



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

**VALUE THE** *difference*

December 13, 2017

Governing Board  
Castaic Union School District  
28131 Livingston Avenue  
Valencia, CA 91355

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Castaic Union School District for the year ended June 30, 2017. In addition, we have audited the financial statements of the fund information of Castaic Union School District Community Facilities District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 2, 2017. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Castaic Union School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Castaic Union School District changed accounting policies for the year ended June 30, 2017 related to: postemployment benefits other than pension by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*; the proper disclosure of tax abatement agreements by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 77, *Tax Abatement Disclosures*; the accounting of certain multiple-employer pension plans by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*; the financial reporting of component units by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 80, *Blending Requirements for Certain Component Units*; and to certain issues related to pension by adopting No. 82, *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73*. We noted no transactions entered into by Castaic Union School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the government-wide financial state statements were:

Management's estimate of the pension liability and associated accounts is based on actuarial evidence provided by the pension plan sponsors. We evaluated the key factors and assumptions used to develop the estimates for pension liability, pension cost, and both deferred inflow and deferred outflow of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

In addition, management's estimate of the other postemployment benefit (OPEB) liability is also based on actuarial evidence provided by an actuary. We evaluated the key factors and assumptions used to develop the estimates for the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements. The following represent the corrected misstatements:

**Enterprise Fund**

|                                |          |
|--------------------------------|----------|
| Deferred outflows of resources | \$21,237 |
| Deferred inflows of resources  | \$14,017 |
| Net pension liability          | \$78,690 |
| Net assets                     | \$71,470 |

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 13, 2017.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Castaic Union School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Castaic Union School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedule, schedule of other post employment benefits funding progress, schedule of the district's proportionate share of the nest pension liability and the schedule of the district's contributions, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditures of federal awards, supplementary information required to be included in the financial statements of an audit subject to the *2016-2017 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, and combining statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Governing Board and management of Castaic Union School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

VAVRINEK, TRINE, DAY & CO. LLP

Vavrinek, Trine, Day & Co., LLP  
December 13, 2017

**CASTAIC UNION SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2017**

# CASTAIC UNION SCHOOL DISTRICT

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***FINANCIAL SECTION***

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

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## **INDEPENDENT AUDITOR'S REPORT**

Governing Board  
Castaic Union School District  
Valencia, California

### **Report on the Financial Statements**

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

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

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

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, budgetary comparison schedule on page 69, schedule of other postemployment benefits funding progress on page 70, schedule of the District's proportionate share of net pension liability on page 71, and the schedule of District contributions on page 72, 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 Castaic Union School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the Castaic Union 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 Castaic Union 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 Castaic Union School District's internal control over financial reporting and compliance.

VAUGHN, TRINE, DAY & CO. LLP

Rancho Cucamonga, California  
December 13, 2017



# CASTAIC UNION SCHOOL DISTRICT

28131 Livingston Avenue • Valencia, California 91355  
Phone: (661) 257-4500 • Fax: (661) 257-5737 • [www.castaicusd.com](http://www.castaicusd.com)

Susan Christopher • Laura Pearson • Stacy Dobbs • Fred Malcomb • Mayreen Burk  
*President Clerk Member Member Member*

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental 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. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), 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 and Business-Type 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 actual 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 Castaic Union School District.

# CASTAIC UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### REPORTING THE DISTRICT AS A WHOLE

#### 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. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing 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** - All of the District's services are reported in this category. This includes the education of kindergarten through grade eight 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 general obligation bonds, finance these activities.

**Business-type Activities** - The District charges fees to help it cover the costs of certain services it provides. The District's community preschool program is included here.

### 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.

# CASTAIC UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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**Governmental funds** - Most of 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*. In fact, the District's enterprise funds are the same as the business-type activities we reported in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### THE DISTRICT AS A 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 the *Statement 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.

### FINANCIAL HIGHLIGHTS

The District's Government-Wide Statement of Net Position shows total net position of \$21,152,167, the result of assets and deferred outflows of \$75,578,040 minus liabilities and deferred inflows of \$54,425,873.

General Revenues accounted for \$24,250,068 or 87 percent of all revenues. Program specific revenues in the form of charges for services, contributions, and operating grants accounted for \$3,543,458 or 13 percent of total revenues of \$27,793,526.

The District had \$23,072,979 in total expenses compared to total revenue of \$27,793,526.

The General Fund balance has a positive ending fund balance.

The General Fund continues to be affected by the following:

- Significant reductions in enrollment/ADA.
- Revenue Loss attributed to the enactment of the Local Control Funding Formula (LCFF).
- State and Federal Special Program Revenue Losses due to reduced enrollment.

# CASTAIC UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$21,174,881 for the fiscal year ended June 30, 2017. Of this amount, \$(28,498,736) was unrestricted (deficit). Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that 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 activities.

**Table 1**

|                                     | Governmental Activities |               | Business-Type Activities |           | School District Activities |               |
|-------------------------------------|-------------------------|---------------|--------------------------|-----------|----------------------------|---------------|
|                                     | 2017                    | 2016          | 2017                     | 2016      | 2017                       | 2016          |
| Assets                              |                         |               |                          |           |                            |               |
| Current and other assets            | \$ 10,359,518           | \$ 9,573,659  | \$ 66,933                | \$ 27,683 | \$ 10,426,451              | \$ 9,601,342  |
| Capital assets                      | 61,543,266              | 62,012,472    | 55,072                   | 62,075    | 61,598,338                 | 62,074,547    |
| Total Assets                        | 71,902,784              | 71,586,131    | 122,005                  | 89,758    | 72,024,789                 | 71,675,889    |
| Deferred Outflows<br>of Resources   | 3,675,256               | 3,603,419     | 21,237                   | 19,079    | 3,696,493                  | 3,622,498     |
| Liabilities                         |                         |               |                          |           |                            |               |
| Current liabilities                 | 1,326,064               | 1,539,537     | 27,821                   | 3,606     | 1,353,885                  | 1,543,143     |
| Long-term obligations               | 25,814,036              | 29,225,015    | -                        | -         | 25,814,036                 | 29,225,015    |
| Aggregate net pension liability     | 19,884,116              | 21,731,986    | 78,690                   | 70,558    | 19,962,806                 | 21,802,544    |
| Total Liabilities                   | 47,024,216              | 52,496,538    | 106,511                  | 74,164    | 47,130,727                 | 52,570,702    |
| Deferred Inflows<br>of Resources    | 7,401,657               | 6,252,347     | 14,017                   | 21,004    | 7,415,674                  | 6,273,351     |
| Net Position                        |                         |               |                          |           |                            |               |
| Net investment in<br>capital assets | 46,765,940              | 46,865,127    | 55,072                   | 62,075    | 46,821,012                 | 46,927,202    |
| Restricted                          | 2,852,605               | 3,125,295     | -                        | -         | 2,852,605                  | 3,125,295     |
| Unrestricted (deficit)              | (28,466,378)            | (33,549,757)  | (32,358)                 | (48,406)  | (28,498,736)               | (33,598,163)  |
| Total Net Position                  | \$ 21,152,167           | \$ 16,440,665 | \$ 22,714                | \$ 13,669 | \$ 21,174,881              | \$ 16,454,334 |

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 15.2 percent \$(28,498,736) compared to \$(33,598,163).

# CASTAIC UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

|                                      | Governmental Activities |                     | Business-Type Activities |                   | School District Activities |                     |
|--------------------------------------|-------------------------|---------------------|--------------------------|-------------------|----------------------------|---------------------|
|                                      | 2017                    | 2016                | 2017                     | 2016              | 2017                       | 2016                |
| <b>Revenues</b>                      |                         |                     |                          |                   |                            |                     |
| Program revenues:                    |                         |                     |                          |                   |                            |                     |
| Charges for sales                    | \$ 273,497              | \$ 319,795          | \$ 221,476               | \$ 109,610        | \$ 494,973                 | \$ 429,405          |
| Operating grants and contributions   | 3,048,485               | 3,693,681           | -                        | -                 | 3,048,485                  | 3,693,681           |
| General revenues:                    |                         |                     |                          |                   |                            |                     |
| Federal and State aid not restricted | 13,605,582              | 15,549,636          | -                        | -                 | 13,605,582                 | 15,549,636          |
| Property taxes                       | 9,840,872               | 9,667,591           | -                        | -                 | 9,840,872                  | 9,667,591           |
| Other general revenues               | 803,152                 | 747,795             | 462                      | 246               | 803,614                    | 748,041             |
| <b>Total Revenues</b>                | <b>27,571,588</b>       | <b>29,978,498</b>   | <b>221,938</b>           | <b>109,856</b>    | <b>27,793,526</b>          | <b>30,088,354</b>   |
| <b>Expenses</b>                      |                         |                     |                          |                   |                            |                     |
| Instruction                          | 13,267,860              | 14,364,214          | -                        | -                 | 13,267,860                 | 14,364,214          |
| Instruction-related                  | 1,984,373               | 2,151,912           | -                        | -                 | 1,984,373                  | 2,151,912           |
| Pupil services                       | 1,643,700               | 1,632,636           | -                        | -                 | 1,643,700                  | 1,632,636           |
| Administration                       | 1,706,200               | 1,560,261           | -                        | -                 | 1,706,200                  | 1,560,261           |
| Plant services                       | 2,222,535               | 2,056,585           | -                        | -                 | 2,222,535                  | 2,056,585           |
| Other                                | 2,035,418               | 2,259,910           | 212,893                  | 118,887           | 2,248,311                  | 2,378,797           |
| <b>Total Expenses</b>                | <b>22,860,086</b>       | <b>24,025,518</b>   | <b>212,893</b>           | <b>118,887</b>    | <b>23,072,979</b>          | <b>24,144,405</b>   |
| <b>Change in Net Position</b>        | <b>\$ 4,711,502</b>     | <b>\$ 5,952,980</b> | <b>\$ 9,045</b>          | <b>\$ (9,031)</b> | <b>\$ 4,720,547</b>        | <b>\$ 5,943,949</b> |

# CASTAIC UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$22,860,086, a decrease of \$1,165,432, or 4.9 percent over the prior year. The amount that our taxpayers ultimately financed for these activities through local taxes was only \$9,840,872 because the cost was paid by those who benefited from the programs \$(273,497) or by other governments and organizations who subsidized certain programs with grants and contributions \$(3,048,485). We paid for the remaining "public benefit" portion of our governmental activities with \$14,408,734 from Federal and State unrestricted funds and from other revenue sources, such as interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related programs, pupil services, administration, plant services, and all other remaining functional costs. 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 they believe are provided by that function.

**Table 3**

|                     | Total Cost of Services |                      | Net Cost of Services |                      |
|---------------------|------------------------|----------------------|----------------------|----------------------|
|                     | 2017                   | 2016                 | 2017                 | 2016                 |
| Instruction-related | \$ 15,252,233          | \$ 16,516,126        | \$ 12,227,552        | \$ 13,322,750        |
| Pupil services      | 1,643,700              | 1,632,636            | 1,353,393            | 1,318,321            |
| Administration      | 1,706,200              | 1,560,261            | 1,703,705            | 1,560,261            |
| Plant services      | 2,222,535              | 2,056,585            | 2,218,036            | 2,052,244            |
| Other               | 2,035,418              | 2,259,910            | 2,035,418            | 1,758,466            |
| <b>Total</b>        | <b>\$ 22,860,086</b>   | <b>\$ 24,025,518</b> | <b>\$ 19,538,104</b> | <b>\$ 20,012,042</b> |

# CASTAIC UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$9,262,672, which is an increase of \$9,988,282 or 12.1 percent, from last year. An itemized chart is provided below labeled as Table 4.

