



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

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2018**



# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2018

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*FINANCIAL SECTION*

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

VALUE THE *difference*

## 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, 2018, 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 *2017-2018 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 Entity'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 Entity'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, 2018, 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.

### ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 and Note 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 79, schedule of changes in the District's total OPEB liability and related ratios on page 80, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 81, schedule of the District's proportionate share of net pension liability on page 82, and the schedule of District contributions on page 83, 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, as referenced in the previous paragraph, 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 11, 2018, on our consideration of the William S. Hart Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of William S. Hart Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering William S. Hart Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 11, 2018



# William S. Hart Union High School District

This section of William S. Hart Union High School District's (the District) (2017-2018) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information from 2017. 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

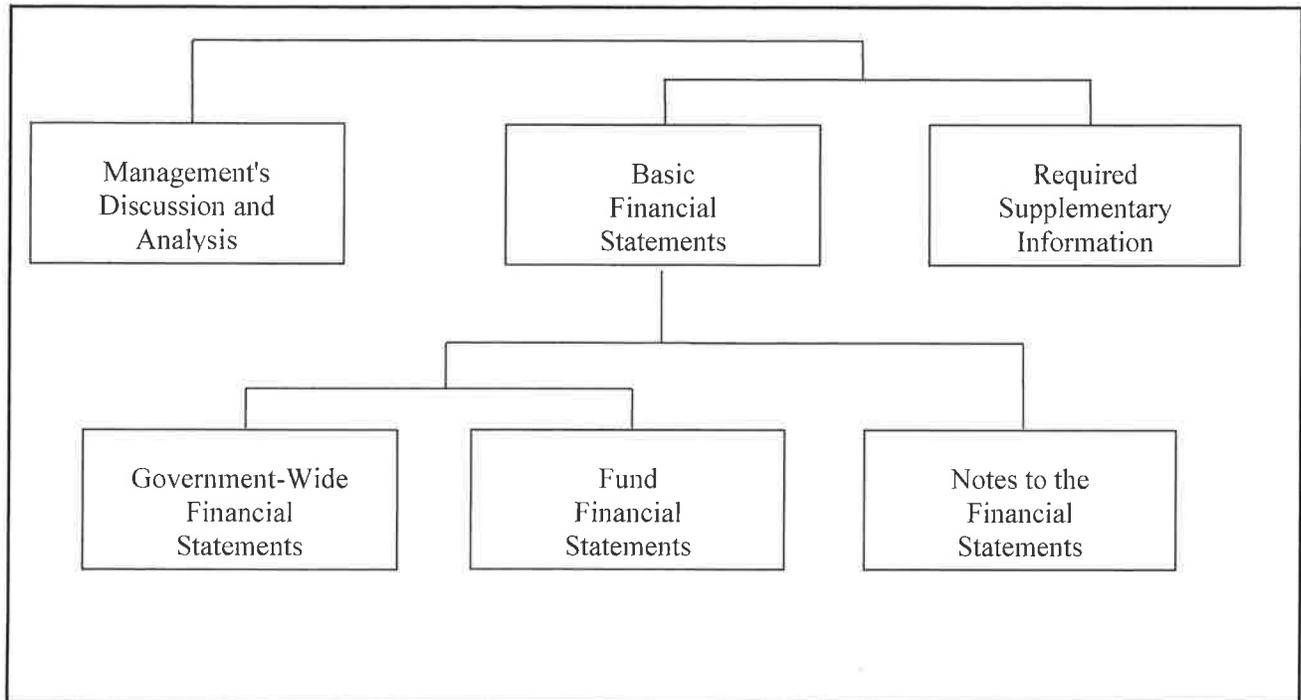
## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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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 \$10,233,036 compared to the prior year for a new net position of \$151,869,629.
- Revenues, transfers in, and other financing sources for all funds totaled \$292,583,050. Expenses, transfers out, and other uses totaled \$328,144,493.
- The General Fund audited ending balance, which includes \$18,140,853 in Fund 17 - Special Reserve Fund for Other Than Capital Outlay Projects, totaled \$50,225,479. This represents a decrease of \$275,868 from the prior year.
- Fiscal year 2017-2018 was the fifth year of the Local Control Funding Formula (LCFF). Total LCFF increased from \$185,059,117 in 2016-2017 to \$188,679,601 in 2017-2018.
- Total General Fund expenditures and transfers out totaled \$233,663,136, and included actions to support the goals outlined in the District's Local Control Accountability Plan.
- The District's 2017-2018 P-2 Average Daily Attendance (ADA), excluding charter schools and students in County programs, was reported at 21,649, an increase of 165 over the prior year.
- The District filed a positive status for both the First and Second Interim reports in 2017-2018.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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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, 2018

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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, 2018

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$151,869,629 million for the fiscal year ended June 30, 2018. 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	
	2018	(as restated) 2017
<b>Assets</b>		
Current and other assets	\$ 260,695,865	\$ 284,224,163
Non-current assets	2,067,618	2,049,264
Capital assets	662,737,832	606,789,954
<b>Total Assets</b>	<b>925,501,315</b>	<b>893,063,381</b>
<b>Deferred Outflows of Resources</b>	<b>80,838,259</b>	<b>49,012,138</b>
<b>Liabilities</b>		
Current liabilities	37,982,123	26,421,034
Long-term obligations	553,745,309	530,432,041
Aggregate pension liability	240,328,319	205,095,020
<b>Total Liabilities</b>	<b>832,055,751</b>	<b>761,948,095</b>
<b>Deferred Inflows of Resources</b>	<b>22,414,194</b>	<b>18,024,759</b>
<b>Net Position</b>		
Net investment in capital assets	373,270,720	385,673,439
Restricted	49,538,313	31,581,785
Unrestricted (Deficit)	(270,939,404)	(255,152,559)
<b>Total Net Position</b>	<b>\$ 151,869,629</b>	<b>\$ 162,102,665</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

*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**

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 327,851	\$ 299,553
Operating grants and contributions	34,130,573	33,097,353
General revenues:		
Federal and State aid, not restricted	146,741,410	148,378,045
Property taxes	77,199,965	71,435,433
Other general revenues	16,399,598	13,079,128
<b>Total Revenues</b>	<u>274,799,397</u>	<u>266,289,512</u>
<b>Expenses</b>		
Instruction	151,018,725	149,693,032
Instruction-related	30,360,596	32,814,782
Pupil services	36,059,654	34,884,606
Administration	21,489,979	19,355,298
Plant services	24,366,291	26,996,624
Ancillary and community services	1,493,748	1,683,312
Debt service	19,714,117	7,334,299
Other	529,323	376,839
<b>Total Expenses</b>	<u>285,032,433</u>	<u>273,138,792</u>
<b>Change in Net Position</b>	<u>\$ (10,233,036)</u>	<u>\$ (6,849,280)</u>

*Governmental Activities*

As reported in the *Statement of Activities* on page 16, the cost of all governmental activities this year was \$285,032,433. The amount that our taxpayers ultimately financed for these activities through local taxes was \$77,199,965. The remaining cost was paid by those who benefited from the programs \$327,851, or by other governments and organizations who subsidized certain programs with 34,130,573 in grants and contributions. The remaining "public benefit" portion of our governmental activities were paid with \$146,741,410 in Federal and State aid, and with \$16,399,598 other revenue sources such as interest and general entitlements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

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	
	2018	2017	2018	2017
Instruction and instruction-related	\$ 181,379,321	\$ 182,507,814	\$ 156,997,448	\$ 155,557,952
Pupil services	36,059,654	34,884,606	27,857,270	29,101,099
Administration	21,489,979	19,355,298	20,938,711	19,032,213
Plant services	24,366,291	26,996,624	24,352,049	26,976,710
Ancillary and community services	1,493,748	1,683,312	1,304,810	1,589,650
Debt service	19,714,117	7,334,299	19,714,117	7,334,299
Other outgo	529,323	376,839	(590,396)	149,963
<b>Total</b>	<b>\$ 285,032,433</b>	<b>\$ 273,138,792</b>	<b>\$ 250,574,009</b>	<b>\$ 239,741,886</b>

**THE DISTRICT'S FUNDS**

Upon completion of the 2017-2018 fiscal year, the District's governmental funds reported a combined fund balance of \$225,540,038, a decrease of 35,561,443 from 2016-2017 (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General Fund	\$ 50,501,347	\$ 233,387,268	\$ 233,663,136	\$ 50,225,479
Building Fund	150,714,165	1,977,434	58,532,832	94,158,767
Special Reserve Fund for Capital Outlay Projects	8,278,937	23,928,276	2,522,444	29,684,769
Non-Major Governmental Funds	51,607,032	33,290,072	33,426,081	51,471,023
<b>Total</b>	<b>\$ 261,101,481</b>	<b>\$ 292,583,050</b>	<b>\$ 328,144,493</b>	<b>\$ 225,540,038</b>

**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 20, 2018. (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 79.)

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### *Capital Assets*

At June 30, 2018, the District had \$662,737,832 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 \$55,947,878, or 9.22 percent, over the prior year (Table 5).

**Table 5**

	Governmental Activities	
	2018	2017
Land and construction in progress	\$ 303,113,395	\$ 256,588,888
Buildings and improvements, net of depreciation	354,889,854	345,984,017
Furniture and equipment, net of depreciation	4,734,583	4,217,049
<b>Total</b>	<b>\$ 662,737,832</b>	<b>\$ 606,789,954</b>

This year's additions totaled \$70,227,233, with the majority of expenses related to the site construction for Castaic High School, construction of the Canyon High School Auditorium, and the District-wide Proposition 39 Energy Improvement Project. The District's capital assets additions, deletions, and balances are presented in Note 6 in these financial statements.

Capital projects planned for the 2018-2019 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.

#### *Long-Term Obligations*

At June 30, 2018, the District had \$462,362,610 in general obligation bonds and certificates of participation outstanding compared to \$463,327,950 in June 30, 2017, a decrease of \$965,340, or 0.21 percent. Other obligations consisted of those items listed in Table 6 below.

