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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 Findings and Questioned Costs.

### ***Federal Awards Findings***

#### **2018-001      50000 – Allowable Costs/Cost Principles**

##### **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**

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, 31 were missing all or portions of their time accounting documentation for the 2017-2018 fiscal year.

##### **Questioned Costs**

There were no direct questioned costs associated with the condition identified. However, the salaries charged without adequate time accounting documentation totaled \$78,898.

##### **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**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019**

---

### **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).

### **Repeat Finding (Yes or No)**

Yes

### **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

### **Current Status**

Implemented.

#### **2018-002      50000 – Allowable Costs/Cost Principles**

### **Federal Program Affected**

Title: Title I, Part A, Basic Grants Low-Income and Neglected  
CFDA: 84.010

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.

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

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019**

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### **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 10 employees selected for testing, 10 were missing all or portions of their time accounting documentation for the 2017-2018 fiscal year.

### **Questioned Costs**

There were no direct questioned costs associated with the condition identified. However, the salaries charged without adequate time accounting documentation totaled \$230,620.

### **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.

### **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).

### **Repeat Finding (Yes or No)**

No

### **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.

### **Current Status**

Implemented.

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

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019**

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### **2018-003      50000 – Allowable Costs/Cost Principles**

#### **Federal Program Affected**

Title: Medi-Cal Assistance Program

CFDA: 93.778

Pass-Through Agency: California Department of Education

Federal Agency: U.S. Department of Health and Human Services

#### **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 eight employees selected for testing, eight were missing all or portions of their time accounting documentation for the 2017-2018 fiscal year.

#### **Questioned Costs**

There were no direct questioned costs associated with the condition identified. However, the salaries charged without adequate time accounting documentation totaled \$371,323.

#### **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.

#### **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).

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

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019**

---

### **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).

### **Repeat Finding (Yes or No)**

No

### **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.

### **Current Status**

Implemented.

### ***State Awards Finding***

#### **2018-004      40000 – Educator Effectiveness**

### **Criteria or Specific Requirements**

Under the requirements set forth by the California Department of Education's guide on use of Educator Effectiveness Funds and Assembly Bill (AB) 104, Section 58 as amended by Senate Bill (SB) 103, Section 8, a school district, county office of education, charter school, or state special school shall on or before July 1, 2018, report detailed expenditure information to the California Department of Education, including, but not limited to, special purchases made and the number of teachers, administrators, or paraprofessional educators that received professional development.

### **Condition**

The District submitted the Educator Effectiveness Final Expenditure Report to California Department of Education on July 2, 2018.

### **Questioned Costs**

There are no questioned costs associated with the condition found.



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

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019**

---

### **Context**

As a result of the condition identified the District was not compliant with California Department of Education's guide on reporting the detailed expenditure information for Educator Effectiveness funds and Assembly Bill (AB) 104, Section 58 as amended by Senate Bill (SB) 103, Section 8. Provisions of the program did not identify specific financial or other consequences that the District would face as a result of the condition identified.

### **Effect**

The District has not complied with Assembly Bill (AB) 104, Section 58 as amended by Senate Bill (SB) 103, Section 8.

### **Cause**

The condition identified has materialized as a result of not meeting the Educator Effectiveness Final Expenditure Report submission deadline via the California Department of Education's website.

### **Recommendation**

The District should review the requirements stated in Assembly Bill (AB) 104, Section 58 as amended by Senate Bill (SB) 103, Section 8 in order to ensure all deadlines are being met.

### **Current Status**

Implemented.



Management  
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, 2019, 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 6, 2019, on the financial statements of the District.

### **Current Year Comments**

#### **DISTRICT OFFICE**

##### ***Payroll - Timecards***

##### **Observation**

In testing the current payroll internal control system, we found areas of concern which require attention by the Director of Fiscal Services and other administrative staff.

- Timecards were not reviewed and signed by supervisors or department heads.
- Substitute timecards are not compared to teachers' absence records to ensure proper matching when reviewing time card.