**Table 4**

|   | Balances and Activity |  |   |                     |
|---|-----------------------|--|---|---------------------|
|   | July 1, 2016          | Revenues and<br>Other Financing<br>Sources | Expenditures<br>and Other<br>Financing Uses | June 30, 2017       |
| General Fund  | \$ 2,755,312          | \$ 22,735,448                              | \$ 20,555,592                               | \$ 4,935,168        |
| Building Fund                                       | 2,040,897             | 142,344                                    | 979,209                                     | 1,204,032           |
| Bond Interest and Redemption Fund                   | 2,107,056             | 4,387,722                                  | 4,687,918                                   | 1,806,860           |
| Child Development                                   | -                     | 189,979                                    | 189,979                                     | -                   |
| Capital Facilities Fund                             | 525,948               | 136,369                                    | 155,596                                     | 506,721             |
| County School Facilities Fund                       | 75,189                | 827  | -   | 76,016              |
| Special Reserve Fund for Capital<br>Outlay Projects | 75,777                | 15,644                                     | 44,589                                      | 46,832              |
| Capital Project Fund for<br>Blended Component Units | 284,602               | 2,937                                      | 203   | 287,336             |
| Debt Service Fund for<br>Blended Component Units    | 399,609               | 283,800                                    | 283,702                                     | 399,707             |
| <b>Total</b>  | <b>\$ 8,264,390</b>   | <b>\$ 27,895,070</b>                       | <b>\$ 26,896,788</b>                        | <b>\$ 9,262,672</b> |

The primary reasons for these changes are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund continues to be affected by:
  1. Significantly decreased enrollment
  2. LCFF influenced reduced revenue
- b. The debt service funds remained fairly stable

### 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 May 19, 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 69.)



# CASTAIC UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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The variation between the Final Budget and the Unaudited Actuals were the result of:

- One-time funding source:
  - Fund 71.0, in which retiree benefits were paid
  - Reimbursement of Mandated Costs
- Unanticipated legal and services expense.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2017, the District had \$61,598,338 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$476,209, or .77 percent, from last year (Table 5). The totals reported below are based on a recently completed fiscal inventory and assessment of building and land values.

**Table 5**

|                            | Governmental Activities |                      | Business-Type Activities |                  | Total                |                      |
|----------------------------|-------------------------|----------------------|--------------------------|------------------|----------------------|----------------------|
|                            | 2017                    | 2016                 | 2017                     | 2016             | 2017                 | 2016                 |
| Land                       | \$ 25,763,434           | \$ 25,763,434        | \$ -                     | \$ -             | \$ 25,763,434        | \$ 25,763,434        |
| Construction in process    | 1,893,951               | 1,893,951            | -                        | -                | 1,893,951            | 1,893,951            |
| Land improvements          | 401,091                 | 446,136              | 8,911                    | 10,042           | 410,002              | 456,178              |
| Buildings and improvements | 33,128,516              | 33,437,322           | 36,260                   | 40,872           | 33,164,776           | 33,478,194           |
| Equipment                  | 356,274                 | 471,629              | 9,901                    | 11,161           | 366,175              | 482,790              |
| <b>Total</b>               | <b>\$ 61,543,266</b>    | <b>\$ 62,012,472</b> | <b>\$ 55,072</b>         | <b>\$ 62,075</b> | <b>\$ 61,598,338</b> | <b>\$ 62,074,547</b> |

This year's total additions of \$934,882 included the following:

- Replacement and modernization of the HVAC systems at Live Oak Elementary (proceeding full modernization)
- Expansion of the District-wide and school specific wireless network to continue to improve wireless connectivity for instruction and for State testing (SBAC)
- Lighting upgrades District-wide

No debt was issued for these additions.

We present more detailed information regarding our capital assets in Note 5 of the financial statements

# CASTAIC UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### Long-Term Obligations

At the end of this year, the long-term obligations decreased from the previous year by \$3,410,979.

Those obligations consisted of:

**Table 6**

|   | Governmental Activities |                      |
|---|-------------------------|----------------------|
|   | 2017                    | 2016                 |
| General obligation bonds                                    | \$ 19,744,113           | \$ 23,246,434        |
| Certificates of participation - net of discount on issuance | 3,618,866               | 3,720,790            |
| Compensated absences (vacations)                            | 73,113                  | 63,003               |
| Early retirement incentives                                 | 118,553                 | 242,296              |
| Other postemployment benefits                               | 2,259,391               | 1,952,492            |
| <b>Total</b>  | <b>\$ 25,814,036</b>    | <b>\$ 29,225,015</b> |

The District's general obligation bond rating has been downgraded from A+ to A- due to the fiscal situation of the District. The State limits the amount of general obligation debt that districts can issue to 1.25 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$19,744,113 is significantly below this statutorily-imposed limit.

We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

### Net Pension Liability (NPL)

At year-end, the District had a net pension liability of \$19,962,806.

### SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2016-2017 ARE NOTED BELOW:

The District will continue the planned \$51.0 million Measure QS Bond Program. The first bond series, Series A, of \$10.3 million has been expended to improve classroom technology, facilities, parking, playgrounds, technology infrastructure, site safety, new and improved heating and air-conditioning (HVAC) and overall site improvement. Over \$8.0 million of Series A has been expended, including planning for a re-modeled and modernized locker room structure at Castaic Middle School, and eighty percent (80 percent) of the planning for modernization and new structures at Live Oak Elementary School.

The funds from Measure QS, Series A, have been spent. The District is currently updating the master facilities plan to determine the issuance of the next Series.

# **CASTAIC UNION SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017**

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For the 2016-2017 budget year, the Local Control Funding Formula (LCFF) has created drastic changes to the way the State is apportioning funds. The total transition is planned for the 2020-2021 budget year. However, the funding sources are defined, and the budget uses the LCFF model for distributing revenues to determine apportionments and the impact on the budget of the Castaic Union School District. The LCFF Revenue budget is \$10,388,360.00.

The funding for 2016-2017 school year will be based on the ADA from April 2016. This number is 2,289. The District has experienced significant loss of enrollment for the past 18 months and expects to continue losses into the near future. Previous losses and predicted losses of 125 students per year for the next two years have been incorporated into the 2016-2017 budget. Additional reductions in enrollment will be incorporated into the First Interim report.

The Budget reflects the Governor's proposed budget including the Gap funding of 55.28 percent, a COLA of 1.02 percent for the 2015-2016 school year, and 0 percent for the 2016-2017 school year.

The impact of lost revenue and enrollment will force the District to continue to reduce staff and control expenditures. It is essential that the District maintain fiscal stability.

### **2016-2017 BUDGET ASSUMPTIONS**

#### Income

#### Unrestricted and Restricted

1. Our ADA projection is 2144.24 with an enrollment of 2234.
2. GAP funding percentage of 55.28 percent.
3. The Statutory COLA is 0 percent.
4. Interest rates have been budgeted at 1.0 percent.
5. The budgeted funds from the one-time reimbursement for the prior mandated costs of \$214 per ADA, or approximately \$491,161.
6. One-time reimbursement (rebate) from the Santa Clarita Valley Food Service Agency of \$30,000.

# **CASTAIC UNION SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017**

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### Expenditures

#### Unrestricted and Restricted

1. Contract negotiations have not been initiated for this time period.
2. 1000's Salaries are reduced from prior year. This includes a reduction of seven Teaching FTEs at time of budget. Three Teaching FTEs were brought back and incorporated into 1<sup>st</sup> Interim. The step and column increases are budgeted at two percent of contract salaries.
3. 2000's Salaries have no significant changes. The step and column increased are budgeted at one percent of contract salaries.
4. 4000's (Instructional Books and Supplies) and 5000's (Services and Other Operating Expenditures) – Expenditures are budgeted based on actual and encumbrances. A comparison with prior year actual expenditures was used for reasonableness.
5. The requirement to fund the Routine Restricted Maintenance (RRM) at three percent of the expenditure budget was reduced from three percent to one percent as of 2009-2010 by the State of California. The District has budgeted to accommodate the RRM requirement at 1.7 percent, \$350,000.

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

This financial report is designed to provide our citizens, taxpayers, students, and 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 financial information, contact Linette Hodson, Chief Business Official, at Castaic Union School District, 28131 Livingston Avenue, Valencia California, 91355, or e-mail at [lhodson@castaicusd.com](mailto:lhodson@castaicusd.com).

# CASTAIC UNION SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2017

|   | Governmental<br>Activities | Business-Type<br>Activities | Total         |
|---|----------------------------|-----------------------------|---------------|
| <b>ASSETS</b>   |                            |                             |               |
| Deposits and investments  | \$ 9,734,582               | \$ 64,910                   | \$ 9,799,492  |
| Receivables   | 624,936                    | 2,023                       | 626,959       |
| Capital assets  |                            |                             |               |
| Land and construction in process                                | 27,657,385                 | -                           | 27,657,385    |
| Other capital assets  | 57,053,324                 | 114,599                     | 57,167,923    |
| Less: Accumulated depreciation                                  | (23,167,443)               | (59,527)                    | (23,226,970)  |
| Total Capital Assets  | 61,543,266                 | 55,072                      | 61,598,338    |
| <b>Total Assets</b>   | 71,902,784                 | 122,005                     | 72,024,789    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |                            |                             |               |
| Deferred outflows of resources related to pensions              | 3,675,256                  | 21,237                      | 3,696,493     |
| <b>LIABILITIES</b>  |                            |                             |               |
| Accounts payable  | 1,038,572                  | 27,821                      | 1,066,393     |
| Accrued interest payable  | 229,218                    | -                           | 229,218       |
| Unearned revenue  | 58,274                     | -                           | 58,274        |
| Long-term obligations:  |                            |                             |               |
| Current portion of long-term obligations other than pensions    | 4,918,297                  | -                           | 4,918,297     |
| Noncurrent portion of long-term obligations other than pensions | 20,895,739                 | -                           | 20,895,739    |
| Total Long-Term Obligations                                     | 25,814,036                 | -                           | 25,814,036    |
| Aggregate net pension liability                                 | 19,884,116                 | 78,690                      | 19,962,806    |
| <b>Total Liabilities</b>  | 47,024,216                 | 106,511                     | 47,130,727    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |                            |                             |               |
| Deferred inflows of resources related to pensions               | 7,401,657                  | 14,017                      | 7,415,674     |
| <b>NET POSITION</b>   |                            |                             |               |
| Net investment in capital assets                                | 46,765,940                 | 55,072                      | 46,821,012    |
| Restricted for:   |                            |                             |               |
| Debt service  | 1,977,349                  | -                           | 1,977,349     |
| Capital projects  | 582,737                    | -                           | 582,737       |
| Educational programs  | 292,519                    | -                           | 292,519       |
| Unrestricted (deficit)  | (28,466,378)               | (32,358)                    | (28,498,736)  |
| <b>Total Net Position</b>                                       | \$ 21,152,167              | \$ 22,714                   | \$ 21,174,881 |

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

# CASTAIC UNION SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

| Functions/Programs                           | Expenses             | Program Revenues  |                         |
|--|----------------------|-------------------|-------------------------|
|  |                      | Charges for Sales | Operating Contributions |
| <b>Governmental Activities:</b>              |                      |                   |                         |
| Instruction                                  | \$ 13,267,860        | \$ 227,430        | \$ 2,766,237            |
| Instruction-related activities:              |                      |                   |                         |
| Supervision of instruction                   | 328,758              | 1,780             | 29,234                  |
| Instructional library, media, and technology | 384,147              | -                 | -                       |
| School site administration                   | 1,271,468            | -                 | -                       |
| Pupil services:                              |                      |                   |                         |
| Home-to-school transportation                | 703,775              | -                 | -                       |
| All other pupil services                     | 939,925              | 44,287            | 246,020                 |
| Administration:                              |                      |                   |                         |
| Data processing                              | 9,036                | -                 | -                       |
| All other administration                     | 1,697,164            | -                 | 2,495                   |
| Plant services                               | 2,222,535            | -                 | 4,499                   |
| Enterprise services                          | 2,741                | -                 | -                       |
| Interest on long-term obligations            | 1,366,528            | -                 | -                       |
| Other outgo                                  | 666,149              | -                 | -                       |
| <b>Total Governmental Activities</b>         | <b>22,860,086</b>    | <b>273,497</b>    | <b>3,048,485</b>        |
| <b>Business-Type Activities</b>              |                      |                   |                         |
| Enterprise services                          | 212,893              | 221,476           | -                       |
| <b>Total School District</b>                 | <b>\$ 23,072,979</b> | <b>\$ 494,973</b> | <b>\$ 3,048,485</b>     |