**Table 6**

	Governmental Activities	
	2018	(as restated) 2017
General obligation bonds	\$ 456,362,610	\$ 457,327,950
Certificates of participation	6,000,000	6,000,000
Capital leases	26,836,123	4,398,589
Compensated absences	865,465	1,131,286
Net other postemployment benefits (OPEB) liability	63,681,111	61,574,216
<b>Total</b>	<b>\$ 553,745,309</b>	<b>\$ 530,432,041</b>

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

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

**JUNE 30, 2018**

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### *Net Pension Liability (NPL)*

At year end, the District had a pension liability of \$240,328,319, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District, therefore, recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2018

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 246,864,661
Receivables	13,044,409
Stores inventories	234,777
Non-current assets	2,067,618
Capital Assets:	
Land and construction in process	303,113,395
Other capital assets	546,308,131
Less: Accumulated depreciation	(186,683,694)
Total Capital Assets	<u>662,737,832</u>
<b>Total Assets</b>	<u>925,501,315</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	3,813,344
Deferred outflows of resources related to pensions	75,572,127
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	<u>1,452,788</u>
<b>Total Deferred Outflows of Resources</b>	<u>80,838,259</u>
<b>LIABILITIES</b>	
Accounts payable	30,795,337
Interest payable	3,789,436
Unearned revenue	3,397,350
Long-Term Obligations	
Current portion of long-term obligations other than pensions	18,898,846
Noncurrent portion of long-term obligations other than pensions	<u>534,846,463</u>
Total Long-Term Obligations	<u>553,745,309</u>
Aggregate net pension liability	<u>240,328,319</u>
<b>Total Liabilities</b>	<u>832,055,751</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	20,386,644
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	<u>2,027,550</u>
<b>Total Deferred Inflows of Resources</b>	<u>22,414,194</u>

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, 2018**

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**NET POSITION**

Net investment in capital assets	\$ 373,270,720
Restricted for:	
Debt service	19,071,908
Capital projects	26,695,608
Educational programs	2,780,383
Other activities	990,414
Unrestricted	(270,939,404)
<b>Total Net Position</b>	<b>\$ 151,869,629</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, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 151,018,725	\$ 210,031	\$ 21,698,747	\$ (129,109,947)
Instruction-related activities:				
Supervision of instruction	6,555,353	23,566	1,503,816	(5,027,971)
Instructional library, media, and technology	2,991,518	-	45,360	(2,946,158)
School site administration	20,813,725	23,263	877,090	(19,913,372)
Pupil services:				
Home-to-school transportation	6,221,772	106	270,070	(5,951,596)
Food services	3,920,544	-	2,129,137	(1,791,407)
All other pupil services	25,917,338	63,985	5,739,086	(20,114,267)
General administration:				
Data processing	8,797,199	-	-	(8,797,199)
All other general administration	12,692,780	3,345	547,923	(12,141,512)
Plant services	24,366,291	403	13,839	(24,352,049)
Ancillary services	1,466,474	54	188,884	(1,277,536)
Community services	27,055	-	-	(27,055)
Enterprise services	219	-	-	(219)
Interest on long-term obligations	19,714,117	-	-	(19,714,117)
Other outgo	529,323	3,098	1,116,621	590,396
<b>Total Governmental Activities</b>	<b>\$ 285,032,433</b>	<b>\$ 327,851</b>	<b>\$ 34,130,573</b>	<b>(250,574,009)</b>
General Revenues and Subventions:				
				50,212,849
				26,774,353
				212,763
				146,741,410
				3,471,715
				522,300
				12,405,583
				<b>240,340,973</b>
				<b>(10,233,036)</b>
				170,299,510
				(8,196,845)
				<b>162,102,665</b>
				<b>\$ 151,869,629</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, 2018

	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>
<b>ASSETS</b>			
Deposits and investments	\$ 58,120,572	\$ 104,877,449	\$ 31,936,829
Receivables	11,817,294	607,998	43,449
Stores inventories	177,461	-	-
Other current assets	552,018	-	-
<b>Total Assets</b>	<u>\$ 70,667,345</u>	<u>\$ 105,485,447</u>	<u>\$ 31,980,278</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 17,064,516	\$ 11,326,680	\$ 2,295,509
Unearned revenue	3,377,350	-	-
<b>Total Liabilities</b>	<u>20,441,866</u>	<u>11,326,680</u>	<u>2,295,509</u>
<b>Fund Balances:</b>			
Nonspendable	204,073	-	-
Restricted	2,780,383	94,158,767	21,923,759
Committed	-	-	-
Assigned	18,140,853	-	7,761,010
Unassigned	29,100,170	-	-
<b>Total Fund Balances</b>	<u>50,225,479</u>	<u>94,158,767</u>	<u>29,684,769</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 70,667,345</u>	<u>\$ 105,485,447</u>	<u>\$ 31,980,278</u>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 50,971,795	\$ 245,906,645
570,544	13,039,285
57,316	234,777
-	552,018
<u>\$ 51,599,655</u>	<u>\$ 259,732,725</u>

\$ 108,632	\$ 30,795,337
20,000	3,397,350
<u>128,632</u>	<u>34,192,687</u>

57,316	261,389
45,511,986	164,374,895
5,875,252	5,875,252
26,469	25,928,332
-	29,100,170
<u>51,471,023</u>	<u>225,540,038</u>
<u>\$ 51,599,655</u>	<u>\$ 259,732,725</u>

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

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**Total Fund Balance - Governmental Funds** **\$ 225,540,038**

**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	\$ 849,421,526	
Accumulated depreciation is	<u>(186,683,694)</u>	
Net Capital Assets		662,737,832

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. (3,789,436)

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: 963,140

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. 3,813,344

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	21,142,772	
Net change in proportionate share of net pension liability	7,295,312	
Differences between projected and actual earnings on pension plan investments	2,163,766	
Differences between expected and actual experience in the measurement of the total pension liability.	2,898,315	
Changes of assumptions	<u>42,071,962</u>	
Total Deferred Outflows of Resources Related to Pensions		75,572,127

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, 2018**

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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	\$ (11,814,690)	
Difference between projected and actual earnings on pension plan investments	(4,734,760)	
Differences between expected and actual experience in the measurement of the total pension liability	(3,100,758)	
Changes of assumptions	<u>(736,436)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (20,386,644)

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. 1,452,788

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. (2,027,550)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (240,328,319)

Expenditures relating to contributions made to life insurance plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. 2,067,618

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

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2018**

---

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

Long-term obligations at year end consist of:

Bonds payable	\$ (351,454,488)	
Premium on issuance	(20,036,991)	
Certificates of participation	(6,000,000)	
Capital lease obligations	(26,836,123)	
Compensated absences (vacations)	(865,465)	
Net other postemployment benefits (OPEB) liability	(63,681,111)	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:	<u>(84,871,131)</u>	
Total Long-Term Obligations		<u>\$ (553,745,309)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 151,869,629</u></b>

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, 2018**

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
<b>REVENUES</b>			
Local Control Funding Formula	\$ 188,679,601	\$ -	\$ -
Federal sources	7,694,048	-	-
Other State sources	18,398,088	-	-
Other local sources	18,615,531	1,977,434	128,355
<b>Total Revenues</b>	<u>233,387,268</u>	<u>1,977,434</u>	<u>128,355</u>
<b>EXPENDITURES</b>			
Current			
Instruction	131,149,496	-	-
Instruction-related activities:			
Supervision of instruction	5,701,944	-	-
Instructional library, media, and technology	2,654,477	-	-
School site administration	17,492,215	-	-
Pupil services:			
Home-to-school transportation	4,465,270	-	-
Food services	27,776	-	-
All other pupil services	24,090,035	-	-
General administration:			
Data processing	8,247,786	-	-
All other general administration	11,631,078	-	-
Plant services	22,405,136	114,023	-
Ancillary services	1,303,521	-	-
Community services	13,329	-	-
Other outgo	520,353	-	-
Facility acquisition and construction	146,167	58,418,809	2,512,444
Debt service			
Principal	594,464	-	-
Interest and other	132,890	-	10,000
<b>Total Expenditures</b>	<u>230,575,937</u>	<u>58,532,832</u>	<u>2,522,444</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>2,811,331</u>	<u>(56,555,398)</u>	<u>(2,394,089)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	767,923
Other sources	-	-	23,031,998
Transfers out	(3,087,199)	-	-
Other uses	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>(3,087,199)</u>	<u>-</u>	<u>23,799,921</u>
<b>NET CHANGE IN FUND BALANCES</b>	(275,868)	(56,555,398)	21,405,832
<b>Fund Balances - Beginning</b>	50,501,347	150,714,165	8,278,937
<b>Fund Balances - Ending</b>	<u>\$ 50,225,479</u>	<u>\$ 94,158,767</u>	<u>\$ 29,684,769</u>

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

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 188,679,601
2,084,018	9,778,066
1,135,381	19,533,469
27,374,492	48,095,812
<u>30,593,891</u>	<u>266,086,948</u>
399,569	131,549,065
180,161	5,882,105
-	2,654,477
330,958	17,823,173
-	4,465,270
3,657,015	3,684,791
36,363	24,126,398
-	8,247,786
387,843	12,018,921
102,268	22,621,427
-	1,303,521
-	13,329
-	520,353
7,809,399	68,886,819
10,740,000	11,334,464
9,396,630	9,539,520
<u>33,040,206</u>	<u>324,671,419</u>
<u>(2,446,315)</u>	<u>(58,584,471)</u>
2,696,181	3,464,104
-	23,031,998
(376,905)	(3,464,104)
(8,970)	(8,970)
<u>2,310,306</u>	<u>23,023,028</u>
(136,009)	(35,561,443)
51,607,032	261,101,481
<u>\$ 51,471,023</u>	<u>\$ 225,540,038</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, 2018**

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ (35,561,443)**

**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	\$ 70,227,233	
Depreciation expense	<u>(14,279,355)</u>	
Net Expense Adjustment		55,947,878

In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation used was more than amounts earned by \$265,821.

265,821

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.

(6,751,838)

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.

(2,681,657)

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:

Capital lease obligations		(23,031,998)
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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, 2018**

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

General obligation bonds	\$ 10,740,000	
Capital lease obligations	594,464	
Combined adjustment	<u>                    </u>	\$ 11,334,464

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

Amortization of debt premium	1,624,692	
Amortization of deferred amount on refunding	(470,013)	
Increase in cash surrender value of insurance	18,354	
Combined adjustment	<u>                    </u>	1,173,033

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 \$70,076, and second, \$11,399,352 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(11,329,276)

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.