##### **Recommendation**

The Director of Fiscal Services and administrative office staff should deal with these specific issues when designing and implementing new procedures for payroll system.

##### ***Payroll – Employee Changes***

##### **Observation**

During our testing of internal controls over payroll, the auditor noted the client does not currently use a system report that shows any payroll changes done in the HRS system. Change reports show any changes made to an employee, which can quickly identify any discrepancies.

## **Recommendation**

District should be running a system report that monitor changes at least monthly in order to track changes made to payroll and should match the updated Personnel Status Notice for the employee.

### **Prior Year Comments**

## **DISTRICT OFFICE**

### ***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 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**

Implemented.

### ***Payroll - Timecards***

#### **Observation**

In testing the current payroll internal control system, we found areas of concern which require attention by the Director of Fiscal Services and other administrative staff.

- Timecards were not reviewed and signed by supervisors or department heads.
- Substitute timecards are not compared to teachers' absence records to ensure proper matching when reviewing time card.

#### **Recommendation**

The Director of Fiscal Services and administrative office staff should deal with these specific issues when designing and implementing new procedures for payroll system.

**Current Status**

Not implemented. See current year comment for observation and recommendation.

***Payroll – Employee Changes***

**Observation**

During our testing of internal controls over payroll, auditor noted the client does not currently use a system report that shows any payroll changes done in the HRS system. Change reports show any changes made to an employee, which can quickly identify any discrepancies.

**Recommendation**

District should be running a system report that monitor changes at least monthly in order to track changes made to payroll and should match the updated Personnel Status Notice for the employee.

**Current Status**

Not implemented. See current year comment for observation and recommendation.

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 6, 2019



# **William S. Hart Union High School District**

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

Corrective Action Plan

Year ended June 30, 2019

Compiled by: Ralph Peschek, Chief Financial Officer

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

**Corrective Action Plan**

**Year ended June 30, 2019**

**I. FINANCIAL STATEMENT FINDINGS**

**FINDING 2019-001**

Financial Statement Preparation and Audit Adjustments

**Management's or Department's Response:**

We concur.

**Views of Responsible Officials and Corrective Action:**

*Name of Responsible Person:*

Ralph Peschek

*Implementation Date:*

October 2019

*Corrective Action*

The District agrees that having an internal control system over monitoring the year end accruals is an important part of the District's overall internal control process. The District has created processes to monitor and implement these controls.

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

Corrective Action Plan

Year ended June 30, 2019

**II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.



# **William S. Hart Union High School District**

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

Summary Schedule of Prior Audit Findings

Year ended June 30, 2019

Compiled by: Ralph Peschek, Chief Financial Officer



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

Summary Schedule of Prior Audit Findings

Year ended June 30, 2019

**I. FINANCIAL STATEMENT FINDINGS**

None reported.

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

## **Summary Schedule of Prior Audit Findings**

**Year ended June 30, 2019**

### **II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### **FINDING 2018-001**

**Program:** Special Education Cluster

**CFDA No.:** 84.027, 84.027A

**Federal Agency:** U.S. Department of Education

**Passed-through:** California Department of Education

**Award Year:** 2017-2018

**Compliance Requirement:** Allowable costs/Cost principles

#### **Status:**

Implemented.

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

Summary Schedule of Prior Audit Findings

Year ended June 30, 2019

**FINDING 2018-002**

**Program:** Title I, Part A, Basic Grants Low-Income and Neglected

CFDA No.: 84.010

**Federal Agency:** U.S. Department of Education

**Passed-through:** California Department of Education

**Award Year:** 2017-2018

**Compliance Requirement:** Allowable costs/Cost principles

**Status:**

Implemented.

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

Summary Schedule of Prior Audit Findings

Year ended June 30, 2019

**FINDING 2018-003**

**Program:** Medi-Cal Assistance Program

**CFDA No.:** 93.778

**Federal Agency:** U.S. Department of Health and Human Services

**Passed-through:** California Department of Education

**Award Year:** 2017-2018

**Compliance Requirement:** Allowable costs/Cost principles

**Status:**

Implemented.