### General revenues and subventions:

Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Taxes levied for other specific purposes  
Federal and State aid not restricted to specific purposes  
Interest and investment earnings  
Miscellaneous

### Subtotal, General Revenues

### Change in Net Position

Net Position - Beginning

Net Position - Ending

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

| <b>Net (Expenses)<br/>Revenues and<br/>Changes in<br/>Net Position<br/>Activities</b> | <b>Business- Type<br/>Activities</b> | <b>Total</b>    |
|---|--------------------------------------|-----------------|
| \$ (10,274,193)   | \$ -                                 | \$ (10,274,193) |
| (297,744)   | -                                    | (297,744)       |
| (384,147)   | -                                    | (384,147)       |
| (1,271,468)   | -                                    | (1,271,468)     |
| (703,775)   | -                                    | (703,775)       |
| (649,618)   | -                                    | (649,618)       |
| (9,036)   | -                                    | (9,036)         |
| (1,694,669)   | -                                    | (1,694,669)     |
| (2,218,036)   | -                                    | (2,218,036)     |
| (2,741)   | -                                    | (2,741)         |
| (1,366,528)   | -                                    | (1,366,528)     |
| (666,149)   | -                                    | (666,149)       |
| (19,538,104)  | -                                    | (19,538,104)    |
| -   | 8,583                                | 8,583           |
| (19,538,104)  | 8,583                                | (19,529,521)    |
| 5,265,675   | -                                    | 5,265,675       |
| 4,558,041   | -                                    | 4,558,041       |
| 17,156  | -                                    | 17,156          |
| 13,605,582  | -                                    | 13,605,582      |
| 158,909   | -                                    | 158,909         |
| 644,243   | 462                                  | 644,705         |
| 24,249,606  | 462                                  | 24,250,068      |
| 4,711,502   | 9,045                                | 4,720,547       |
| 16,440,665  | 13,669                               | 16,454,334      |
| \$ 21,152,167   | \$ 22,714                            | \$ 21,174,881   |

# CASTAIC UNION SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2017

|  | General<br>Fund     | Building<br>Fund    | Bond Interest<br>and Redemption<br>Fund |
|--|---------------------|---------------------|---|
| <b>ASSETS</b>                                  |                     |                     |   |
| Deposits and investments                       | \$ 5,452,270        | \$ 1,200,955        | \$ 1,806,860                            |
| Receivables                                    | 560,468             | 6,117               | -                                       |
| <b>Total Assets</b>                            | <b>\$ 6,012,738</b> | <b>\$ 1,207,072</b> | <b>\$ 1,806,860</b>                     |
| <b>LIABILITIES AND FUND BALANCES</b>           |                     |                     |   |
| <b>Liabilities:</b>                            |                     |                     |   |
| Accounts payable                               | \$ 1,025,322        | \$ 3,040            | \$ -                                    |
| Unearned revenue                               | 52,248              | -                   | -                                       |
| <b>Total Liabilities</b>                       | <b>1,077,570</b>    | <b>3,040</b>        | <b>-</b>                                |
| <b>Fund Balances:</b>                          |                     |                     |   |
| Nonspendable                                   | 3,000               | -                   | -                                       |
| Restricted                                     | 292,519             | 1,204,032           | 1,806,860                               |
| Assigned                                       | 535,946             | -                   | -                                       |
| Unassigned                                     | 4,103,703           | -                   | -                                       |
| <b>Total Fund Balances</b>                     | <b>4,935,168</b>    | <b>1,204,032</b>    | <b>1,806,860</b>                        |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 6,012,738</b> | <b>\$ 1,207,072</b> | <b>\$ 1,806,860</b>                     |



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| <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---|
| \$ 1,274,497                                | \$ 9,734,582                            |
| 58,351                                      | 624,936                                 |
| <u>\$ 1,332,848</u>                         | <u>\$ 10,359,518</u>                    |
| <br>  |   |
| \$ 10,210                                   | \$ 1,038,572                            |
| 6,026                                       | 58,274                                  |
| <u>16,236</u>                               | <u>1,096,846</u>                        |
| <br>  |   |
| -   | 3,000                                   |
| 1,269,780                                   | 4,573,191                               |
| 46,832                                      | 582,778                                 |
| -   | 4,103,703                               |
| <u>1,316,612</u>                            | <u>9,262,672</u>                        |
| <br>  |   |
| <u>\$ 1,332,848</u>                         | <u>\$ 10,359,518</u>                    |

# CASTAIC UNION SCHOOL DISTRICT

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

---

**Total Fund Balance - Governmental Funds** **\$ 9,262,672**

**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: | \$ 84,710,709       |            |
| Accumulated depreciation is:   | <u>(23,167,443)</u> |            |
| Net Capital Assets             |                     | 61,543,266 |

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. (229,218)

Deferred outflows of resources related to pensions represent a  
consumption of net position in a future period and are 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  | 1,560,495      |           |
| Net change in proportionate share of net pension liability  |                |           |
| Difference between projected and actual earnings on pension plan investments                            | 1,921,132      |           |
| Differences between expected and actual experience in the measurement of<br>the total pension liability | <u>193,629</u> |           |
| Total Deferred Outflows of Resources<br>Related to Pensions   |                | 3,675,256 |

Deferred inflows of resources related to pensions represent a consumption  
of net position in a future period and are 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  | (6,886,580)      |             |
| Difference between projected and actual earnings on pension plan<br>investments                         | (4,040)          |             |
| Differences between expected and actual experience in the measurement<br>of the total pension liability | (375,370)        |             |
| Changes in assumptions  | <u>(135,667)</u> |             |
| Total Deferred Inflows of Resources<br>Related to Pensions  |                  | (7,401,657) |

Net pension liability is not due and payable in the current period, and is  
not reported as a liability in the funds. (19,884,116)

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

## CASTAIC UNION SCHOOL DISTRICT

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

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

Long-term obligations at year-end consist of the following:

|   |               |
|---|---------------|
| General obligation bonds                  | \$ 12,649,828 |
| Certificates of participation             | 3,665,000     |
| Discount on issuance, net of amortization | (46,134)      |
| Compensated absences (vacations)          | 73,113        |
| Supplemental early retirement plan (SERP) | 118,553       |
| Other postemployment benefits (OPEB)      | 2,259,391     |

In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:

7,094,285

Total Long-Term Obligations

\$ (25,814,036)

**Total Net Position - Governmental Activities**

**\$ 21,152,167**

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

# CASTAIC UNION SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUE, EXPENDITURES, AND

### CHANGES IN FUND BALANCES

JUNE 30, 2017

|  | General<br>Fund     | Building<br>Fund    | Bond Interest<br>and Redemption<br>Fund |
|--|---------------------|---------------------|---|
| <b>REVENUES</b>  |                     |                     |   |
| Local Control Funding Formula                                | \$ 17,897,787       | \$ -                | \$ -                                    |
| Federal sources  | 664,005             | -                   | -                                       |
| Other State sources  | 2,149,608           | -                   | 19,988                                  |
| Other local sources  | 2,024,048           | 16,148              | 4,367,734                               |
| <b>Total Revenues</b>  | <b>22,735,448</b>   | <b>16,148</b>       | <b>4,387,722</b>                        |
| <b>EXPENDITURES</b>  |                     |                     |   |
| Current  |                     |                     |   |
| Instruction  | 12,597,135          | -                   | -                                       |
| Instruction-related activities:                              |                     |                     |   |
| Supervision of instruction                                   | 304,088             | -                   | -                                       |
| Instructional library, media,<br>and technology              | 395,317             | -                   | -                                       |
| School site administration                                   | 1,255,199           | -                   | -                                       |
| Pupil services:  |                     |                     |   |
| Home-to-school transportation                                | 601,448             | -                   | -                                       |
| All other pupil services                                     | 911,661             | -                   | -                                       |
| Administration:  |                     |                     |   |
| Data processing  | 9,036               | -                   | -                                       |
| All other administration                                     | 1,688,682           | -                   | -                                       |
| Plant services   | 1,999,160           | 2,142               | -                                       |
| Facility acquisition and construction                        | -                   | 977,067             | -                                       |
| Other outgo  | 666,149             | -                   | -                                       |
| Enterprise services  | 1,521               | -                   | -                                       |
| Debt service   |                     |                     |   |
| Principal  | -                   | -                   | 4,275,113                               |
| Interest and other   | -                   | -                   | 412,805                                 |
| <b>Total Expenditures</b>                                    | <b>20,429,396</b>   | <b>979,209</b>      | <b>4,687,918</b>                        |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>2,306,052</b>    | <b>(963,061)</b>    | <b>(300,196)</b>                        |
| <b>Other Financing Sources (Uses)</b>                        |                     |                     |   |
| Transfers in   | -                   | 126,196             | -                                       |
| Transfers out  | (126,196)           | -                   | -                                       |
| <b>Net Financing Sources (Uses)</b>                          | <b>(126,196)</b>    | <b>126,196</b>      | <b>-</b>                                |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>2,179,856</b>    | <b>(836,865)</b>    | <b>(300,196)</b>                        |
| <b>FUND BALANCES - BEGINNING</b>                             | <b>2,755,312</b>    | <b>2,040,897</b>    | <b>2,107,056</b>                        |
| <b>FUND BALANCES - ENDING</b>                                | <b>\$ 4,935,168</b> | <b>\$ 1,204,032</b> | <b>\$ 1,806,860</b>                     |

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

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| <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---|
| \$ -  | \$ 17,897,787                           |
| 2,612                                       | 666,617                                 |
| 157,643                                     | 2,327,239                               |
| 469,301                                     | 6,877,231                               |
| <u>629,556</u>                              | <u>27,768,874</u>                       |
| 164,943                                     | 12,762,078                              |
| 20,569                                      | 324,657                                 |
| -   | 395,317                                 |
| -   | 1,255,199                               |
| -   | 601,448                                 |
| -   | 911,661                                 |
| -   | 9,036                                   |
| -   | 1,688,682                               |
| 121,845                                     | 2,123,147                               |
| 82,807                                      | 1,059,874                               |
| -   | 666,149                                 |
| -   | 1,521                                   |
| 105,000                                     | 4,380,113                               |
| 178,905                                     | 591,710                                 |
| <u>674,069</u>                              | <u>26,770,592</u>                       |
| <u>(44,513)</u>                             | <u>998,282</u>                          |
| -   | 126,196                                 |
| -   | (126,196)                               |
| -   | -                                       |
| (44,513)                                    | 998,282                                 |
| 1,361,125                                   | 8,264,390                               |
| <u>\$ 1,316,612</u>                         | <u>\$ 9,262,672</u>                     |

# CASTAIC UNION SCHOOL DISTRICT

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

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|  |    |         |
|--|----|---------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 998,282 |
|--|----|---------|

### 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 depreciation expense exceed capital outlays in the period.

|                      |    |             |
|----------------------|----|-------------|
| Depreciation expense | \$ | (1,404,088) |
| Capital outlays      |    | 934,882     |

|                        |           |
|------------------------|-----------|
| Net Expense Adjustment | (469,206) |
|------------------------|-----------|

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the required contribution.

(306,899)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) 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, special termination benefits paid were \$123,743. Vacation used was less than the amounts earned by \$10,110.

113,633

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 outflows, deferred inflows and net pension liability during the year.