401,980

**Change in Net Position of Governmental Activities**

\$ (10,233,036)

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, 2018**

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	<b>Governmental Activities Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 958,016
Receivables	5,124
<b>Total Assets</b>	<b>\$ 963,140</b>
<b>NET POSITION</b>	
Restricted	<b>\$ 963,140</b>

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, 2018**

---

	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges to other funds and miscellaneous revenues	\$ 390,831
<b>OPERATING EXPENSES</b>	
Professional and contract services	220
<b>Operating Income</b>	<b>390,611</b>
<b>NONOPERATING REVENUES</b>	
Interest income	\$ 11,369
<b>Change in Net Position</b>	<b>401,980</b>
<b>Total Net Position - Beginning</b>	<b>561,160</b>
<b>Total Net Position - Ending</b>	<b>\$ 963,140</b>

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, 2018**

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	<b>Governmental Activities Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from assessments made to other funds	\$ 388,552
Cash payments for administrative expense	(220)
Net Cash Provided by Operating Activities	<u>388,332</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>11,369</u>
Net Increase in Cash and Cash Equivalents	399,701
Cash and Cash Equivalents - Beginning	558,315
Cash and Cash Equivalents - Ending	<u><u>\$ 958,016</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 390,611
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Receivables	<u>(2,279)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 388,332</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, 2018**

	Agency Funds			Trust Funds	Total Fiduciary Funds
	Associated Student Bodies	Debt Service Special Tax Bonds	Warrant Pass-Through	Private-Purpose Trust Fund	
<b>ASSETS</b>					
Deposits and investments	\$ 3,791,498	\$ 14,333,695	\$ 1,162,094	\$ 395,929	\$ 19,683,216
Receivables	8,072	12,937	11,344	2,257	34,610
Prepaid expenditures	35,750	-	-	-	35,750
Stores inventory	7,072	-	-	-	7,072
<b>Total Assets</b>	<u>\$ 3,842,392</u>	<u>\$ 14,346,632</u>	<u>\$ 1,173,438</u>	<u>398,186</u>	<u>19,760,648</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 49,752	\$ -	\$ -	4,500	54,252
Due to student groups	3,792,640	-	-	-	3,792,640
Due to bond holders	-	14,346,632	-	-	14,346,632
Due to other agencies	-	-	1,173,438	-	1,173,438
<b>Total Liabilities</b>	<u>\$ 3,842,392</u>	<u>\$ 14,346,632</u>	<u>\$ 1,173,438</u>	<u>4,500</u>	<u>19,366,962</u>
<b>NET POSITION</b>					
Held in trust for scholarships				<u>\$ 393,686</u>	<u>\$ 393,686</u>

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

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

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Private-Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Private donations	\$ 151,100
Interest	5,819
<b>Total Additions</b>	<u>156,919</u>
<b>DEDUCTIONS</b>	
Other expenditures	<u>132,250</u>
<b>Change in Net Position</b>	24,669
<b>Net Position - Beginning</b>	<u>369,017</u>
<b>Net Position - Ending</b>	<u><u>\$ 393,686</u></u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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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, 2018

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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 \$18,140,853.

**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).

### 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, 2018

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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.

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

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

**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, 2018

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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, 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, 2018

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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, 2018

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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, 2018, 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, 2018

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

### **Interfund Balances**

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

### **Compensated Absences**

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

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

### **Accrued Liabilities and Long-Term Obligations**

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

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

### **Debt Issuance Costs, Premiums, and Discounts**

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

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **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, 2018, fund balances of the governmental funds are classified as follows:

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

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**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, 2018. 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 \$49,538,313 of restricted net position.

### Operating Revenues and Expenses

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

The District has implemented the provisions of this Statement as of June 30, 2018.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### New Accounting Pronouncements

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.

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

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

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

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

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

In 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.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 246,864,661
Fiduciary funds	19,683,216
Total Deposits and Investments	<u>\$ 266,547,877</u>

Deposits and investments as of June 30, 2018, consisted of the following:

Cash on hand and in banks	\$ 40,810,814
Cash in revolving	26,612
Investments	225,710,451
Total Deposits and Investments	<u>\$ 266,547,877</u>

#### Policies and Practices

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

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### General Authorizations

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

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

### Authorized Under Debt Agreements

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

### Interest Rate Risk

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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	5,443,282	92
Money Market Mutual Funds - Blackrock	8,604,858	7/1/2018
Money Market Mutual Funds - JPMorgan	2,458	7/1/2018
Money Market Mutual Funds - US Bank	737,545	7/1/2018
Los Angeles County Treasury Investment Pool	210,922,308	609
Total	<u>\$ 225,710,451</u>	

### 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, 2018	Reported Amount
Commercial Paper	P-1	P-1	5,443,282
Money Market Mutual Funds - Blackrock	Not Required	AAA-mf	8,604,858
Money Market Mutual Funds - JPMorgan	Not Required	AAA-mf	2,458
Money Market Mutual Funds - US Bank	Not Required	AAA-mf	737,545
Los Angeles County Treasury Investment Pool	Not Required	Not Rated	210,922,308
Total			<u>\$ 225,710,451</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, 2018, the District's bank balance of \$35,264,890 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, 2018

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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, 2018:

Investment Type	Reported Amount	Fair Value Measurements	
		Using Level 2 Inputs	Uncategorized
Commercial Paper	\$ 5,443,282	\$ 5,443,282	\$ -
Los Angeles County Treasury Investment Pool	210,922,308	-	210,922,308
Total	<u>\$ 216,365,590</u>	<u>\$ 5,443,282</u>	<u>\$ 210,922,308</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, 2018

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, 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	Internal Service Fund
Federal Government				
Categorical aid	\$ 5,782,880	\$ -	\$ -	\$ -
State Government				
Categorical aid	2,173,127	-	-	-
Lottery	976,579	-	-	-
Local Government				
Interest	85,642	607,998	43,449	5,124
Other local sources	2,799,066	-	-	-
Total	<u>\$ 11,817,294</u>	<u>\$ 607,998</u>	<u>\$ 43,449</u>	<u>\$ 5,124</u>

	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government			
Categorical aid	\$ 213,709	\$ 5,996,589	\$ -
State Government			
Categorical aid	16,398	2,189,525	-
Lottery	-	976,579	-
Local Government			
Interest	340,437	1,082,650	2,257
Other local sources	-	2,799,066	32,353
Total	<u>\$ 570,544</u>	<u>\$ 13,044,409</u>	<u>\$ 34,610</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018, the cash surrender balance outstanding was \$2,067,618.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 123,839,428	\$ -	\$ -	\$ 123,839,428
Construction in progress	132,749,460	68,641,198	22,116,691	179,273,967
Total Capital Assets Not Being Depreciated	<u>256,588,888</u>	<u>68,641,198</u>	<u>22,116,691</u>	<u>303,113,395</u>
Capital Assets Being Depreciated				
Land improvements	55,362,758	2,851,278	-	58,214,036
Buildings	440,774,953	19,265,413	-	460,040,366
Furniture and equipment	26,501,241	1,586,035	33,547	28,053,729
Total Capital Assets Being Depreciated	<u>522,638,952</u>	<u>23,702,726</u>	<u>33,547</u>	<u>546,308,131</u>
Total Capital Assets	<u>779,227,840</u>	<u>92,343,924</u>	<u>22,150,238</u>	<u>849,421,526</u>
Less Accumulated Depreciation				
Land improvements	29,361,769	3,073,776	-	32,435,545
Buildings	120,791,925	10,137,078	-	130,929,003
Furniture and equipment	22,284,192	1,068,501	33,547	23,319,146
Total Accumulated Depreciation	<u>172,437,886</u>	<u>14,279,355</u>	<u>33,547</u>	<u>186,683,694</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 606,789,954</u>	<u>\$ 78,064,569</u>	<u>\$ 22,116,691</u>	<u>\$ 662,737,832</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

### Governmental Activities

Instruction	\$ 7,595,080
Supervision of instruction	261,435
Instructional library, media, and technology	139,857
School site administration	1,012,890
Home-to-school transportation	290,347
Food services	235,753
All other pupil services	1,206,979
Ancillary services	79,114
Community services	13,726
All other administration	791,215
Data processing	217,867
Plant services	2,435,092
Total Depreciation Expenses Governmental Activities	<u>\$ 14,279,355</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 7 - INTERFUND TRANSACTIONS**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
Special Reserve Fund for Capital Outlay Projects	\$ 767,923	\$ -	\$ 767,923
Non-Major Governmental Funds	2,319,276	376,905	2,696,181
Total	<u>\$ 3,087,199</u>	<u>\$ 376,905</u>	<u>\$ 3,464,104</u>

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for reimbursement of costs. \$ 767,923

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund to cover costs. 2,319,276

The Capital Facilities Non-Major Governmental Fund transferred to the QZAB Non-Major Governmental Fund for debt service payments. 376,905

Total \$ 3,464,104

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 8 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
Vendor payables	\$ 2,524,112	\$ -	\$ -	\$ 63,986
State principal apportionment	2,643,008	-	-	-
Salaries and benefits	9,397,378	-	-	36,661
Construction	-	11,326,680	2,295,509	7,985
Due to grantor government	2,500,018	-	-	-
Total	<u>\$ 17,064,516</u>	<u>\$ 11,326,680</u>	<u>\$ 2,295,509</u>	<u>\$ 108,632</u>

	Total Governmental Activities	Fiduciary Funds
Vendor payables	\$ 2,588,098	\$ 54,252
State principal apportionment	2,643,008	-
Salaries and benefits	9,434,039	-
Construction	13,630,174	-
Due to grantor government	2,500,018	-
Total	<u>\$ 30,795,337</u>	<u>\$ 54,252</u>

**NOTE 9 - UNEARNED REVENUE**

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 737,458	\$ -	\$ 737,458
State categorical aid	2,531,541	-	2,531,541
Other local	108,351	20,000	128,351
Total	<u>\$ 3,377,350</u>	<u>\$ 20,000</u>	<u>\$ 3,397,350</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 - LONG-TERM OBLIGATIONS**

**Summary**

A schedule of changes in long-term obligations for the year ended June 30, 2018, is shown below:

	(As Restated)			Balance June 30, 2018	Due in One Year
	Balance July 1, 2017	Additions	Deductions		
<b>Governmental Activities</b>					
General obligation bonds	\$ 435,666,267	\$ 11,399,352	\$ 10,740,000	\$ 436,325,619	\$ 12,335,000
Premium on issuance	21,661,683	-	1,624,692	20,036,991	-
Certificates of participation	6,000,000	-	-	6,000,000	6,000,000
Capital leases	4,398,589	23,031,998	594,464	26,836,123	563,846
Compensated absences	1,131,286	-	265,821	865,465	-
Net other postemployment benefits (OPEB) liability	61,574,216	2,194,150	87,255	63,681,111	-
<b>Total Governmental Activities</b>	<b>\$ 530,432,041</b>	<b>\$ 36,625,500</b>	<b>\$ 13,312,232</b>	<b>\$ 553,745,309</b>	<b>\$ 18,898,846</b>

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 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.

**General Obligation Bonds Summary**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds	
				Outstanding July 1, 2017	Issued/ Accreted	Redeemed	Outstanding June 30, 2018
6/10/2005	9/1/2029	3.00% - 5.00%	\$ 87,996,106	\$ 80,121,540	\$ 3,552,864	\$ 6,275,000	\$ 77,399,404
5/29/2009	8/1/2033	4.00% - 6.47%	75,174,766	74,552,992	4,432,968	895,000	78,090,960
11/17/2011	8/1/2036	2.75% - 6.50%	40,567,734	50,097,107	2,513,672	1,110,000	51,500,779
2/6/2012	9/1/2027	1.25% - 5.00%	48,945,000	42,935,000	-	445,000	42,490,000
2/6/2013	8/1/2038	2.00% - 5.03%	168,280,123	161,859,628	899,848	1,850,000	160,909,476
6/30/2016	8/1/2025	2.00% - 5.00%	26,735,000	26,100,000	-	165,000	25,935,000
				<b>\$ 435,666,267</b>	<b>\$ 11,399,352</b>	<b>\$ 10,740,000</b>	<b>\$ 436,325,619</b>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Election 2001 General Obligation Bonds, Series B**

On June 10, 2005, the District issued \$87,996,106 of the 2001 General Obligation Bonds, Series B. The bonds were issued for the purpose of financing the addition and modernization of school facilities. The bonds mature on September 1, 2029, with interest yields ranging from 3.00 to 5.00 percent. At June 30, 2018, the principal balance outstanding was \$77,399,404 and unamortized premium on issuance was \$613,812.