770,397

Payment of principal on long-term obligations 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      | 4,275,113 |
| Certificates of participation | 105,000   |

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

**CASTAIC UNION SCHOOL DISTRICT**

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

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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.

|                      |    |         |
|----------------------|----|---------|
| Discount on issuance | \$ | (3,076) |
|----------------------|----|---------|

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 decreased by \$1,050, and second, \$772,792 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

|  |           |                         |
|--|-----------|-------------------------|
|  |           | (771,742)               |
| <b>Change in Net Position of Governmental Activities</b> | <b>\$</b> | <b><u>4,711,502</u></b> |

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

# CASTAIC UNION SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

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|  | <b>Business-Type<br/>Activities<br/>Enterprise Fund<br/>Community<br/>Preschool</b> |
|--|---|
| <b>ASSETS</b>                                      |   |
| <b>Current Assets</b>                              |   |
| Deposits and investments                           | \$ 64,910   |
| Receivables  | 2,023   |
| <b>Total Current Assets</b>                        | <b>66,933</b>   |
| <b>Noncurrent Assets</b>                           |   |
| Capital assets                                     | 114,599   |
| Less: accumulated depreciation                     | (59,527)  |
| <b>Total Noncurrent Assets</b>                     | <b>55,072</b>   |
| <b>Total Assets</b>                                | <b>122,005</b>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |   |
| Deferred outflows of resources related to pensions | 21,237  |
| <b>LIABILITIES</b>                                 |   |
| <b>Current Liabilities</b>                         |   |
| Accounts payable                                   | 27,821  |
| Aggregate net pension liability                    | 78,690  |
| <b>Total Current Liabilities</b>                   | <b>106,511</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |   |
| Deferred inflows of resources related to pensions  | 14,017  |
| <b>NET POSITION</b>                                |   |
| Net investment in capital assets                   | 55,071  |
| Unrestricted                                       | (32,357)  |
| <b>Total Net Position</b>                          | <b>\$ 22,714</b>  |

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



# CASTAIC UNION SCHOOL DISTRICT

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES

#### IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

|  | <b>Business-Type<br/>Activities<br/>Enterprise Fund<br/>Community<br/>Preschool</b> |
|--|---|
| <b>OPERATING REVENUES</b>              |   |
| Fee charges and miscellaneous revenues | \$ 221,476  |
| <b>OPERATING EXPENSES</b>              |   |
| Payroll costs                          | 88,307  |
| Supplies and materials                 | 5,260   |
| Other operating cost                   | 112,323   |
| Depreciation                           | 7,003   |
| <b>Total Operating Expenses</b>        | <b>212,893</b>  |
| <b>Operating Income</b>                | <b>8,583</b>  |
| <b>NONOPERATING REVENUES</b>           |   |
| Interest income                        | 462   |
| <b>Change in Net Position</b>          | <b>9,045</b>  |
| <b>Total Net Position - Beginning</b>  | <b>13,669</b>   |
| <b>Total Net Position - Ending</b>     | <b>\$ 22,714</b>  |

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

# CASTAIC UNION SCHOOL DISTRICT

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

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|  | <b>Business-Type<br/>Activities<br/>Enterprise Fund<br/>Community<br/>Preschool</b> |
|--|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |
| Cash receipts from customers   | \$ 219,553  |
| Cash payments to employees for services  | (89,319)  |
| Cash payments to other suppliers of goods or services                                      | (93,368)  |
| Net Cash provided by Operating Activities  | <u>36,866</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |
| Interest on investments  | <u>462</u>  |
| Net Increase in Cash and Cash Equivalents  | 37,328  |
| Cash and Cash Equivalents - Beginning  | 27,582  |
| Cash and Cash Equivalents - Ending   | <u><u>\$ 64,910</u></u>   |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH<br/>PROVIDED BY OPERATING ACTIVITIES</b> |   |
| Operating income   | \$ 8,583  |
| Adjustments to reconcile operating income to net cash provided by<br>operating activities: |   |
| Depreciation   | 7,003   |
| Changes in liabilities:  |   |
| Receivables  | (1,923)   |
| Deferred outflow of resources  | (2,157)   |
| Inventories  |   |
| Accounts payable   | 24,215  |
| Net pension liability  | 8,132   |
| Due to other fund  |   |
| Deferred inflow of resources   | (6,987)   |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <u><u>\$ 36,866</u></u>   |

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

# CASTAIC UNION SCHOOL DISTRICT

## FIDUCIARY FUNDS

### STATEMENT OF NET POSITION

JUNE 30, 2017

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|                          | <b>Agency<br/>Funds</b> |
|--------------------------|-------------------------|
| <b>ASSETS</b>            |                         |
| Deposits and investments | \$ 9,557,818            |
| Receivables              | 36,444                  |
| <b>Total Assets</b>      | <b>\$ 9,594,262</b>     |
| <b>LIABILITIES</b>       |                         |
| Accounts payable         | \$ 4,640                |
| Due to student groups    | 72,720                  |
| Due to employees         | 99,209                  |
| Due to bond holders      | 9,417,693               |
| <b>Total Liabilities</b> | <b>\$ 9,594,262</b>     |

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

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

The Castaic Union School District (the District) was organized on March 25, 1889 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates three elementary schools and one middle school.

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, boards, and agencies that are not legally separate from the District. For Castaic Union School District, this includes general operations 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 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. 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 benefit of the District.

The Castaic Union School District Community Facilities Districts (CFDs) 92-1 and 92-2, and the Castaic Union School District Facilities Corporation (the Corporation), as represented by the 2010 Refunding Certificates of Participation, have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the CFDs and the Corporation as component units 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 CFDs financial capital projects activity is presented in the Capital Project Fund for Blended Component Units. The CFDs financial debt activity is presented in the Agency Funds. Debt instruments issued by the CFDs do not represent liabilities of the District of component units and are not included in the District-wide Financial Statements.

The financial statements present the Corporation's financial debt activity within the Debt Service Fund for Blended Component Units. All debt instruments issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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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 special revenue fund in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund 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 extensions of the General Fund, and accordingly have 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 and revenues of \$948, and \$12, respectively.

**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.

**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).

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Non-Major Governmental Funds

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

**Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

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

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

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

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

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

**Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

---

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

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the preschool service activities of the District.

**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. 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 fund accounts for student body activities (ASB), payroll clearing, and funds held for the payment of the non-obligatory debt of the Community Facilities Districts, and the volunteer payroll withholdings of District employees.

### **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 statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function, 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 or business segment 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 use.

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary 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.

**Governmental Funds** All governmental funds are accounted for using the 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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Proprietary Funds** Proprietary funds are accounted for using the 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 45 or 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.



# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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**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, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Cash and Cash Equivalents**

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

### **Investments**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. 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 statement of net position. The valuation basis for capital assets is 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.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 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". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

# **CASTAIC UNION SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **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. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

### **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 governmental funds.

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

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

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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.

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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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 pension related items.

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

### Pensions

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

### Fund Balances - Governmental Funds

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

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

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

**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 superintendent or director of fiscal services has delegated 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.

# **CASTAIC UNION SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **Minimum Fund Balance Policy**

In fiscal year 2010-2011, 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. 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 \$2,852,605 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 preschool services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Interfund Activity**

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

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 in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

### **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.

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### Property Tax

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

### Change in Accounting Principles

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

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

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

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

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

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

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

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

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

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

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

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

### **New Accounting Pronouncements**

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

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

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

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

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

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

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.



# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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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
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

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

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

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

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

|                                |                      |
|--------------------------------|----------------------|
| Governmental activities        | \$ 9,734,582         |
| Business-type activities       | 64,910               |
| Fiduciary funds                | 9,557,818            |
| Total Deposits and Investments | <u>\$ 19,357,310</u> |

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

|                                |                      |
|--------------------------------|----------------------|
| Cash on hand and in banks      | \$ 78,309            |
| Cash in revolving              | 3,000                |
| Investments                    | 19,276,001           |
| Total Deposits and Investments | <u>\$ 19,357,310</u> |

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Policies and Practices

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

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

### General Authorizations

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

| Authorized<br>Investment Type           | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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                                   |
| County Pooled Investment Funds          | N/A                              | None                                  | None                                   |
| Local Agency Investment Fund (LAIF)     | N/A                              | None                                  | None                                   |
| Joint Powers Authority Pools            | N/A                              | None                                  | None                                   |

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### Debt Authorizations

| Authorized<br>Investment Type   | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>In One Issuer |
|---|----------------------------------|---------------------------------------|--|
| Unsecured Certificates of Deposits, Time Deposits,<br>and Bankers' Acceptances                | 365 days                         | None                                  | None                                   |
| Commercial Paper  | 270 days                         | None                                  | None                                   |
| Farm Credit System Bonds and Notes  | N/A                              | None                                  | None                                   |
| Federal Home Loan Mortgage Corporation Senior Debt<br>Obligations and Participation           | N/A                              | None                                  | None                                   |
| Federal Home Loan Banks Debt Obligations  | N/A                              | None                                  | None                                   |
| Federal National Mortgage Association Senior Debt<br>Obligations and Mortgage-Back Securities | N/A                              | None                                  | None                                   |
| Money Market Funds  | N/A                              | None                                  | None                                   |
| Fully insured deposits  | N/A                              | None                                  | None                                   |
| State obligations   | N/A                              | None                                  | None                                   |
| Pre-Refunded Municipal Obligations  | N/A                              | None                                  | None                                   |
| U.S. Treasury Obligations   | N/A                              | None                                  | None                                   |
| Repurchase Agreements   | N/A                              | None                                  | None                                   |
| Investment Agreements   | N/A                              | None                                  | None                                   |

### 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 primarily in the Los Angeles County Treasury Investment Pool to provide the cash flow and liquidity needed for operations, and by having the Los Angeles County Treasury Investment Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities of other investments so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow necessary for debt service requirements.

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

| Investment Type                                  | Reported<br>Amount   | Weighted Maturity<br>in Days |
|--|----------------------|------------------------------|
| Los Angeles County Treasury Investment Pool      | \$ 14,493,464        | 672                          |
| First American Treasury Obligation Fund, Class D | 4,684,214            | N/A                          |
| US Bank Money Market                             | 98,323               | N/A                          |
| Total  | <u>\$ 19,276,001</u> |                              |

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with First American Treasury Obligations Fund Class D is rated Aaa by Moody's Investor Service. The District's investments with the US Bank Money Market and in the Los Angeles County Treasury Investment Pool are not required to be rated, nor have been rated as of June 30, 2017.

### 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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balances were within the federally insured limits.

### 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.

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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, 2017:

| Investment Type                                  | Reported<br>Amount   | Fair Value<br>Measurements<br>Using |                      |
|--|----------------------|-------------------------------------|----------------------|
|  |                      | Level 2<br>Inputs                   | Uncategorized        |
| Los Angeles County Treasury Investment Pool      | \$ 14,493,464        | \$ -                                | \$ 14,493,464        |
| First American Treasury Obligation Fund, Class D | 4,684,214            | 4,684,214                           | -                    |
| US Bank Money Market                             | 98,323               | 98,323                              | -                    |
| Total  | <u>\$ 19,276,001</u> | <u>\$ 4,782,537</u>                 | <u>\$ 14,493,464</u> |

### NOTE 4 - RECEIVABLES

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

|                     | General<br>Fund   | Building<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Activities | Enterprise<br>Fund | Fiduciary<br>Funds |
|---------------------|-------------------|------------------|------------------------------------|-------------------------------------|--------------------|--------------------|
| Federal Government  |                   |                  |                                    |                                     |                    |                    |
| Categorical aid     | \$ 191,754        | \$ -             | \$ -                               | \$ 191,754                          | \$ -               | \$ -               |
| State Government    |                   |                  |                                    |                                     |                    |                    |
| Lottery             | 77,181            | -                | -                                  | 77,181                              | -                  | -                  |
| Special Education   | 252,928           | -                | -                                  | 252,928                             | -                  | -                  |
| Local Government    |                   |                  |                                    |                                     |                    |                    |
| Interest            | 20,702            | 6,117            | 3,984                              | 30,803                              | 263                | 36,444             |
| Other local sources | 17,903            | -                | 54,367                             | 72,270                              | 1,760              | -                  |
| Total               | <u>\$ 560,468</u> | <u>\$ 6,117</u>  | <u>\$ 58,351</u>                   | <u>\$ 624,936</u>                   | <u>\$ 2,023</u>    | <u>\$ 36,444</u>   |

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 5 - CAPITAL ASSETS

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

|                                       | Balance,<br>July 1, 2016 | Additions    | Deductions | Balance<br>June 30, 2017 |
|---------------------------------------|--------------------------|--------------|------------|--------------------------|
| <b>Governmental Activities</b>        |                          |              |            |                          |
| Capital Assets Not Being Depreciated: |                          |              |            |                          |
| Land                                  | \$ 25,763,434            | \$ -         | \$ -       | \$ 25,763,434            |
| Construction in Progress              | 1,893,951                | -            | -          | 1,893,951                |
| Total Capital Assets                  |                          |              |            |                          |
| Not Being Depreciated                 | 27,657,385               | -            | -          | 27,657,385               |
| Capital Assets Being Depreciated:     |                          |              |            |                          |
| Land Improvements                     | 2,234,784                | -            | -          | 2,234,784                |
| Buildings and Improvements            | 50,729,716               | 934,882      | -          | 51,664,598               |
| Furniture and Equipment               | 3,153,942                | -            | -          | 3,153,942                |
| Total Capital Assets                  |                          |              |            |                          |
| Being Depreciated                     | 56,118,442               | 934,882      | -          | 57,053,324               |
| Total Capital Assets                  | 83,775,827               | 934,882      | -          | 84,710,709               |
| Less Accumulated Depreciation:        |                          |              |            |                          |
| Land Improvements                     | 1,788,648                | 45,045       | -          | 1,833,693                |
| Buildings and Improvements            | 17,292,394               | 1,243,688    | -          | 18,536,082               |
| Furniture and Equipment               | 2,682,313                | 115,355      | -          | 2,797,668                |
| Total Accumulated Depreciation        | 21,763,355               | 1,404,088    | -          | 23,167,443               |
| Governmental Activities               |                          |              |            |                          |
| Capital Assets, Net                   | \$ 62,012,472            | \$ (469,206) | \$ -       | \$ 61,543,266            |
| <b>Business-Type Activities</b>       |                          |              |            |                          |
| Capital Assets Being Depreciated      |                          |              |            |                          |
| Land Improvements                     | \$ 18,534                | \$ -         | \$ -       | \$ 18,534                |
| Buildings and improvements            | 75,458                   | -            | -          | 75,458                   |
| Furniture and equipment               | 20,607                   | -            | -          | 20,607                   |
| Total Capital Assets Being            |                          |              |            |                          |
| Depreciated                           | 114,599                  | -            | -          | 114,599                  |
| Less Accumulated Depreciation         |                          |              |            |                          |
| Land Improvements                     | 8,492                    | 1,131        | -          | 9,623                    |
| Buildings and improvements            | 34,586                   | 4,612        | -          | 39,198                   |
| Furniture and equipment               | 9,446                    | 1,260        | -          | 10,706                   |
| Total Accumulated Depreciation        | 52,524                   | 7,003        | -          | 59,527                   |
| Business-Type Activities              |                          |              |            |                          |
| Capital Assets, Net                   | \$ 62,075                | \$ (7,003)   | \$ -       | \$ 55,072                |

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

|   |                  |
|---|------------------|
| Instruction   | \$ 1,288,831     |
| Home-to-school transportation                       | 115,257          |
| Total Depreciation Expenses Governmental Activities | <u>1,404,088</u> |

Business-type activities:

|  |                     |
|--|---------------------|
| Enterprise services                        | 7,003               |
| Total Depreciation Expenses All Activities | <u>\$ 1,411,091</u> |

### NOTE 6 – INTERFUND TRANSACTIONS

#### Operating Transfers

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

|  |                   |
|--|-------------------|
| The General Fund transferred to the Building Fund for project costs. | <u>\$ 126,196</u> |
|--|-------------------|

### NOTE 7 - ACCOUNTS PAYABLE

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

|                       | General<br>Fund     | Building<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Activities | Enterprise<br>Fund | Fiduciary<br>Funds |
|-----------------------|---------------------|------------------|------------------------------------|-------------------------------------|--------------------|--------------------|
| Salaries and benefits | \$ 474,532          | \$ -             | \$ 9,720                           | \$ 484,252                          | \$ 3,705           | \$ -               |
| LCFF apportionment    | 271,128             | -                | -                                  | 271,128                             | -                  | -                  |
| Supplies              | 12                  | -                | -                                  | 12                                  | -                  | -                  |
| Services              | 124,405             | 3,040            | 490                                | 127,935                             | 24,116             | 4,640              |
| Other vendor payables | 155,245             | -                | -                                  | 155,245                             | -                  | -                  |
| Total                 | <u>\$ 1,025,322</u> | <u>\$ 3,040</u>  | <u>\$ 10,210</u>                   | <u>\$ 1,038,572</u>                 | <u>\$ 27,821</u>   | <u>\$ 4,640</u>    |



# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 8 - UNEARNED REVENUE

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

|                              | General<br>Fund  | Non-Major<br>Governmental<br>Funds | Total            |
|------------------------------|------------------|------------------------------------|------------------|
| Federal financial assistance | \$ 52,248        | \$ -                               | \$ 52,248        |
| State categorical aid        | -                | 6,026                              | 6,026            |
| Total                        | <u>\$ 52,248</u> | <u>\$ 6,026</u>                    | <u>\$ 58,274</u> |

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the year consisted of the following:

|   | Balance<br>July 1, 2016 | Additions           | Deductions          | Balance<br>June 30, 2017 | Due in<br>One Year  |
|---|-------------------------|---------------------|---------------------|--------------------------|---------------------|
| General obligation bonds                    | \$ 23,246,434           | \$ 772,792          | \$ 4,275,113        | \$ 19,744,113            | \$ 4,704,604        |
| Certificates of participation               | 3,770,000               | -                   | 105,000             | 3,665,000                | 115,000             |
| Discount on issuance                        | (49,210)                | -                   | (3,076)             | (46,134)                 | -                   |
| Accumulated vacation - net                  | 63,003                  | 10,110              | -                   | 73,113                   | -                   |
| Supplemental early<br>retirement incentives | 242,296                 | -                   | 123,743             | 118,553                  | 98,693              |
| Other postemployment<br>benefits (OPEB)     | 1,952,492               | 348,572             | 41,673              | 2,259,391                | -                   |
|   | <u>\$ 29,225,015</u>    | <u>\$ 1,131,474</u> | <u>\$ 4,542,453</u> | <u>\$ 25,814,036</u>     | <u>\$ 4,918,297</u> |

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the Certificates of Participation are made by the Debt Service Fund for Blended Component Units with transfers from the accumulation of resources by the Community Facilities District. The accrued vacation will be paid by the fund for which the employee worked. Payments for the Supplemental Early Retirement Program are made from the General Fund. Other postemployment benefits are generally paid by the General Fund.

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

|               | Issue<br>Date | Maturity<br>Date | Interest<br>Rate | Original<br>Issue | Bonds<br>Outstanding<br>July 1, 2016 | Accreted          | Redeemed            | Bonds<br>Outstanding<br>June 30, 2017 |
|---------------|---------------|------------------|------------------|-------------------|--------------------------------------|-------------------|---------------------|---------------------------------------|
| 1993 Series A | 7/1/93        | 5/1/18           | 3.70-5.28%       | \$ 14,071,425     | \$ 6,805,453                         | \$ 400,455        | \$ 3,522,687        | \$ 3,683,221                          |
| 1993 Series B | 3/1/95        | 11/1/19          | 3.00-5.09%       | 6,039,716         | 6,235,981                            | 372,337           | 752,426             | 5,855,892                             |
| 2012 Series   |               |                  |                  |                   |                                      |                   |                     |                                       |
| 2013          | 4/2/13        | 8/1/42           | 4.00-5.00%       | 10,535,000        | 10,205,000                           | -                 | -                   | 10,205,000                            |
|               |               |                  |                  |                   | <u>\$ 23,246,434</u>                 | <u>\$ 772,792</u> | <u>\$ 4,275,113</u> | <u>\$ 19,744,113</u>                  |

### 1993 General Obligation Bonds, Series A

On July 1, 1993, the District issued the 1993 General Obligation Bonds, Series A current and capital appreciation bonds in the amount of \$14,071,425 (accreting to \$34,063,056) to acquire and construct a middle school site. The bonds have a final maturity to occur on May 1, 2018, with interest rates ranging from 3.70 to 5.28 percent. At June, 30, 2017, 1993 General Obligation Bonds, Series A, totaling \$3,683,221 were still outstanding.

### 1993 General Obligation Bonds, Series B

On March 1, 1995, the District issued the 1993 General Obligation Bonds, Series B current and capital appreciation bonds in the amount of \$6,039,716 (accreting to \$14,944,738) to acquire and construct a middle school site. The bonds have a final maturity to occur on November 1, 2019, with interest rates ranging from 3.00 to 5.09 percent. At June, 30, 2017, 1993 General Obligation Bonds, Series B, totaling \$5,855,892 were still outstanding.

### 2012 General Obligation Bonds, Series 2013

On April, 2, 2013, the District issued the 2012 General Obligation Bonds, Series 2013 in the amount of \$10,535,000 to finance certain District school facilities projects. The bonds have a final maturity to occur on August 1, 2042 with interest rates ranging from 4.00 to 5.00 percent. At June, 30, 2017, 2012 General Obligation Bonds, Series 2013, totaling \$10,205,000 were still outstanding.

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

| Fiscal Year | Principal<br>Including Accreted<br>Interest to Date | Accreted<br>Interest | Current<br>Interest to<br>Maturity | Total                |
|-------------|---|----------------------|------------------------------------|----------------------|
| 2018        | \$ 4,463,436  | \$ 241,168           | \$ 412,806                         | \$ 5,117,410         |
| 2019        | 780,213   | 75,468               | 412,806                            | 1,268,487            |
| 2020        | 4,330,464   | 714,536              | 411,931                            | 5,456,931            |
| 2021        | 55,000  | -                    | 409,681                            | 464,681              |
| 2022        | 75,000  | -                    | 407,463                            | 482,463              |
| 2023-2027   | 720,000   | -                    | 1,989,219                          | 2,709,219            |
| 2028-2032   | 1,480,000   | -                    | 1,624,447                          | 3,104,447            |
| 2033-2037   | 2,615,000   | -                    | 1,392,250                          | 4,007,250            |
| 2038-2042   | 4,165,000   | -                    | 663,150                            | 4,828,150            |
| 2043        | 1,060,000   | -                    | 21,200                             | 1,081,200            |
| Total       | <u>\$ 19,744,113</u>                                | <u>\$ 1,031,172</u>  | <u>\$ 7,744,953</u>                | <u>\$ 28,520,238</u> |

### Certificates of Participation

#### 2010 Refunding Certificates of Participation

On February 11, 2010, the Castaic Union School District Facilities Corporation issued the 2010 Refunding Certificates of Participation in the amount of \$4,180,000. The net proceeds of \$3,411,231 (issuance of \$4,180,000 net of discount of \$70,742, deposited amount to reserve fund of \$384,581 and costs incurred on issuance of \$313,446) were used to refund the District's outstanding 2002 Certificates of Participation, with the prepayment occurring April 1, 2010. Contributions from the District of \$6,128,144 and from the 2002 Certificates of Participation principal, summary, interest and reserve funds of \$2,159,536 resulted in additional funds of \$8,287,680 being placed with an escrow agent to satisfy prepayment of the remaining balance of the 2002 Certificates of Participation. The certificates have a final maturity to occur on September 1, 2033 with interest rates ranging from 2.00 to 4.50 percent. At June 30, 2017, the principal balance outstanding on the 2010 Refunding Certificates of Participation was \$3,665,000.

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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The certificates mature through 2034 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2018                    | \$ 115,000          | \$ 169,847          | \$ 284,847          |
| 2019                    | 125,000             | 165,863             | 290,863             |
| 2020                    | 135,000             | 161,144             | 296,144             |
| 2021                    | 150,000             | 155,706             | 305,706             |
| 2022                    | 160,000             | 149,600             | 309,600             |
| 2023-2027               | 1,025,000           | 627,959             | 1,652,959           |
| 2028-2032               | 1,495,000           | 320,952             | 1,815,952           |
| 2033-2034               | 460,000             | 31,263              | 491,263             |
| Total                   | <u>\$ 3,665,000</u> | <u>\$ 1,782,334</u> | <u>\$ 5,447,334</u> |

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$73,113.