The bonds mature through 2030 as follows:

Fiscal Year	Principal		Total
	Including Accreted Interest to Date	Accreted Interest	
2019	\$ 6,383,251	\$ 86,749	\$ 6,470,000
2020	6,280,779	379,221	6,660,000
2021	6,179,156	685,844	6,865,000
2022	6,064,107	1,000,893	7,065,000
2023	5,951,859	1,328,141	7,280,000
2024-2028	28,234,640	11,580,360	39,815,000
2029-2030	18,305,612	12,429,388	30,735,000
Total	<u>\$ 77,399,404</u>	<u>\$ 27,490,596</u>	<u>\$ 104,890,000</u>

**Election 2008 General Obligation Bonds, Series A**

On May 29, 2009, the District issued \$75,174,766 of the 2008 General Obligation Bonds, Series A. The bonds were issued for the purpose of financing the addition and modernization of school facilities. The bonds mature on August 1, 2033, with interest yields ranging from 4.00 to 6.47 percent. At June 30, 2018, the principal balance outstanding was \$78,090,960 and unamortized premium on issuance was \$1,332,336.

The bonds mature through 2034 as follows:

Fiscal Year	Principal		Current Interest to Maturity	Total
	Including Accreted Interest to Date	Accreted Interest		
2019	\$ 1,485,000	\$ -	\$ 115,700	\$ 1,600,700
2020	2,150,000	-	43,000	2,193,000
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024-2028	19,517,405	6,217,595	-	25,735,000
2029-2033	41,948,210	73,856,790	-	115,805,000
2034	12,990,345	21,259,655	-	34,250,000
Total	<u>\$ 78,090,960</u>	<u>\$ 101,334,040</u>	<u>\$ 158,700</u>	<u>\$ 179,583,700</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Election 2008 General Obligation Bonds, Series B

On November 17, 2011, the District issued \$40,567,734 of the 2008 General Obligation Bonds, Series B. The bonds were issued for the purpose of financing the addition and modernization of school facilities. The bonds mature on August 1, 2036, with interest yields ranging from 2.75 to 6.50 percent. At June 30, 2018, the principal balance outstanding was \$51,500,779 and unamortized premium on issuance was \$2,409,060.

The bonds mature through 2037 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2019	\$ 1,280,000	\$ -	\$ 502,350	\$ 1,782,350
2020	1,465,000	-	440,125	1,905,125
2021	1,685,000	-	361,375	2,046,375
2022	1,925,000	-	271,125	2,196,125
2023	2,790,000	-	153,250	2,943,250
2024-2028	12,238,898	6,806,102	41,750	19,086,750
2029-2033	4,094,869	3,720,131	-	7,815,000
2034-2037	26,022,012	49,802,988	-	75,825,000
Total	<u>\$ 51,500,779</u>	<u>\$ 60,329,221</u>	<u>\$ 1,769,975</u>	<u>\$ 113,599,975</u>

### 2012 General Obligation Refunding Bonds

On February 16, 2012, the District issued \$48,945,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund Election 2001, Series A bonds maturing on or after September 1, 2013, and to pay certain costs of issuing the bonds. The bonds were issued as current interest serial bonds and carry interest rates ranging from 1.25 percent to 5.00 percent. The net proceeds were used to purchase U. S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. The refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time payment is recorded as deferred charges on the refunding statement of net position, and are amortized to interest expense over the life of the liability. At June 30, 2018, the principal balance outstanding was \$42,490,000 and unamortized premium on issuance and deferred charge on refunding were \$4,712,887 and \$308,792, respectively.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

The bonds mature through 2028 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ 515,000	\$ 1,864,400	\$ 2,379,400
2020	3,325,000	1,792,600	5,117,600
2021	3,605,000	1,659,000	5,264,000
2022	3,910,000	1,508,700	5,418,700
2023	4,230,000	1,345,900	5,575,900
2024-2028	26,905,000	3,419,150	30,324,150
Total	<u>\$ 42,490,000</u>	<u>\$ 11,589,750</u>	<u>\$ 54,079,750</u>

**Election 2008 General Obligation Bonds, Series C**

On February 6, 2013, the District issued \$168,280,123 of the 2008 General Obligation Bonds, Series C. The bonds were issued for the purpose of financing the addition and modernization of school facilities. The bonds mature on August 1, 2038, with interest yields ranging from 2.00 to 5.03 percent. At June 30, 2018, the principal balance outstanding was \$160,909,476 and unamortized premium on issuance was \$6,524,752.

The bonds mature through 2039 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2019	\$ 2,420,000	\$ -	\$ 5,543,438	\$ 7,963,438
2020	2,555,000	-	5,443,938	7,998,938
2021	2,410,000	-	5,356,688	7,766,688
2022	2,470,000	-	5,271,138	7,741,138
2023	2,845,000	-	5,164,838	8,009,838
2024-2028	28,335,000	-	23,088,788	51,423,788
2029-2033	18,295,000	-	16,752,869	35,047,869
2034-2038	55,854,476	29,880,524	14,601,309	100,336,309
2039	45,725,000	-	867,484	46,592,484
Total	<u>\$ 160,909,476</u>	<u>\$ 29,880,524</u>	<u>\$ 82,090,490</u>	<u>\$ 272,880,490</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 2016 General Obligation Refunding Bonds

On June 30, 2016, the District issued \$26,735,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund Election 2008, Series A bonds maturing on or after August 1, 2020, and to pay certain costs of issuing the bonds. The bonds were issued as current interest serial bonds and carry interest rates ranging from 2.00 percent to 5.00 percent. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time payment is recorded as deferred charges on the refunding statement of net position, and are amortized to interest expense over the life of the liability. At June 30, 2018, the principal balance outstanding was \$25,935,000 and unamortized premium on issuance and deferred charge on refunding were \$4,444,144 and \$3,504,552, respectively.

The bonds mature through 2026 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2019	\$ 165,000	\$ 1,330,550	\$ 1,495,550
2020	170,000	2,632,200	2,802,200
2021	2,775,000	4,255,000	7,030,000
2022	3,530,000	4,651,400	8,181,400
2023	3,820,000	4,942,800	8,762,800
2024-2026	15,475,000	14,338,250	29,813,250
Total	<u>\$ 25,935,000</u>	<u>\$ 32,150,200</u>	<u>\$ 58,085,200</u>

### Certificates of Participation

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

The bonds will be repaid through fund accumulation. The District shall make 13 annual payments to US Bank, which should be sufficient to pay the principal represented by the Certificates when due and payable. Should the funds accumulated be insufficient to pay the principal at maturity, the District is responsible for contributing the additional amount necessary to repay the bonds. The interest rate for the repayment fund is currently 5.51 percent with a corresponding annual payment of \$376,905 which began on January 30, 2007. At June 30, 2018, the principal balance outstanding was \$6,000,000.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Capital Leases - Governmental Activities**

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

	Vehicles	Energy Management Equipment	Total
Balance, July 1, 2017	\$ 222,768	\$ 4,807,425	\$ 5,030,193
Additions	-	32,635,564	32,635,564
Payments	222,768	504,586	727,354
Balance, June 30, 2018	<u>\$ -</u>	<u>\$ 36,938,403</u>	<u>\$ 36,938,403</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	\$ 1,525,669
2020	2,517,214
2021	2,572,400
2022	2,581,512
2023	2,600,652
2024-2027	25,140,956
Total	36,938,403
Less: Amount Representing Interest	10,102,280
Present Value of Minimum Lease Payments	<u>\$ 26,836,123</u>

Leased equipment under capital leases in capital assets at June 30, 2018, includes the following:

Construction in progress	\$ 32,635,564
Equipment	5,924,038
Less: Accumulated depreciation	(592,578)
Total	<u>\$ 37,967,024</u>

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

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$865,465.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Net Other Postemployment Benefits (OPEB) Liability**

For the fiscal year ended June 30, 2018, 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	\$ 62,216,929	\$ 1,452,788	\$ 2,027,550	\$ 2,194,150
Medicare Premium Payment (MPP) Program	1,464,182	-	-	(87,255)
Total	<u>\$ 63,681,111</u>	<u>\$ 1,452,788</u>	<u>\$ 2,027,550</u>	<u>\$ 2,106,895</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, 2017, 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.

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 2017-2018, the District paid \$1,452,788 in benefits.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### *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	3.40 percent
Health care cost trend rates	5.00 percent for 2017

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 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual 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**

	<u>Total OPEB Liability</u>
Balance at June 30, 2016	\$ 60,022,779
Service cost	5,052,821
Interest	1,825,059
Changes of assumptions or other inputs	(2,606,848)
Benefit payments	(2,076,882)
Net change in total OPEB liability	<u>2,194,150</u>
Balance at June 30, 2017	<u><u>\$ 62,216,929</u></u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

*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 (2.4%)	\$ 67,016,529
Current discount rate (3.4%)	62,216,929
1% increase (4.4%)	57,695,868

*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 Rates</u>	<u>Total OPEB Liability</u>
1% decrease (4.0%)	\$ 55,735,523
Current healthcare cost trend rate (5.0%)	62,216,929
1% increase (6.0%)	69,774,687

**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 \$2,194,150. 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	\$ 1,452,788	\$ -
Changes of assumptions	-	2,027,550
Total	<u>\$ 1,452,788</u>	<u>\$ 2,027,550</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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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 Outflows/(Inflows) of Resources
2019	\$ (289,650)
2020	(289,650)
2021	(289,650)
2022	(289,650)
2023	(289,650)
Thereafter	(579,300)
	<u>\$ (2,027,550)</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, 2016 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, 2018**

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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.

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

At June 30, 2018, the District reported a liability of \$1,464,182 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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, 2017 and June 30, 2016, was 0.3480 percent and 0.3315, respectively, resulting in a net increase in the proportionate share of 0.0165 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(87,255).

### **Actuarial Methods and Assumptions**

The total OPEB liability for the MPP Program as of June 30, 2016, 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, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now 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 the 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.

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 571 or an average of 0.32 percent of the potentially eligible population (177,763).