### Supplemental Early Retirement Plan

The District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased nine employees who retired during the 2013-2014 school year, were purchased from United of Pacific Life Insurance Company.

In addition, the District has adopted an early retirement incentive program, pursuant to *Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District. Ten employees have retired under this retirement incentive program and will receive a future benefit.

| Year Ended<br>June 30, | Amount            |
|------------------------|-------------------|
| 2018                   | \$ 98,693         |
| 2019                   | 19,860            |
| Total                  | <u>\$ 118,553</u> |

# **CASTAIC UNION SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2017, was \$383,386, and contributions made by the District during the year were \$41,673. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$78,100 and \$(112,914), respectively, which resulted in an increase to the net OPEB obligation of \$306,899. As of June 30, 2017, the net OPEB obligation was \$2,259,391. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### **NOTE 10 - NON-OBLIGATORY DEBT**

Non-obligatory debt relates to debt issued by the Community Facility District as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities District 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. The Community Facilities District Special Tax Bonds currently active include Community Facilities District No. 92-1 with a remaining balance as of June 30, 2017, of \$4,915,000.

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 11 - FUND BALANCES

Fund balances with are composed of the following elements:

|                                       | General<br>Fund | Building<br>Fund | Bond Interest<br>and Redemption<br>Fund | Non-Major<br>Governmental<br>Funds | Total       |
|---------------------------------------|-----------------|------------------|---|------------------------------------|-------------|
| Nonspendable                          |                 |                  |   |                                    |             |
| Revolving cash                        | \$ 3,000        | \$ -             | \$ -                                    | \$ -                               | \$ 3,000    |
| Restricted                            |                 |                  |   |                                    |             |
| Legally restricted programs           | 292,519         | -                | -                                       | -                                  | 292,519     |
| Capital projects                      | -               | 1,204,032        | -                                       | 870,073                            | 2,074,105   |
| Debt services                         | -               | -                | 1,806,860                               | 399,707                            | 2,206,567   |
| Total Restricted                      | 292,519         | 1,204,032        | 1,806,860                               | 1,269,780                          | 4,573,191   |
| Assigned                              |                 |                  |   |                                    |             |
| Textbook adoption                     | 400,000         | -                | -                                       | -                                  | 400,000     |
| BEST project                          | 135,000         | -                | -                                       | -                                  | 135,000     |
| Deferred maintenance<br>program       | 946             | -                | -                                       | -                                  | 946         |
| Capital projects                      | -               | -                | -                                       | 46,832                             | 46,832      |
| Total Assigned                        | 535,946         | -                | -                                       | 46,832                             | 582,778     |
| Unassigned                            |                 |                  |   |                                    |             |
| Reserve for economic<br>uncertainties | 2,913,330       | -                | -                                       | -                                  | 2,913,330   |
| Remaining unassigned                  | 1,190,373       | -                | -                                       | -                                  | 1,190,373   |
| Total Unassigned                      | 4,103,703       | -                | -                                       | -                                  | 4,103,703   |
| Total                                 | \$4,935,168     | \$1,204,032      | \$ 1,806,860                            | \$ 1,316,612                       | \$9,262,672 |

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### **NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

#### **Plan Description**

The Postemployment Benefits Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 52 retirees and beneficiaries currently receiving benefits and 178 active Plan members.

#### **Contribution Information**

The contribution requirements of Plan members and the District are established and may be amended by the District, Castaic Teachers Association, and California School Employees Association. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed \$41,673 to the Plan, all of which was used for current premiums.

#### **Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

|  |                            |
|--|----------------------------|
| Annual required contribution               | \$ 383,386                 |
| Interest on net OPEB obligation            | 78,100                     |
| Adjustment to annual required contribution | (112,914)                  |
| Annual OPEB cost (expense)                 | <u>348,572</u>             |
| Contributions made                         | <u>(41,673)</u>            |
| Increase in net OPEB obligation            | 306,899                    |
| Net OPEB obligation, beginning of year     | <u>1,952,492</u>           |
| Net OPEB obligation, end of year           | <u><u>\$ 2,259,391</u></u> |

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

### Trend Information

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

| Year Ended<br>June 30, | Annual OPEB<br>Cost | Actual<br>Contribution | Percentage<br>Contributed | Net OPEB<br>Obligation |
|------------------------|---------------------|------------------------|---------------------------|------------------------|
| 2015                   | \$ 358,945          | \$ 81,507              | 22.71%                    | \$ 1,689,624           |
| 2016                   | 353,260             | 90,392                 | 25.59%                    | 1,952,492              |
| 2016                   | 348,572             | 41,673                 | 11.96%                    | 2,259,391              |

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

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets (a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Unprojected<br>Unit Credit (b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded Ratio<br>(a / b) | Covered<br>Payroll (c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>([b - a] / c) |
|--------------------------------|----------------------------------|--|--------------------------------------|-------------------------|------------------------|--|
| July 1, 2014                   | \$ -                             | \$ 3,314,084   | \$ 3,314,084                         | 0.00%                   | \$ 12,247,241          | 27.06%   |

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

### Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the project unit credit method was used. The actuarial assumptions included a four percent discount rate and a medical trend assumption of 8 percent for 2014-2015, graded down by one percent per year to an ultimate five percent per year beginning in 2017. The UAAL is being amortized at a level dollar method on an open basis over 29 years. The actuarial value of assets was not determined in this actuarial valuation since there were no assets.



# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 13 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2017, the District contracted with Self-Insurance Risk Management Authority (SIRMA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

For fiscal year ending June 30, 2017, the District participated in Protected Insurance Program for Schools (PIPS) joint powers authority for workers' compensation. The intent of PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in PIPS. Each participant pays its workers' compensation premium based on its individual rate.

#### Employee Medical Benefits

The District purchases medical, dental, and vision insurance from commercial insurance companies.

### 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, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| Pension Plan | Collective Net<br>Pension Liability | Collective Deferred<br>Outflows of Resources | Collective Deferred<br>Inflows of Resources | Collective<br>Pension Expense |
|--------------|-------------------------------------|--|---|-------------------------------|
| CalSTRS      | \$ 15,412,196                       | \$ 2,393,420                                 | \$ 6,862,443                                | \$ 378,822                    |
| CalPERS      | 4,550,610                           | 1,303,073                                    | 553,231                                     | 419,171                       |
| Total        | <u>\$ 19,962,806</u>                | <u>\$ 3,696,493</u>                          | <u>\$ 7,415,674</u>                         | <u>\$ 797,993</u>             |

# **CASTAIC UNION SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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The details of each plan are as follows:

### **California State Teachers' Retirement System (CalSTRS)**

#### **Plan Description**

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

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

#### **Benefits Provided**

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

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.

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$1,168,158.

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

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

Total Net Pension Liability, Including State Share:

|   |                      |
|---|----------------------|
| District's proportionate share of net pension liability                               | \$ 15,412,196        |
| State's proportionate share of the net pension liability associated with the District | 8,773,888            |
| Total   | <u>\$ 24,186,084</u> |

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0191 percent and 0.0268 percent, resulting in a net decrease in the proportionate share of 0.0077 percent.

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

For the year ended June 30, 2017, the District recognized pension expense of \$378,822. In addition, the District recognized pension expense and revenue of \$1,045,375 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date  | \$ 1,168,158                      | \$ -                             |
| Net change in proportionate share of net pension liability  | -                                 | 6,486,480                        |
| Difference between projected and actual earnings<br>on pension plan investments                         | 1,225,262                         | -                                |
| Differences between expected and actual experience in<br>the measurement of the total pension liability | -                                 | 375,963                          |
| Total   | <u>\$ 2,393,420</u>               | <u>\$ 6,862,443</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<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2018                   | \$ 26,731                                      |
| 2019                   | 26,731   |
| 2020                   | 712,250  |
| 2021                   | 459,550  |
| Total                  | <u>\$ 1,225,262</u>                            |

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members 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<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2018                   | \$ (1,203,089)                                 |
| 2019                   | (1,203,089)                                    |
| 2020                   | (1,203,089)                                    |
| 2021                   | (1,203,089)                                    |
| 2022                   | (1,203,089)                                    |
| Thereafter             | (846,998)                                      |
| Total                  | <u>\$ (6,862,443)</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

### Discount Rate

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

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

| Discount Rate                 | Net Pension Liability |
|-------------------------------|-----------------------|
| 1% decrease (6.60%)           | \$ 22,181,627         |
| Current discount rate (7.60%) | 15,412,196            |
| 1% increase (8.60%)           | 9,789,901             |

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

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

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

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

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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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, 2017, are presented above and the total District contributions were \$401,245.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$4,550,610. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0230 percent and 0.0257 percent, resulting in a net decrease in the proportionate share of 0.0027 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$419,171. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date   | \$ 401,245                        | \$ -                             |
| Net change in proportionate share of net pension liability   | -                                 | 416,512                          |
| Difference between projected and actual earnings on pension plan investments                         | 706,108                           | -                                |
| Differences between expected and actual experience in the measurement of the total pension liability | 195,720                           | -                                |
| Changes of assumptions   | -                                 | 136,719                          |
| Total  | <u>\$ 1,303,073</u>               | <u>\$ 553,231</u>                |



# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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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<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2018                   | \$ 99,041                                      |
| 2019                   | 99,041   |
| 2020                   | 323,738  |
| 2021                   | 184,288  |
| Total                  | <u>\$ 706,108</u>                              |

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members 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<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2018                   | \$ (146,179)                                   |
| 2019                   | (139,540)                                      |
| 2020                   | (71,792)                                       |
| Total                  | <u>\$ (357,511)</u>                            |

# CASTAIC UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Actuarial Methods and Assumptions

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

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

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

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

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

**CASTAIC UNION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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**Discount Rate**

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

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

| <u>Discount rate</u>          | <u>Net Pension<br/>Liability</u> |
|-------------------------------|----------------------------------|
| 1% decrease (6.65%)           | \$ 6,789,536                     |
| Current discount rate (7.65%) | 4,550,610                        |
| 1% increase (8.65%)           | 2,686,264                        |

**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 \$1,045,375 (8.43 percent of 2015-2016 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. On behalf payments have been included in the calculation of available reserves, but have not included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

**Grants**

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

# **CASTAIC UNION SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **Litigation**

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

### **NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES**

The District is a member of the Self Insurance Risk Management Authority (SIRMA), Protected Insurance Program for Schools (PIPS), and Santa Clarita Valley School Food Services Agency (SCVSFSA) Joint Powers Authorities (JPAs). The District pays an annual premium to SIRMA for its property liability coverage. The District pays premium to PIPS for workers compensation insurance. Payments for the food services received are paid to the SCVSFSA. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2017 the District made payments of \$171,852, \$349,347, and \$15,247, to SIRMA, PIPS, and SCVSFSA, respectively, for services received.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# CASTAIC UNION SCHOOL DISTRICT

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

|   | Budgeted Amounts    |                     | Actual              | Variances -<br>Positive<br>(Negative)<br>Final<br>to Actual |
|---|---------------------|---------------------|---------------------|---|
|   | Original            | Final               | (GAAP Basis)        |   |
| <b>REVENUES</b>                                 |                     |                     |                     |   |
| Local Control Funding Formula                   | \$ 17,899,188       | \$ 17,901,215       | \$ 17,897,787       | \$ (3,428)  |
| Federal sources                                 | 578,449             | 576,070             | 664,005             | 87,935  |
| Other State sources                             | 938,152             | 2,047,196           | 2,149,608           | 102,412   |
| Other local sources                             | 1,772,672           | 1,648,378           | 2,024,048           | 375,670   |
| <b>Total Revenues <sup>1</sup></b>              | <b>21,188,461</b>   | <b>22,172,859</b>   | <b>22,735,448</b>   | <b>562,589</b>  |
| <b>EXPENDITURES</b>                             |                     |                     |                     |   |
| Current   |                     |                     |                     |   |
| Certificated salaries                           | 9,189,166           | 9,271,358           | 9,155,503           | 115,855   |
| Classified salaries                             | 3,768,370           | 3,733,007           | 3,602,780           | 130,227   |
| Employee benefits                               | 3,717,768           | 4,745,927           | 4,589,030           | 156,897   |
| Books and supplies                              | 605,727             | 653,366             | 548,235             | 105,131   |
| Services and operating expenditures             | 2,232,812           | 2,260,175           | 1,867,697           | 392,478   |
| Other outgo                                     | 675,000             | 725,000             | 666,151             | 58,849  |
| <b>Total Expenditures <sup>1</sup></b>          | <b>20,188,843</b>   | <b>21,388,833</b>   | <b>20,429,396</b>   | <b>959,437</b>  |
| <b>Excess of Revenues<br/>Over Expenditures</b> | <b>999,618</b>      | <b>784,026</b>      | <b>2,306,052</b>    | <b>1,522,026</b>  |
| <b>Other Financing Uses</b>                     |                     |                     |                     |   |
| Transfers out                                   | -                   | (126,196)           | (126,196)           | -   |
| <b>NET CHANGE IN FUND BALANCE</b>               | <b>999,618</b>      | <b>657,830</b>      | <b>2,179,856</b>    | <b>1,522,026</b>  |
| <b>Fund Balance - Beginning (deficit)</b>       | <b>2,755,312</b>    | <b>2,755,312</b>    | <b>2,755,312</b>    | <b>-</b>  |
| <b>Fund Balance - Ending</b>                    | <b>\$ 3,754,930</b> | <b>\$ 3,413,142</b> | <b>\$ 4,935,168</b> | <b>\$ 1,522,026</b>   |

<sup>1</sup> On behalf payments of \$1,045,375 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of fund 14, Deferred Maintenance Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund has been included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budget.

See accompanying note to required supplementary information.

# CASTAIC UNION SCHOOL DISTRICT

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

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| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial Value<br/>of Assets (a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL) -<br/>Unprojected<br/>Unit Credit (b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b - a)</b> | <b>Funded Ratio<br/>(a / b)</b> | <b>Covered<br/>Payroll (c)</b> | <b>UAAL as a<br/>Percentage of<br/>Covered Payroll<br/>([b - a] / c)</b> |
|---|--|--|--|---------------------------------|--------------------------------|--|
| October 1, 2010                         | \$ -                                     | \$ 2,494,996   | \$ 2,494,996                                   | 0.00%                           | \$ 17,006,832                  | 14.67%   |
| October 1, 2012                         | -  | 3,269,472  | 3,269,472                                      | 0.00%                           | 15,851,791                     | 20.63%   |
| July 1, 2014                            | -  | 3,314,084  | 3,314,084                                      | 0.00%                           | 12,247,241                     | 27.06%   |

See accompanying note to required supplementary information.

# CASTAIC UNION SCHOOL DISTRICT

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

|  | 2017                 | 2016                 | 2015                 |
|--|----------------------|----------------------|----------------------|
| <b>CalSTRS</b>   |                      |                      |                      |
| District's proportion of the net pension liability   | 0.0191%              | 0.0268%              | 0.0298%              |
| District's proportionate share of the net pension liability  | \$ 15,412,196        | \$ 18,017,953        | \$ 17,438,928        |
| State's proportionate share of the net pension liability<br>associated with the District                         | 8,773,888            | 9,529,511            | 10,530,377           |
| Total  | <u>\$ 24,186,084</u> | <u>\$ 27,547,464</u> | <u>\$ 27,969,305</u> |
| District's covered - employee payroll  | <u>\$ 9,686,738</u>  | <u>\$ 12,400,957</u> | <u>\$ 12,960,591</u> |
| District's proportionate share of the net pension liability<br>as a percentage of its covered - employee payroll | 159.11%              | 145.29%              | 134.55%              |
| Plan fiduciary net position as a percentage of the<br>total pension liability                                    | 70%                  | 74%                  | 77%                  |
| <b>CalPERS</b>   |                      |                      |                      |
| District's proportion of the net pension liability   | 0.0230%              | 0.0257%              | 0.0272%              |
| District's proportionate share of the net pension liability  | \$ 4,550,610         | \$ 3,784,591         | \$ 3,092,967         |
| District's covered - employee payroll  | <u>\$ 2,748,308</u>  | <u>\$ 2,854,813</u>  | <u>\$ 2,891,200</u>  |
| District's proportionate share of the net pension liability<br>as a percentage of its covered - employee payroll | 165.58%              | 132.57%              | 106.98%              |
| Plan fiduciary net position as a percentage of the<br>total pension liability                                    | 74%                  | 79%                  | 83%                  |

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

See accompanying note to required supplementary information.



# CASTAIC UNION SCHOOL DISTRICT

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

|  | 2017                | 2016                | 2015                 |
|--|---------------------|---------------------|----------------------|
| <b>CalSTRS</b>   |                     |                     |                      |
| Contractually required contribution                                  | \$ 1,168,158        | \$ 1,039,387        | \$ 1,101,205         |
| Contributions in relation to the contractually required contribution | 1,168,158           | 1,039,387           | 1,101,205            |
| Contribution deficiency (excess)                                     | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>          |
| District's covered - employee payroll                                | <u>\$ 9,285,835</u> | <u>\$ 9,686,738</u> | <u>\$ 12,400,957</u> |
| Contributions as a percentage of covered - employee payroll          | <u>12.58%</u>       | <u>10.73%</u>       | <u>8.88%</u>         |
| <b>CalPERS</b>   |                     |                     |                      |
| Contractually required contribution                                  | \$ 401,245          | \$ 325,592          | \$ 336,040           |
| Contributions in relation to the contractually required contribution | 401,245             | 325,592             | 336,040              |
| Contribution deficiency (excess)                                     | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>          |
| District's covered - employee payroll                                | <u>\$ 2,889,149</u> | <u>\$ 2,748,308</u> | <u>\$ 2,854,813</u>  |
| Contributions as a percentage of covered - employee payroll          | <u>13.888%</u>      | <u>11.847%</u>      | <u>11.771%</u>       |

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

See accompanying note to required supplementary information.

# CASTAIC UNION SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

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

#### **Schedule of Other Postemployment Benefits (OPEB) Funding Progress**

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

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

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

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

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

#### **Schedule of District Contributions**

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

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***SUPPLEMENTARY INFORMATION***

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# CASTAIC UNION SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

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### ORGANIZATION

The Castaic Union School District (the District) was organized on March 25, 1889 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates three elementary schools and one middle school. There were no boundary changes during the year.

### GOVERNING BOARD

| <u>MEMBER</u>     | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|-------------------|---------------|---------------------|
| Susan Christopher | President     | 2017                |
| Laura Pearson     | Clerk         | 2017                |
| Fred Malcomb      | Member        | 2017                |
| Stacy Dobbs       | Member        | 2019                |
| Mayreen Burk      | Member        | 2017                |

### ADMINISTRATION

| <u>NAME</u>    | <u>TITLE</u>                                   |
|----------------|--|
| Steve Doyle    | Superintendent                                 |
| Linette Hodson | Chief Business Official                        |
| Janene Maxon   | Assistant Superintendent, Educational Services |
| Julia Phippen  | Supervisor of Fiscal Services                  |
| Florence Hanan | Director, Student Support Services             |
| Jaime Garcia   | Director, Facilities                           |

See accompanying note to supplementary information.

# CASTAIC UNION SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2017

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|  | Final Report            |                  |
|--|-------------------------|------------------|
|  | Second Period<br>Report | Annual<br>Report |
| Regular ADA  |                         |                  |
| Transitional kindergarten through third            | 824.72                  | 824.71           |
| Fourth through sixth                               | 773.19                  | 772.61           |
| Seventh and eighth                                 | 562.26                  | 561.60           |
| Total Regular ADA                                  | <u>2,160.17</u>         | <u>2,158.92</u>  |
| Extended Year Special Education                    |                         |                  |
| Transitional kindergarten through third            | 5.86                    | 5.86             |
| Fourth through sixth                               | 3.46                    | 3.46             |
| Seventh and eighth                                 | 1.92                    | 1.92             |
| Total Extended Year Special Education              | <u>11.24</u>            | <u>11.24</u>     |
| Special Education, Nonpublic, Nonsectarian Schools |                         |                  |
| Seventh and eighth                                 | 1.00                    | 1.00             |
| Total ADA  | <u>2,172.41</u>         | <u>2,171.16</u>  |

See accompanying note to supplementary information.

# CASTAIC UNION SCHOOL DISTRICT

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

| Grade Level  | 1986-87                | 2016-17           | Number of Days          |                        | Status   |
|--------------|------------------------|-------------------|-------------------------|------------------------|----------|
|              | Minutes<br>Requirement | Actual<br>Minutes | Traditional<br>Calendar | Multitrack<br>Calendar |          |
| Kindergarten | 36,000                 | 58,120            | 180                     | -                      | Complied |
| Grades 1 - 3 | 50,400                 |                   |                         |                        |          |
| Grade 1      |                        | 54,520            | 180                     | -                      | Complied |
| Grade 2      |                        | 54,520            | 180                     | -                      | Complied |
| Grade 3      |                        | 54,520            | 180                     | -                      | Complied |
| Grades 4 - 6 | 54,000                 |                   |                         |                        |          |
| Grade 4      |                        | 54,520            | 180                     | -                      | Complied |
| Grade 5      |                        | 54,520            | 180                     | -                      | Complied |
| Grade 6      |                        | 54,520            | 180                     | -                      | Complied |
| Grades 7 - 8 | 54,000                 |                   |                         |                        |          |
| Grade 7      |                        | 58,216            | 180                     | -                      | Complied |
| Grade 8      |                        | 58,216            | 180                     | -                      | Complied |

See accompanying note to supplementary information.

## CASTAIC UNION SCHOOL DISTRICT

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

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Summarized below are the net position reconciliations between the Unaudited Actual Financial Report and the audited financial statements:

|   | Business-Type<br>Activities<br>Enterprise Fund<br>Community<br>Preschool |
|---|--|
| NET POSITION  |  |
| Balance, June 30, 2017, Unaudited Actuals           | \$ 94,184  |
| Increase in:  |  |
| Deferred outflows of resources                      | 21,237   |
| Net pension liabilities                             | (78,690)   |
| Deferred inflows of resources                       | (14,017)   |
| Balance, June 30, 2017, Audited Financial Statement | <u>\$ 22,714</u>   |

See accompanying note to supplementary information.

# CASTAIC UNION SCHOOL DISTRICT

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

|   | (Budget)<br>2018 <sup>1</sup> | 2017          | 2016          | 2015           |
|---|-------------------------------|---------------|---------------|----------------|
| GENERAL FUND <sup>4</sup>   |                               |               |               |                |
| Revenues  | \$ 21,331,261                 | \$ 22,735,436 | \$ 24,662,347 | \$ 21,362,999  |
| Expenditures  | 21,598,818                    | 20,429,396    | 20,818,526    | 23,424,275     |
| Other uses and transfers out                                      | -                             | 126,196       | 308,575       | -              |
| Total Expenditures<br>and Other Uses                              | 21,598,818                    | 20,555,592    | 21,127,101    | 23,424,275     |
| INCREASE (DECREASE)<br>IN FUND BALANCE                            | \$ (267,557)                  | \$ 2,179,844  | \$ 3,535,246  | \$ (2,061,276) |
| ENDING FUND BALANCE (DEFICIT)                                     | \$ 4,666,663                  | \$ 4,934,220  | \$ 2,754,376  | \$ (780,870)   |
| AVAILABLE RESERVES <sup>2</sup>                                   | \$ 2,938,377                  | \$ 4,103,703  | \$ 2,167,336  | \$ (942,198)   |
| AVAILABLE RESERVES AS A<br>PERCENTAGE OF TOTAL OUTGO <sup>3</sup> | 13.60%                        | 19.96%        | 10.26%        | -4.02%         |
| LONG-TERM OBLIGATIONS   | N/A                           | \$ 25,814,036 | \$ 29,225,015 | \$ 32,137,194  |
| K-12 AVERAGE DAILY<br>ATTENDANCE AT P-2                           | 2,073                         | 2,172         | 2,289         | 2,475          |

The General Fund balance has increased by \$5,715,090 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$267,557 (5.4 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have decreased by \$6,323,158 over the past two years.