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, 2017 and 2016, 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, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. 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 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

### *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 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 OPEB Liability
1% decrease (2.58%)	\$ 1,620,952
Current discount rate (3.58%)	1,464,182
1% increase (4.58%)	1,311,691

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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 pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 1,323,113
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,464,182
1% increase (4.7% Part A and 5.1% Part B)	1,603,843

### **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 \$70,150,000 as of June 30, 2018, 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, 2018

### NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable					
Revolving cash	\$ 26,612	\$ -	\$ -	\$ -	\$ 26,612
Stores inventories	177,461	-	-	57,316	234,777
Total					
Nonspendable	<u>204,073</u>	<u>-</u>	<u>-</u>	<u>57,316</u>	<u>261,389</u>
Restricted					
Educational programs	2,780,383	-	-	990,414	3,770,797
Capital projects	-	94,158,767	21,923,759	21,660,228	137,742,754
Debt services	-	-	-	22,861,344	22,861,344
Total Restricted	<u>2,780,383</u>	<u>94,158,767</u>	<u>21,923,759</u>	<u>45,511,986</u>	<u>164,374,895</u>
Committed					
Deferred maintenance program	-	-	-	5,875,252	5,875,252
Assigned					
Castaic Opening	2,000,000	-	-	-	2,000,000
Castaic Opening - Technology	1,750,000	-	-	-	1,750,000
Instructional Materials	5,477,141	-	-	-	5,477,141
OPEB Liability	1,000,000	-	-	-	1,000,000
School Buses	460,754	-	-	-	460,754
LACOE BEST Project	1,000,413	-	-	-	1,000,413
Fiscal Solvency	6,452,545	-	-	-	6,452,545
Other assignments	-	-	7,761,010	26,469	7,787,479
Total Assigned	<u>18,140,853</u>	<u>-</u>	<u>7,761,010</u>	<u>26,469</u>	<u>25,928,332</u>
Unassigned					
Remaining unassigned	29,100,170	-	-	-	29,100,170
Total	<u>\$ 50,225,479</u>	<u>\$ 94,158,767</u>	<u>\$ 29,684,769</u>	<u>\$ 51,471,023</u>	<u>\$ 225,540,038</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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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, 2018, 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:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 177,779,375	\$ 55,911,373	\$ 16,632,857	\$ 17,129,562
CalPERS	62,548,944	19,660,754	3,753,787	10,765,048
Total	<u>\$ 240,328,319</u>	<u>\$ 75,572,127</u>	<u>\$ 20,386,644</u>	<u>\$ 27,894,610</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, 2018**

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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, 2016, 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, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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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, 2018, are presented above and the District's total contributions were \$15,631,260.

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

At June 30, 2018, 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	\$ 177,779,375
State's proportionate share of the net pension liability associated with the District	<u>105,172,777</u>
Total	<u>\$ 282,952,152</u>

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.1922 percent and 0.1864 percent, respectively, resulting in a net increase in the proportionate share of 0.0058 percent.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

For the year ended June 30, 2018, the District recognized pension expense of \$17,129,562. In addition, the District recognized pension expense and revenue of \$10,586,650 for support provided by the State. At June 30, 2018, 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	\$ 15,631,260	\$ -
Net change in proportionate share of net pension liability	6,686,963	8,797,339
Differences between projected and actual earnings on pension plan investments	-	4,734,760
Differences between expected and actual experience in the measurement of the total pension liability	657,445	3,100,758
Changes of assumptions	32,935,705	-
Total	<u>\$ 55,911,373</u>	<u>\$ 16,632,857</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
2019	\$ (3,936,181)
2020	2,978,528
2021	429,486
2022	(4,206,593)
Total	<u>\$ (4,734,760)</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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 (EARSL) of all member that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL 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
2019	\$ 4,499,860
2020	4,499,860
2021	4,499,860
2022	4,499,864
2023	4,145,653
Thereafter	6,236,919
Total	<u>\$ 28,382,016</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
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, 2018**

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, 2017, 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%)	\$ 261,036,564
Current discount rate (7.10%)	177,779,375
1% increase (8.10%)	110,210,525

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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, 2016 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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, 2018, are presented above, and the total District contributions were \$5,511,512.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$62,548,944. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.2620 percent and 0.2751 percent, respectively, resulting in a net decrease in the proportionate share of 0.0131 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$10,765,048. At June 30, 2018, 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	\$ 5,511,512	\$ -
Net change in proportionate share of net pension liability	608,349	3,017,351
Difference between projected and actual earnings on pension plan investments	2,163,766	-
Differences between expected and actual experience in the measurement of the total pension liability	2,240,870	-
Changes of assumptions	9,136,257	736,436
Total	<u>\$ 19,660,754</u>	<u>\$ 3,753,787</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, 2018**

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
2019	\$ (58,631)
2020	2,496,516
2021	910,757
2022	(1,184,876)
Total	<u>\$ 2,163,766</u>

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 average remaining service life (EARSL) of all member that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 3,039,495
2020	2,530,109
2021	2,662,085
Total	<u>\$ 8,231,689</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

### 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.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 92,029,540
Current discount rate (7.15%)	62,548,944
1% increase (8.15%)	38,092,320

### 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 on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,874,201 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. 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.

## 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, 2018.

### 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, 2018. There is currently a pending case against the District with a potential range of loss estimated at approximately \$400,000.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

### Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Placerita Classroom Addition Project	\$ 14,566	2018-19
Sierra Vista Classroom Addition Project	7,280,860	2018-19
Hart Classroom Addition Project	12,089,834	2018-19
Saugus Auditorium Project	1,697,417	2018-19
Castaic High School Project	81,322,717	2019-20
Hart and Saugus Water Filling Stations	9,055	2018-19
Sierra Vista Kitchen Project	6,869	2018-19
Castaic South Access Road	929,411	2020-21
Shade Structure Project	23,511	2018-19
Golden Oak - Restroom Addition	197,121	2018-19
Valencia Fencing Project	6,195	2018-19
CTE Projects (Hart, Saugus, Golden Valley, and Canyon)	135,880	2018-19
Prop 39 Project, Phase 1	513,129	2018-19
Prop 39 Project, Phase 2	21,494,412	2019-20
	<u>\$ 125,720,977</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, 2018, the District made payments of \$3,855,025, \$198,658, and \$1,020,397 to SIRMA I, SISC III, and SoCal ReLiEF, respectively, for services received.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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***NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION***

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in the current year. As a result, the effect on the current fiscal year is as follows:

**Government-Wide - Statement of Net Position**

Net Position - Beginning	\$ 170,299,510
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(8,196,845)</u>
Net Position - Beginning, as Restated	<u>\$ 162,102,665</u>

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*REQUIRED SUPPLEMENTARY INFORMATION*

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

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 187,994,104	\$ 190,090,589	\$ 188,679,601	\$ (1,410,988)
Federal sources	5,744,200	7,294,815	7,694,048	399,233
Other State sources	11,812,404	16,667,085	18,398,088	1,731,003
Other local sources	13,860,152	16,101,739	18,615,531	2,513,792
<b>Total Revenues</b> <sup>1</sup>	<b>219,410,860</b>	<b>230,154,228</b>	<b>233,387,268</b>	<b>3,233,040</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	102,050,113	101,014,729	102,210,475	(1,195,746)
Classified salaries	37,929,107	35,750,524	36,741,414	(990,890)
Employee benefits	52,112,498	51,095,392	52,534,798	(1,439,406)
Books and supplies	8,233,957	13,618,050	13,220,333	397,717
Services and operating expenditures	25,336,813	23,201,923	22,745,160	456,763
Other outgo	264,647	220,034	719,479	(499,445)
Capital outlay	711,469	1,504,680	1,676,924	(172,244)
Debt service - principal	594,465	594,464	594,464	-
Debt service - interest	132,890	132,890	132,890	-
<b>Total Expenditures</b> <sup>1</sup>	<b>227,365,959</b>	<b>227,132,686</b>	<b>230,575,937</b>	<b>(3,443,251)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(7,955,099)</b>	<b>3,021,542</b>	<b>2,811,331</b>	<b>(210,211)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	948,682	-	(948,682)
Transfers out	(2,398,245)	(6,329,801)	(3,087,199)	3,242,602
<b>Net Financing Sources (Uses)</b>	<b>(2,398,245)</b>	<b>(5,381,119)</b>	<b>(3,087,199)</b>	<b>2,293,920</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(10,353,344)</b>	<b>(2,359,577)</b>	<b>(275,868)</b>	<b>2,083,709</b>
<b>Fund Balance - Beginning</b>	<b>50,501,347</b>	<b>50,501,347</b>	<b>50,501,347</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 40,148,003</b>	<b>\$ 48,141,770</b>	<b>\$ 50,225,479</b>	<b>\$ 2,083,709</b>

<sup>1</sup> On behalf payments of \$1,874,201 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

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

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 5,052,821
Interest	1,825,059
Changes of assumptions	(2,606,848)
Benefit payments	<u>(2,076,882)</u>
<b>Net change in total OPEB liability</b>	2,194,150
<b>Total OPEB liability - beginning</b>	<u>60,022,779</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 62,216,929</u></u>
<b>Covered-employee payroll</b>	<u>N/A<sup>1</sup></u>
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	<u>N/A<sup>1</sup></u>

<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, 2018**

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Year ended June 30,	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.3480%</u>
District's proportionate share of the net OPEB liability	<u>\$ 1,464,182</u>
District's covered-employee payroll	<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>
Plan fiduciary net position as a percentage of the total OPEB liability	<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, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>CalSTRS</b>			
District's proportion of the net pension liability	<u>0.1922%</u>	<u>0.1864%</u>	<u>0.2030%</u>
District's proportionate share of the net pension liability	<u>\$ 177,779,375</u>	<u>\$ 150,755,276</u>	<u>\$ 136,700,881</u>
State's proportionate share of the net pension liability associated with the District	<u>105,172,777</u>	<u>85,822,289</u>	<u>72,299,697</u>
Total	<u>\$ 282,952,152</u>	<u>\$ 236,577,565</u>	<u>\$ 209,000,578</u>
District's covered-employee payroll	<u>\$ 98,798,227</u>	<u>\$ 93,049,767</u>	<u>\$ 93,894,189</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>179.94%</u>	<u>162.02%</u>	<u>145.59%</u>
Plan (CalSTRS) fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>	<u>74%</u>
<b>CalPERS</b>			
District's proportion of the net pension liability	<u>0.2620%</u>	<u>0.2751%</u>	<u>0.2941%</u>
District's proportionate share of the net pension liability	<u>\$ 62,548,944</u>	<u>\$ 54,339,744</u>	<u>\$ 43,349,761</u>
District's covered-employee payroll	<u>\$ 33,759,699</u>	<u>\$ 32,643,167</u>	<u>\$ 32,646,589</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>185.28%</u>	<u>166.47%</u>	<u>132.78%</u>
Plan (CalPERS) fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>	<u>79%</u>

*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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2015