Average daily attendance has decreased by 303 over the past two years. An additional decline of 99 ADA is anticipated during fiscal year 2017-2018.

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

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> On behalf payments of \$594,968 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of Fund 14, the Deferred Maintenance Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.



# CASTAIC UNION SCHOOL DISTRICT

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

|  | Child<br>Development<br>Fund | Capital<br>Facilities<br>Fund | County School<br>Facilities<br>Fund |
|--|------------------------------|-------------------------------|-------------------------------------|
| <b>ASSETS</b>                                  |                              |                               |                                     |
| Deposits and investments                       | \$ 13,391                    | \$ 452,814                    | \$ 75,631                           |
| Receivables                                    | 5                            | 56,747                        | 385                                 |
| <b>Total Assets</b>                            | <u>\$ 13,396</u>             | <u>\$ 509,561</u>             | <u>\$ 76,016</u>                    |
| <b>LIABILITIES AND FUND BALANCES</b>           |                              |                               |                                     |
| <b>Liabilities:</b>                            |                              |                               |                                     |
| Accounts payable                               | \$ 7,370                     | \$ 2,840                      | \$ -                                |
| Unearned revenue                               | 6,026                        | -                             | -                                   |
| <b>Total Liabilities</b>                       | <u>13,396</u>                | <u>2,840</u>                  | <u>-</u>                            |
| <b>Fund Balances:</b>                          |                              |                               |                                     |
| Restricted                                     | -                            | 506,721                       | 76,016                              |
| Assigned                                       | -                            | -                             | -                                   |
| <b>Total Fund Balances</b>                     | <u>-</u>                     | <u>506,721</u>                | <u>76,016</u>                       |
| <b>Total Liabilities and<br/>Fund Balances</b> | <u>\$ 13,396</u>             | <u>\$ 509,561</u>             | <u>\$ 76,016</u>                    |

See accompanying note to supplementary information.

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| <b>Special<br/>Reserve Fund for<br/>Capital Outlay<br/>Projects</b> | <b>Capital Project<br/>Fund for Blended<br/>Component Units</b> | <b>Debt Service<br/>Fund for Blended<br/>Component Unit</b> | <b>Total Non-Major<br/>Governmental<br/>Funds</b> |
|---|---|---|---|
| \$ 46,576   | \$ 286,378  | \$ 399,707  | \$ 1,274,497                                      |
| 256   | 958   | -   | 58,351  |
| <u>\$ 46,832</u>  | <u>\$ 287,336</u>   | <u>\$ 399,707</u>   | <u>\$ 1,332,848</u>                               |
|   |   |   |   |
| \$ -  | \$ -  | \$ -  | \$ 10,210   |
| -   | -   | -   | 6,026   |
| <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>16,236</u>                                     |
|   |   |   |   |
| -   | 287,336   | 399,707   | 1,269,780   |
| 46,832  | -   | -   | 46,832  |
| <u>46,832</u>   | <u>287,336</u>  | <u>399,707</u>  | <u>1,316,612</u>                                  |
|   |   |   |   |
| <u>\$ 46,832</u>  | <u>\$ 287,336</u>   | <u>\$ 399,707</u>   | <u>\$ 1,332,848</u>                               |

# CASTAIC UNION SCHOOL DISTRICT

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

|                                       | Child<br>Development<br>Fund | Capital<br>Facilities<br>Fund | County School<br>Facilities<br>Fund |
|---------------------------------------|------------------------------|-------------------------------|-------------------------------------|
| <b>REVENUES</b>                       |                              |                               |                                     |
| Federal sources                       | \$ 2,612                     | \$ -                          | \$ -                                |
| Other State sources                   | 157,643                      | -                             | -                                   |
| Other local sources                   | 29,724                       | 136,369                       | 827                                 |
| <b>Total Revenues</b>                 | <b>189,979</b>               | <b>136,369</b>                | <b>827</b>                          |
| <b>EXPENDITURES</b>                   |                              |                               |                                     |
| Current                               |                              |                               |                                     |
| Instruction                           | 164,943                      | -                             | -                                   |
| Instruction-related activities:       |                              |                               |                                     |
| Supervision of instruction            | 20,569                       | -                             | -                                   |
| Plant services                        | 4,467                        | 117,378                       | -                                   |
| Facility acquisition and construction | -                            | 38,218                        | -                                   |
| Debt service                          |                              |                               |                                     |
| Principal                             | -                            | -                             | -                                   |
| Interest and other                    | -                            | -                             | -                                   |
| <b>Total Expenditures</b>             | <b>189,979</b>               | <b>155,596</b>                | <b>-</b>                            |
| <b>NET CHANGE IN FUND BALANCES</b>    | <b>-</b>                     | <b>(19,227)</b>               | <b>827</b>                          |
| <b>Fund Balances - Beginning</b>      | <b>-</b>                     | <b>525,948</b>                | <b>75,189</b>                       |
| <b>Fund Balances - Ending</b>         | <b>\$ -</b>                  | <b>\$ 506,721</b>             | <b>\$ 76,016</b>                    |

See accompanying note to supplementary information.

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| <b>Special<br/>Reserve Fund for<br/>Capital Outlay<br/>Projects</b> | <b>Capital Project<br/>Fund for Blended<br/>Component Units</b> | <b>Debt Service<br/>Fund for Blended<br/>Component Unit</b> | <b>Total Non-Major<br/>Governmental<br/>Funds</b> |
|---|---|---|---|
| \$ -  | \$ -  | \$ -  | \$ 2,612  |
| -   | -   | -   | 157,643   |
| 15,644  | 2,937   | 283,800   | 469,301   |
| 15,644  | 2,937   | 283,800   | 629,556   |
| -   | -   | -   | 164,943   |
| -   | -   | -   | 20,569  |
| -   | -   | -   | 121,845   |
| 44,589  | -   | -   | 82,807  |
| -   | -   | 105,000   | 105,000   |
| -   | 203   | 178,702   | 178,905   |
| 44,589  | 203   | 283,702   | 674,069   |
| (28,945)  | 2,734   | 98  | (44,513)  |
| 75,777  | 284,602   | 399,609   | 1,361,125   |
| \$ 46,832   | \$ 287,336  | \$ 399,707  | \$ 1,316,612                                      |

# CASTAIC UNION SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **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.

#### **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 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 Unaudited Actual Financial Report 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.

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

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

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***INDEPENDENT AUDITOR'S REPORTS***

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

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

Governing Board  
Castaic Union School District  
Valencia, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Castaic Union School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Castaic Union School District's basic financial statements, and have issued our report thereon dated December 13, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Castaic Union 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 Castaic Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Castaic Union 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 Castaic Union 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 Castaic Union School District in a separate letter dated December 13, 2017.

## **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.

VAUGHN, TRINE, DAY & CO. LLP

Rancho Cucamonga, California  
December 13, 2017





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

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## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Governing Board  
Castaic Union School District  
Valencia, California

### **Report on State Compliance**

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

### ***Management's Responsibility***

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

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

Our responsibility is to express an opinion on compliance of each of the Castaic Union School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Castaic Union 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 Castaic Union School District's compliance with those requirements.

### ***Unmodified Opinion on each of the Programs***

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

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

|   | Procedures<br>Performed |
|---|-------------------------|
| <b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>                |                         |
| Attendance  | Yes                     |
| Teacher Certification and Misassignments                                  | Yes                     |
| Kindergarten Continuance  | Yes                     |
| Independent Study   | No, see below           |
| Continuation Education  | No, 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                                      | No, see below           |
| K-3 Grade Span Adjustment   | Yes                     |
| Transportation Maintenance of Effort                                      | Yes                     |
| Mental Health Expenditures  | Yes                     |
| <b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b> |                         |
| Educator Effectiveness  | Yes                     |
| California Clean Energy Jobs Act  | Yes                     |
| After School Education and Safety Program:                                |                         |
| General Requirements  | No, see below           |
| After School  | No, see below           |
| Before School   | No, see below           |
| Proper Expenditure of Education Protection Account Funds                  | Yes                     |
| Unduplicated Local Control Funding Formula Pupil Counts                   | Yes                     |
| Local Control Accountability Plan   | Yes                     |
| Independent Study - Course Based  | No, see below           |
| Immunizations   | Yes, see below          |
| <b>CHARTER SCHOOLS</b>  |                         |
| Attendance  | No, see below           |
| Mode of Instruction   | No, see below           |
| Non Classroom-Based Instruction/Independent Study for Charter Schools     | No, see below           |
| Determination of Funding for Non Classroom-Based Instruction              | No, see below           |
| Annual Instruction Minutes Classroom-Based                                | No, see below           |
| Charter School Facility Grant Program                                     |                         |

We did not perform testing for the Independent Study program because the average daily attendance for the program was below the materiality threshold as indicated in the *2016-17 Guide for Annual Audits of K – 12 Local Education Agencies and State Compliance Reporting*.

The District does not offer a Continuation Education 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 does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

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

The District does not offer an Independent Study Course-Based program; therefore, we did not perform any procedures related to Independent Study Course-Based program.

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

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

VAUZNIK, TRINE. My + Co. LLP

Rancho Cucamonga, California  
December 13, 2017

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

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**CASTAIC UNION SCHOOL DISTRICT**

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

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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>            |

**STATE AWARDS**

|   |                   |
|---|-------------------|
| Type of auditor's report issued on compliance for State programs: | <u>Unmodified</u> |
|---|-------------------|

**CASTAIC UNION SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

**CASTAIC UNION SCHOOL DISTRICT**

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

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None reported.

**CASTAIC UNION SCHOOL DISTRICT**

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

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None reported.





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

**VALUE THE** *difference*

Governing Board  
Castaic Union School District  
Valencia, California

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

However, during our audit we noted matters that are opportunities 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 13, 2017 on the government-wide financial statements of the District.

## ***DISTRICT OFFICE***

### ***Preschool Clearing Account***

#### **Condition**

The June 30, 2017, bank account reconciliation for the Preschool Clearing Account has not been prepared properly. Rather than reconciling the June 30 bank statement to the check register as of the same date, the statement was reconciled to a subsequent date and included deposits made in July and August. In addition, although the account is reflected in the District's general ledger, the balance had not been updated from the prior-year closing, a difference of over \$1,200.

#### **Recommendation**

The District should perform timely bank account reconciliations to ensure that all activities have been properly accounted and no errors were posted. An independent review of bank account reconciliations are an important monitoring function to ensure that bank statements are accurate and that account activity is authorized. If the clearing account is to be reflected in the general ledger, the balance should be updated for each reporting period.

## ***ASSOCIATED STUDENT BODY FUNDS (ASB)***

### ***Castaic Middle School***

#### **Observation**

For the 16 sample disbursements reviewed, five did not have documentation that the items ordered had been received.

Recommendation

Supporting documentation that indicates that all items ordered were received should be present before the disbursement is made. This could be accomplished using a packing slip or through a signature of the person who received the goods. This would mitigate the risk of items being paid for without actually being received as ordered.

Observation

The revenue potential form reviewed was not properly completed. The form did not include explanation of the difference between budgeted and actual revenue.

Recommendation

The ASB should require that a revenue potential form be completed for each fundraising event. As the revenue potential form is a vital internal control tool, it should be used to document potential revenue, actual revenue, expenditures, and inventory purchased for sale. This allows an analysis of the fundraiser to be conducted, indicating to the students and staff the success or failure of the completed project. The revenue potential form also indicates weak control areas in the fundraising procedures at the site, such as lost or stolen merchandise or problems with collecting all moneys due.

Observation

Individuals selling tickets for ASB activities have not performed a close out reconciliation between the ticket sales form and cash on hand. This practice has resulted in overages and shortages not being identified, investigated and explained.

Recommendation

Those selling tickets for ASB activities should be responsible for closing out at the conclusion of ticket sales and reconciling cash on hand to the ticket sales forms. Variances should be investigated and documented on the form. Such procedures should be implemented to ensure that all cash collected is ultimately deposited.

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

VAUGHN, TRINE, RAY & CO. LLP

Rancho Cucamonga, California  
December 13, 2017