0.1962%

\$ 114,641,815

69,225,678

\$ 183,867,493

\$ 101,064,291

113.43%

77%

0.2818%

\$ 31,993,077

\$ 33,638,218

95.11%

83%

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>CalSTRS</b>			
Contractually required contribution	\$ 15,631,260	\$ 12,428,817	\$ 9,984,240
Contributions in relation to the contractually required contribution	<u>15,631,260</u>	<u>12,428,817</u>	<u>9,984,240</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 108,324,740</u>	<u>\$ 98,798,227</u>	<u>\$ 93,049,767</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>
<b>CalPERS</b>			
Contractually required contribution	\$ 5,511,512	\$ 4,688,547	\$ 3,867,236
Contributions in relation to the contractually required contribution	<u>5,511,512</u>	<u>4,688,547</u>	<u>3,867,236</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 35,487,168</u>	<u>\$ 33,759,699</u>	<u>\$ 32,643,167</u>
Contributions as a percentage of covered-employee payroll	<u>15.53%</u>	<u>13.89%</u>	<u>11.85%</u>

*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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2015

\$ 8,337,804

8,337,804

\$ -

\$ 93,894,189

8.88%

\$ 3,842,830

3,842,830

\$ -

\$ 32,646,589

11.77%

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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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	\$ 233,462,487	\$ 233,663,136	\$ 200,649

**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 net 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 2.85 percent to 3.58 percent since the previous valuation.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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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* – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

### **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.

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*SUPPLEMENTARY INFORMATION*

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States			
Adult Basic Education - Adult Basic Education and ESL	84.002A	14508	\$ 30,866
Adult Basic Education - Adult Secondary	84.002	13978	28,727
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	42,834
Total Adult Education - Basic Grants to States			<u>102,427</u>
Carl D. Perkins Vocational and Technical Education, Secondary (Section 131)	84.048	14894	227,248
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	1,473,935
Title I, Part G - Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	8,528
Title II, Part A - Supporting Effective Instruction	84.367	14341	223,757
Title III - English Learner Student Program	84.365	14346	102,356
Passed through Santa Clarita Valley Special Education Local Plan Area:			
Special Education Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,470,396
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	10,237
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	545,342
Total Special Education Cluster			<u>4,025,975</u>
Total U.S. Department of Education			<u>6,164,226</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Forest Reserve	10.665	10044	79,475
Passed through CDE:			
Child Nutrition Cluster:			
Basic School Breakfast Program	10.553	13390	20,552
Especially Needy Breakfast	10.553	13526	341,875
National School Lunch Program	10.555	13524	1,449,631
Food Distribution	10.555	13524	169,533
Total Child Nutrition Cluster			<u>1,981,591</u>
Total U.S. Department of Agriculture			<u>2,061,066</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, 2018**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Assistance Program			
Medi-Cal Billing Option	93.778	10013	\$ 1,024,386
Medi-Cal Administrative Activities	93.778	10060	413,897
Total U.S. Department of Health and Human Services			<u>1,438,283</u>
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	<u>195,876</u>
U.S. DEPARTMENT OF REHABILITATION			
Workability II, Transitions Partnership Program	84.126	10006	331,132
Total Federal Programs			<u>\$10,190,583</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, 2018

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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>
Steven M. Sturgeon	President	2020
Robert Jenson	Clerk	2018
Linda Storli	Assistant Clerk	2020
Dr. Cherise Moore	Member	2018
Joseph V. Messina	Member	2018

### ADMINISTRATION

Victoria Engbrecht	Superintendent
Mike Kuhlman	Assistant Superintendent, Educational Services
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, 2018**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	6,748.07	6,739.77
Ninth through twelfth	14,835.77	14,726.84
Total Regular ADA	<u>21,583.84</u>	<u>21,466.61</u>
Extended Year Special Education		
Seventh and eighth	10.85	10.85
Ninth through twelfth	11.16	11.16
Total Extended Year Special Education	<u>22.01</u>	<u>22.01</u>
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	7.67	5.80
Ninth through twelfth	31.72	23.69
Total Special Education, Nonpublic, Nonsectarian Schools	<u>39.39</u>	<u>29.49</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.67	0.67
Ninth through twelfth	3.28	3.28
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>3.95</u>	<u>3.95</u>
Total ADA	<u>21,649.19</u>	<u>21,522.06</u>

See accompanying note to supplementary information.

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

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	54,000				
Grade 7		54,755	180	N/A	Complied
Grade 8		54,755	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,870	180	N/A	Complied
Grade 10		64,870	180	N/A	Complied
Grade 11		64,870	180	N/A	Complied
Grade 12		64,870	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, 2018**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

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, 2018**

	(Budget)			
	2019 <sup>1</sup>	2018	2017	2016
<b>GENERAL FUND<sup>2</sup></b>				
Revenues	\$ 243,629,460	\$ 233,387,268	\$ 232,665,835	\$ 231,663,888
Other sources and transfers in	325,427	-	-	-
<b>Total Revenues     and Other Sources</b>	<u>243,954,887</u>	<u>233,387,268</u>	<u>232,665,835</u>	<u>231,663,888</u>
Expenditures	239,512,616	233,387,773	228,931,554	216,747,573
Other uses and transfers out	8,232,321	3,087,199	2,052,138	16,828,195
<b>Total Expenditures     and Other Uses</b>	<u>247,744,937</u>	<u>236,474,972</u>	<u>230,983,692</u>	<u>233,575,768</u>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<u>\$ (3,790,050)</u>	<u>\$ (3,087,704)</u>	<u>\$ 1,682,143</u>	<u>\$ (1,911,880)</u>
<b>ENDING FUND BALANCE<sup>2</sup></b>	<u>\$ 28,294,576</u>	<u>\$ 32,084,626</u>	<u>\$ 35,172,330</u>	<u>\$ 36,738,204</u>
<b>AVAILABLE RESERVES<sup>3</sup></b>	<u>\$ 26,467,796</u>	<u>\$ 29,100,171</u>	<u>\$ 32,509,988</u>	<u>\$ 6,819,886</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b>	<u>10.68%</u>	<u>12.64%</u>	<u>14.46%</u>	<u>3.00%</u>
<b>LONG-TERM OBLIGATIONS<sup>4</sup></b>	<u>N/A</u>	<u>\$553,745,309</u>	<u>\$530,432,041</u>	<u>\$516,550,261</u>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2<sup>5</sup></b>	<u>21,635</u>	<u>21,649</u>	<u>21,484</u>	<u>21,592</u>

The General Fund balance has decreased by \$4,653,578 over the past two years. The fiscal year 2018-2019 budget projects a decrease of \$3,790,050 (11.81 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by \$37,195,048 over the past two years.

Average daily attendance has increased by 57 over the past two years. Decline of 14 ADA is anticipated during fiscal year 2018-2019.

<sup>1</sup> Budget 2019 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> Long-term obligations have been restated due to the implementation of GASB Statement No. 75.

<sup>5</sup> Excludes Charter School ADA.

See accompanying note to supplementary information.

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

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2018**

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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, 2018**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>				
Deposits and investments	\$ 381,814	\$ 456,074	\$ 5,855,688	\$ 15,247,178
Receivables	49,535	230,107	19,564	251,545
Stores inventories	-	57,316	-	-
<b>Total Assets</b>	<u>\$ 431,349</u>	<u>\$ 743,497</u>	<u>\$ 5,875,252</u>	<u>\$ 15,498,723</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 39,500	\$ 61,147	\$ -	\$ 7,985
Unearned revenue	-	-	-	20,000
<b>Total Liabilities</b>	<u>39,500</u>	<u>61,147</u>	<u>-</u>	<u>27,985</u>
<b>Fund Balances:</b>				
Nonspendable	-	57,316	-	-
Restricted	365,380	625,034	-	15,470,738
Committed	-	-	5,875,252	-
Assigned	26,469	-	-	-
<b>Total Fund Balances</b>	<u>391,849</u>	<u>682,350</u>	<u>5,875,252</u>	<u>15,470,738</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 431,349</u>	<u>\$ 743,497</u>	<u>\$ 5,875,252</u>	<u>\$ 15,498,723</u>

See accompanying note to supplementary information.

<b>Capital Project Fund for Blended Component Units</b>	<b>Bond Interest and Redemption Fund</b>	<b>QZAB Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 6,169,697	\$ 17,418,061	\$ 5,443,283	\$ 50,971,795
19,793	-	-	570,544
-	-	-	57,316
<u>\$ 6,189,490</u>	<u>\$ 17,418,061</u>	<u>\$ 5,443,283</u>	<u>\$ 51,599,655</u>
\$ -	\$ -	\$ -	\$ 108,632
-	-	-	20,000
-	-	-	128,632
-	-	-	57,316
6,189,490	17,418,061	5,443,283	45,511,986
-	-	-	5,875,252
-	-	-	26,469
<u>6,189,490</u>	<u>17,418,061</u>	<u>5,443,283</u>	<u>51,471,023</u>
<u>\$ 6,189,490</u>	<u>\$ 17,418,061</u>	<u>\$ 5,443,283</u>	<u>\$ 51,599,655</u>

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

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>REVENUES</b>				
Federal sources	\$ 102,427	\$ 1,981,591	\$ -	\$ -
Other State sources	846,809	139,179	-	-
Other local sources	109,755	1,421,913	54,958	3,816,040
<b>Total Revenues</b>	<u>1,058,991</u>	<u>3,542,683</u>	<u>54,958</u>	<u>3,816,040</u>
<b>EXPENDITURES</b>				
Current				
Instruction	399,569	-	-	-
Instruction-related activities:				
Supervision of instruction	180,161	-	-	-
School site administration	330,958	-	-	-
Pupil services:				
Food services	-	3,657,015	-	-
All other pupil services	36,363	-	-	-
General administration:				
All other general administration	41,036	184,421	-	162,386
Plant services	4,948	25,306	767	71,247
Facility acquisition and construction	28,589	-	-	432,366
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<u>1,021,624</u>	<u>3,866,742</u>	<u>767</u>	<u>665,999</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>37,367</u>	<u>(324,059)</u>	<u>54,191</u>	<u>3,150,041</u>
<b>Other Financing Sources</b>				
Transfers in	-	-	2,319,276	-
Transfers out	-	-	-	(376,905)
Other uses	(8,970)	-	-	-
<b>Net Financing Sources</b>	<u>(8,970)</u>	<u>-</u>	<u>2,319,276</u>	<u>(376,905)</u>
<b>NET CHANGE IN FUND BALANCES</b>	28,397	(324,059)	2,373,467	2,773,136
<b>Fund Balances - Beginning</b>	363,452	1,006,409	3,501,785	12,697,602
<b>Fund Balances - Ending</b>	<u>\$ 391,849</u>	<u>\$ 682,350</u>	<u>\$ 5,875,252</u>	<u>\$ 15,470,738</u>

See accompanying note to supplementary information.

<b>Capital Project Fund for Blended Component Units</b>	<b>Bond Interest and Redemption Fund</b>	<b>QZAB Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 2,084,018
-	149,393	-	1,135,381
321,335	21,488,312	162,179	27,374,492
<u>321,335</u>	<u>21,637,705</u>	<u>162,179</u>	<u>30,593,891</u>
-	-	-	399,569
-	-	-	180,161
-	-	-	330,958
-	-	-	3,657,015
-	-	-	36,363
-	-	-	387,843
-	-	-	102,268
7,348,444	-	-	7,809,399
-	10,740,000	-	10,740,000
6,617	9,390,013	-	9,396,630
<u>7,355,061</u>	<u>20,130,013</u>	<u>-</u>	<u>33,040,206</u>
<u>(7,033,726)</u>	<u>1,507,692</u>	<u>162,179</u>	<u>(2,446,315)</u>
-	-	376,905	2,696,181
-	-	-	(376,905)
-	-	-	(8,970)
-	-	<u>376,905</u>	<u>2,310,306</u>
(7,033,726)	1,507,692	539,084	(136,009)
13,223,216	15,910,369	4,904,199	51,607,032
<u>\$ 6,189,490</u>	<u>\$ 17,418,061</u>	<u>\$ 5,443,283</u>	<u>\$ 51,471,023</u>

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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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	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 9,778,066
Medi-Cal Billing Option	93.778	412,517
Total Schedule of Expenditures of Federal Awards		<u>\$ 10,190,583</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, 2018

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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 neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

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

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

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

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*INDEPENDENT AUDITOR'S REPORTS*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of William S. Hart Union High School District (the District) as of and for the year ended June 30, 2018, 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 11, 2018.

***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 and Note 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of William S. Hart Union High School District in a separate letter dated December 11, 2018.

### **Purpose of This Report**

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 11, 2018



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

VALUE THE *difference*

**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, 2018. 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 requirements of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of William S. Hart Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about William S. Hart Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for major Federal programs. However, our audit does not provide a legal determination of William S. Hart Union High School District's compliance.

***Basis for Qualified Opinion on Title I, Part A, Basic Grants Low-Income and Neglected, Special Education Cluster, and Medi-Cal Assistance Program***

As described in the accompanying schedule of findings and questioned costs, William S. Hart Union High School District did not comply with requirements regarding CFDA 84.027 and 84.027A Special Education Cluster as described in finding number 2018-001 for allowable costs/cost principles. The District did not comply with requirements regarding CFDA 84.010 Title I, Part A, Basic Grants Low-Income and Neglected as described in finding number 2018-002 for allowable costs/cost principles. The District did not comply with requirements regarding CFDA 93.778 Medi-Cal Assistance Program as described in finding number 2018-003 for allowable costs/cost principles. 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 Title I, Part A, Basic Grants Low-Income and Neglected, Special Education Cluster, and Medi-Cal Assistance Program***

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 that could have a direct and material effect on Title I, Part A, Basic Grants Low-Income and Neglected, Special Education Cluster, and Medi-Cal Assistance Program for the year ended June 30, 2018.

**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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-003 to be material weaknesses.

William S. Hart Union High School District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. William S. Hart Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 11, 2018



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

VALUE THE *difference*

## 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 *2017-2018 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, 2018.

### 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 *2017-2018 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 Educator Effectiveness

As described in the accompanying schedule of findings and questioned costs, William S. Hart Union High School District did not comply with requirements regarding Educator Effectiveness, as identified in finding 2018-004. 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 Educator Effectiveness***

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, 2018.

***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, 2018, 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, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
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

	<u>Procedures Performed</u>
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

**CHARTER SCHOOLS**

Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

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

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

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

The District does not offer an 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 any procedures for the Independent Study – Course Based Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vaurinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 11, 2018

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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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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>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>Yes</u>
Significant deficiency identified?	<u>None reported</u>
Type of report issued on compliance for major Federal programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>Yes</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>
<u>84.027, 84.027A</u>	<u>Special Education Cluster</u>
<u>93.778</u>	<u>Medi-Cal 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>Educator Effectiveness</u>

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

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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The following findings represent significant deficiencies and/or material instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance. The findings have been coded as follows:

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

### 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

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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### 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

### Corrective Action Plan

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

1. Conduct time studies on staff for staff working in program areas supported with Federal funding resources.
2. Staff training will be provided to the Special Education Department on proper payroll documentation.
3. Time studies will be conducted twice annually.
4. Proper documentation of allowable payroll expenditures will be submitted monthly.
5. Signed documents will be retained on file by the department.

### 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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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### 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 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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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### **Recommendation**

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

### **Corrective Action Plan**

The Chief Financial Officer and Director of Director of Special Program and Professional Development have developed an action plan to:

1. Conduct time studies on staff for staff working in program areas supported with Federal funding resources.
2. Staff training will be provided to the Special Education Department on proper payroll documentation.
3. Time studies will be conducted twice annually.
4. Proper documentation of allowable payroll expenditures will be submitted monthly.
5. Signed documents will be retained on file by the department.

### **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.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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### **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).

### **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.

### **Corrective Action Plan**

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

1. Conduct time studies on staff for staff working in program areas supported with Federal funding resources.
2. Staff training will be provided to the Special Education Department on proper payroll documentation.
3. Time studies will be conducted twice annually.
4. Proper documentation of allowable payroll expenditures will be submitted monthly.
5. Signed documents will be retained on file by the department.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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The following findings represents instances of noncompliance relating to State program laws and regulations. The finding has been coded as follows:

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

**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.

### **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.

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

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**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.

**Corrective Action Plan**

The District has developed an action plan to ensure future deadlines will be met to adhere to any applicable compliance requirements.

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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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 financial statement findings.

### *Financial Statement Finding*

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

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

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

##### **Condition**

The following conditions were noted:

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

##### **Questioned Costs**

There were no questioned costs associated with the condition found.

##### **Context**

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

##### **Effect**

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

##### **Cause**

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

##### **Recommendation**

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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### **Current Status**

Implemented.

### ***Federal Awards Finding***

**2017-002      50000**

### **Federal Program Affected**

Title: Special Education Cluster

CFDA: 84.027, 84.027A

Pass-Through Agency: California Department of Education

Federal Agency: U.S. Department of Education

### **Criteria or Specific Requirements**

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

### **Condition**

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

### **Questioned Costs**

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

### **Context**

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

# WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

---

### **Effect**

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

### **Cause**

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

### **Recommendation**

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

### **Current Status**

Not implemented. See current year finding 2018-001.



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

In planning and performing our audit of the basic financial statements of William S. Hart Union High School District (the District) for the year ending June 30, 2018, 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 11, 2018, on the financial statements of the District.

### Current 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.

##### *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, 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.

**RIO NORTE JR HIGH SCHOOL**

*Associated Student Body - Petty Cash*

**Observation**

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

**Recommendation**

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

*Associated Student Body - Inventory*

**Observation**

In reviewing the monthly reconciliation and financial statements we noted that the inventory of PE clothes sold by the PE department is not reflected in the financial statement.

**Recommendation**

The site needs to reflect the PE clothes inventory in their financial thus understating the ASB accounts asset. Accurately showing the inventory in the financial statement will reflect an accurate balance of the ASB assets.

## **SIERRA VISTA JUNIOR HIGH SCHOOL**

### ***Associated Student Body - Potentially Prohibited Expenditures***

#### **Observation**

During our audit we noted 3 of 23 expenditures reviewed were considered prohibited purchases by the Fiscal Crisis and Management Assistance Team's manual titled, *ASB Accounting Manual, Fraud Prevention Guide and Desk Reference*. These prohibited purchases included the following:

- Gift card purchase
- Guitar purchased for instructional class purposes

#### **Recommendation**

The District should be aware of expenditures which may be considered gifts of public funds, responsibility of the district, or not directly promoting the general welfare, morale or educational experience of students. Some examples of such disbursements might include:

- Repair and maintenance of district-owned facilities and equipment.
- Articles for the personal use of district employees
- Expenses for staff or faculty meetings
- Expenses for booster clubs, foundations, auxiliary organizations and other parent-teacher organizations
- Gifts of any kind
- Employee appreciation gifts or meals
- Employee clothing/attire
- Donations to other organizations, except in special circumstances
- Donations to families or students in need
- Cash awards to anyone, because internal controls cannot be established and documented, unless a district's board policy allows such awards

### ***Associated Student Body - Inventory***

#### **Observation**

Perpetual Inventory is kept for spirit and PE clothes however not maintained for other student store items such as snacks, drinks and school supplies. According to the policies and procedures outlined in the Fiscal Crisis and Management Assistance Team's manual titled, *ASB Accounting Manual, Fraud Prevention Guide and Desk Reference*, a physical inventory should be taken quarterly under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen.

#### **Recommendation**

The student body should maintain a perpetual inventory of goods purchased and sold and should perform a physical inventory count at least quarterly. Perpetual inventory involves the continual updating of the inventory records. These updates typically include additions to and subtractions from inventory for such activities as purchased inventory and goods sold from inventory. This will allow the school site to know what they have on hand and will make it easier to compare the physical count to the amount in the software system.

***Associated Student Body – Disbursements***

**Observation**

Items purchased from Amazon are not shipped to school address.

**Recommendation**

Items ordered from amazon should be shipped to school.

***Associated Student Body - Revenue Potentials***

**Observation**

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

**Recommendation**

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

**HART HIGH SCHOOL**

***Associated Student Body - Potentially Prohibited Expenditures***

**Observation**

During our audit we noted 4 of 23 expenditures reviewed were considered prohibited purchases by the Fiscal Crisis and Management Assistance Team's manual titled, *ASB Accounting Manual, Fraud Prevention Guide and Desk Reference*. These prohibited purchases included the following:

- General use golf cart repaired for ASB funds
- Blinds installed for P.E. room

**Recommendation**

The District should be aware of expenditures which may be considered gifts of public funds, responsibility of the district, or not directly promoting the general welfare, morale or educational experience of students. Some examples of such disbursements might include:

- Repair and maintenance of district-owned facilities and equipment.
- Articles for the personal use of district employees
- Expenses for staff or faculty meetings

- Expenses for booster clubs, foundations, auxiliary organizations and other parent-teacher organizations
- Gifts of any kind
- Employee appreciation gifts or meals
- Employee clothing/attire
- Donations to other organizations, except in special circumstances
- Donations to families or students in need
- Cash awards to anyone, because internal controls cannot be established and documented, unless a district's board policy allows such awards

***Associated Student Body - Revenue Potentials***

**Observation**

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

**Recommendation**

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

***Associated Student Body - Deficit Club Account Balances***

**Observation**

In reviewing the financial statements for the student body accounts we noted the following trust accounts had a negative club account balance:

- Class of 2020
- Safe School Ambassador Cost

Since the student body accounts represent individual portions of the cash and asset pool, by some accounts having negative balances, they have in actuality spent the available funds of other accounts. A key control in any internal control system is the control of individual account balances by ensuring the expenditure is allowable and the account requesting the expenditure has the funds to cover it.

**Recommendation**

By allowing certain clubs to spend in excess of their available reserves, the Associated Student Body is effectively using the funds of the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the clubs account.

**BOWMAN CONTINUATION HIGH SCHOOL**

*Unauditable Records*

**Observation**

The information necessary to perform our audit was unavailable.

**Recommendation**

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

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

*Associated Student Body - Deficit Club Balances*

**Observation**

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

**Recommendation**

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

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

*Associated Student Body - Revenue Potentials*

**Observation**

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

### **Recommendation**

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

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

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

#### ***Associated Student Body - Stale Dated Checks***

#### **Observation**

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

#### **Recommendation**

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

## **GOLDEN VALLEY HIGH SCHOOL**

### ***Associated Student Body - Potential Prohibited Expenditure***

#### **Observation**

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

#### **Recommendation**

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

## **WEST RANCH HIGH SCHOOL**

### ***Associated Student Body - Bank Reconciliations***

#### **Observation**

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

#### **Recommendation**

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

## **CANYON HIGH SCHOOL**

### ***Associated Student Body - Outstanding Deposits***

#### **Observation**

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

**Recommendation**

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

*Associated Student Body - Missing Approval Signatures*

**Observation**

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

**Recommendation**

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

*Associated Student Body - Deficit Account Balances*

**Observation**

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

**Recommendation**

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

**SAUGUS HIGH SCHOOL**

*Associated Student Body - Deficit Account Balances*

**Observation**

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

**Recommendation**

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

**VALENCIA HIGH SCHOOL**

*Associated Student Body - Minutes*

**Observation**

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

**Recommendation**

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

**HART HIGH SCHOOL**

*ASB - Adequate Safeguarding of Tickets*

**Observation**

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

**Recommendation**

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

*Associated Student Body - Stale Dated Checks*

**Observation**

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

**Recommendation**

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

*Associated Student Body - Outstanding Deposits*

**Observation**

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

**Recommendation**

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

**PLACERITA MIDDLE SCHOOL**

*Associated Student Body - Timely Deposits*

**Observation**

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

**Recommendation**

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

*Associated Student Body - Deficit Account Balances*

**Observation**

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

**Recommendation**

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

**RANCHO PICO MIDDLE SCHOOL**

*Associated Student Body - Master Ticket Log*

**Observation**

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

**Recommendation**

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

*Associated Student Body - Cash Disbursements Documentation*

**Observation**

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

**Recommendation**

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

***Associated Student Body - Prenumbered Receipts***

**Observation**

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

**Recommendation**

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

**Associated Student Body - Petty Cash**

**Observation**

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

**Recommendation**

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

**BOWMAN CONTINUATION HIGH SCHOOL**

***Associated Student Body - Financial Statements***

**Observation**

Periodic financial statements were not prepared.

**Recommendation**

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

*Associated Student Body - Bank Reconciliation Review*

**Observation**

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

**Recommendation**

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

*Associated Student Body - Prenumbered Receipts*

**Observation**

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

**Recommendation**

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

**GOLDEN OAKS ADULT EDUCATION**

*Registration Fee Collections*

**Observation**

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

**Recommendation**

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

***Decentralized Cash Receipts***

**Observation**

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

**Recommendation**

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

***Textbook Inventory***

**Observation**

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

**Recommendation**

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

***Adequate Safeguarding of Textbooks***

**Observation**

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

**Recommendation**

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

***Armored Pickup Services***

**Observation**

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

**Recommendation**

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

**RANCHO PICO MIDDLE SCHOOL**

*Prenumbered Receipts*

**Observation**

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

**Recommendation**

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

**SAUGUS HIGH SCHOOL**

*Prenumbered Receipts*

**Observation**

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

**Recommendation**

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

**HART HIGH SCHOOL**

*Reimbursements*

**Observation**

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

**Recommendation**

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

**Prior Year Comments**

***Financial Accounting Controls – Clearing Account Reconciliation***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***Financial Accounting Controls – Revolving Account Reconciliation***

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

***Segregation of Duties - Surplus Sales***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***Financial Accounting Controls – Revolving Account Reconciliation***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***STRS On-Behalf Contribution***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

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

***Unauditable Records***

**Observation**

The information necessary to perform our audit was unavailable.

**Recommendation**

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

**Current Status**

Implemented, with exception of Bowman Continuation High School, see current year comments for observation and recommendation.

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

*Associated Student Body - Deficit Club Balances*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

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

*Associated Student Body - Revenue Potentials*

**Observation**

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

**Recommendation**

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

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

#### **Current Status**

Not implemented, see current year comments for observation and recommendation.

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

#### ***Associated Student Body - Stale Dated Checks***

##### **Observation**

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

##### **Recommendation**

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

##### **Current Status**

Not implemented, see current year comments for observation and recommendation.

### **LA MESA MIDDLE SCHOOL**

#### ***Associated Student Body - Cash Disbursements***

##### **Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

**GOLDEN VALLEY HIGH SCHOOL**

*Associated Student Body - Cash Disbursements Documentation*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

*Associated Student Body - Potential Prohibited Expenditure*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

***Associated Student Body - Expenditure Monitoring***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***Associated Student Body - Potential Prohibited Expenditure***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

**WEST RANCH HIGH SCHOOL**

***Associated Student Body - Bank Reconciliations***

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Associated Student Body - Previous Class Balances*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

**CANYON HIGH SCHOOL**

*Associated Student Body - Outstanding Deposits*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

***Associated Student Body - Bank Reconciliations***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***Associated Student Body - Bank Access to Records***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***Associated Student Body - Disbursements***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

*Associated Student Body - Missing Approval Signatures*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Associated Student Body - Deficit Account Balances*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Associated Student Body - Financial Statements*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***Associated Student Body - Prohibited Disbursement***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***Associated Student Body - Bank Reconciliations***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***Associated Student Body - Potential Prohibited Expenditure***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

**SAUGUS HIGH SCHOOL**

*Associated Student Body - Bank Reconciliations*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

*Associated Student Body - Deficit Account Balances*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Associated Student Body - Financial Statements*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

*Associated Student Body - Outstanding Deposit*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

*Associated Student Body - Deficit Bank Account Balances*

**Observation**

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

**Recommendation**

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

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**Current Status**

Implemented.

**VALENCIA HIGH SCHOOL**

*Associated Student Body - Gift of Public Funds*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

*Associated Student Body - Potential Prohibited Expenditure*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

*Associated Student Body - Minutes*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

**HART HIGH SCHOOL**

*ASB - Adequate Safeguarding of Tickets*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Associated Student Body - Stale Dated Checks*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

Governing Board  
William S. Hart Union High School District

*Associated Student Body - Outstanding Deposits*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

**PLACERITA MIDDLE SCHOOL**

*Associated Student Body - Timely Deposits*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Associated Student Body - Gift of Public Funds*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

*Associated Student Body - Deficit Account Balances*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Associated Student Body - Financial Statements*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

*Associated Student Body - Bank Reconciliations*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

*Associated Student Body - Bank Access to Records*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

**RANCHO PICO MIDDLE SCHOOL**

*Associated Student Body - Bank Reconciliations*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***Associated Student Body - Master Ticket Log***

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

***Associated Student Body - Potential Prohibited Expenditure/Movie Ticket Log***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***Associated Student Body - Cash Disbursements Documentation***

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

***Associated Student Body - Bank Reconciliation/Financial Statements Review***

**Observation**

Bank reconciliations and financial statements were not being reviewed.

**Recommendation**

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

**Current Status**

Implemented.

***Associated Student Body - Prenumbered Receipts***

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

***Associated Student Body - Missing Bank Statement***

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

***Associated Student Body - Petty Cash***

**Observation**

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

**Recommendation**

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

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**Current Status**

Not implemented, see current year comments for observation and recommendation.

**BOWMAN CONTINUATION HIGH SCHOOL**

*Associated Student Body - Gift of Public Funds*

**Observation**

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

**Recommendation**

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

**Current Status**

Implemented.

*Associated Student Body - Financial Statements*

**Observation**

Periodic financial statements were not prepared.

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Associated Student Body - Bank Reconciliation Review*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Associated Student Body - Prenumbered Receipts*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

**GOLDEN OAKS ADULT EDUCATION**

*Registration Fee Collections*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Decentralized Cash Receipts*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Textbook Inventory*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Adequate Safeguarding of Textbooks*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

*Armored Pickup Services*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

**RANCHO PICO MIDDLE SCHOOL**

*Prenumbered Receipts*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

**SAUGUS HIGH SCHOOL**

*Prenumbered Receipts*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

**HART HIGH SCHOOL**

*Reimbursements*

**Observation**

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

**Recommendation**

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

**Current Status**

Not implemented, see current year comments for observation and recommendation.

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

*Vavrinek, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
December 11, 2018



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

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

Corrective Action Plan

Year ended June 30, 2018

Compiled by: Ralph Peschek, Chief Financial Officer

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

Corrective Action Plan

Year ended June 30, 2018

**I. FINANCIAL STATEMENT FINDINGS**

None reported.

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

Corrective Action Plan

Year ended June 30, 2018

**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

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

We concur.

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

Name of Responsible Person: Ralph Peschek

Implementation Date: July 1, 2018

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

1. Conduct time studies on staff for staff working in program areas supported with Federal funding resources.
2. Staff training will be provided to the Special Education Department on proper payroll documentation
3. Time studies will be conducted twice annually.
4. Proper documentation of allowable payroll expenditures will be submitted monthly.
5. Signed documents will be retained on file by the department.

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

Corrective Action Plan

Year ended June 30, 2018

**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

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

We concur.

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

Name of Responsible Person: Ralph Peschek

Implementation Date: July 1, 2018

The Chief Financial Officer and Director of Title I have developed an action plan to:

1. Conduct time studies on staff for staff working in program areas supported with Federal funding resources.
2. Staff training will be provided to the Special Education Department on proper payroll documentation
3. Time studies will be conducted twice annually.
4. Proper documentation of allowable payroll expenditures will be submitted monthly.
5. Signed documents will be retained on file by the department.

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

Corrective Action Plan

Year ended June 30, 2018

**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

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

We concur.

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

Name of Responsible Person: Ralph Peschek

Implementation Date: July 1, 2018

The Chief Financial Officer and Director of Medi-Cal Assistance Program have developed an action plan to:

1. Conduct time studies on staff for staff working in program areas supported with Federal funding resources.
2. Staff training will be provided to the Special Education Department on proper payroll documentation
3. Time studies will be conducted twice annually.
4. Proper documentation of allowable payroll expenditures will be submitted monthly.
5. Signed documents will be retained on file by the department.