

**HOLTVILLE UNIFIED SCHOOL DISTRICT
COUNTY OF IMPERIAL
HOLTVILLE, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2019

Introductory Section

Holtville Unified School District
 Audit Report
 For The Year Ended June 30, 2019

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Financial Section



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Independent Auditor's Report

To the Board of Trustees
Holtville Unified School District
Holtville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Holtville Unified School District ("the District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holtville Unified School District as of June 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Holtville Unified School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020 on our consideration of Holtville Unified 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 the 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 Holtville Unified School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + LLP

El Cajon, California
January 31, 2020

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019
(UNAUDITED)**

Each year the Holtville Unified School District (HUSD) strives to provide high quality education in a safe atmosphere that nurtures the learning process for our students. Despite fiscal challenges, the District is committed to accomplishing its goals while maintaining sound financial practice and operational accountability.

The following section of the District's annual financial report represents a discussion and analysis of the District's fiscal performance during the year ending June 30, 2019, as required by the Governmental Accounting Standards Board (GASB), Statement No. 34. The purpose of this report is to present an overview of the District's financial data for the 2018-19 fiscal year. Note that this report should be read with the actual financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

* District-wide, HUSD's Net Position improved in 2018-19 by approximately \$233,000 (See Table A-1). This slight improvement in net position occurred due to assets increasing in 2018-19 larger than liabilities, stemming from the addition of capital assets (i.e. HHS Agriculture Barn), along with a reduction in projected OPEB liabilities and only a slight increase in pension liabilities over the prior year.

* District-wide, total revenues increased between and 2017-18 and 2018-19 by approximately \$1.2 million and total expenditures decreased by approximately \$132,000. Therefore, total revenues exceeded total expenditures by approximately \$1.08 million (see Table A-2).

OVERVIEW OF THE FINANCIAL STATEMENTS

The intent of this report is to serve as an introduction to Holtville Unified School District's basic financial statements as defined by the GASB34. The annual report consists of three parts:

- Management Discussion and Analysis (this section)
- Basic financial statements (District-wide and Fund financial statements)
- Notes to the financial statements

District-Wide Statements

Within the District-Wide Financial Statements, information regarding the District as a whole is presented. Similar to the accounting methods used by private-sector companies, the District-Wide Statements help to illustrate how the District performed as a whole, across all of its funds. Included in this section is the **Statement of Net Position**, which reports all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

Also included in this section is the **Statement of Activities**, which accounts for all revenues and expenses for the District’s 2018-19 fiscal year, showing the amounts of program-specific and general school district revenues used to support the school district’s various functions.

The purpose of the District-Wide Statements is to provide a measure of the overall financial stability (or position) of the District. By monitoring changes in net position, HUSD will have a strong indicator that helps measure whether its financial position is improving or deteriorating. However, the District will also need to take into account other factors, such as the condition of school buildings and facilities, the quality of education and safety of its school sites, and the growth or decline of student enrollment within the District to accurately assess its financial position.

It is also important to note that in the District-Wide Financial Statements, all of HUSD’s financial activities are reported under the *Governmental Activities* designation. Within this category, all of HUSD’s basic services are included. The other category, *Business-Type Activities*, does not list any financial information, as school districts are not involved in providing business services that generate fees. Instead, revenue is generated from Federal, State, and Local governmental sources.

The following graph illustrates the District’s Net Position from the prior year to current.

Table A-1			
STATEMENT OF NET POSITION			
	Governmental Activities		
	2018	2019	Net Change
ASSETS			
Cash & Current Assets (i.e. AR)	8,373,090	12,675,715	4,302,625
Capital Assets	21,758,065	22,032,659	274,594
Total Assets	30,131,155	34,708,374	4,577,219
Deferred Outflows of Resources	7,175,342	6,511,631	-663,711
LIABILITIES			
Long-Term Debt	33,594,167	37,640,199	4,046,032
Other Liabilities	1,841,750	1,092,676	-749,074
Total Liabilities	35,435,917	38,732,875	3,296,958
Deferred Inflows of Resources	2,335,252	2,718,923	383,671
TOTAL NET POSITION	-464,672	-231,793	232,879
DISTRIBUTION OF NET POSITION			
Net Investment in Capital Assets	9,224,724	5,374,215	-3,850,509
Restricted for Capital Projects	723,569	4,728,301	4,004,732
Restricted for Debt Service	0	1,049,323	1,049,323
Restricted for Educational Programs	55,672	553,254	497,582
Other Purposes (Expendable)	250,893	0	-250,893
Other Purposes (Nonexpendable)	297,803	426,104	128,301
Unrestricted	-11,017,333	-12,362,990	-1,345,657
TOTAL NET POSITION	-464,672	-231,793	232,879

The table below illustrates the District’s Governmental Activities for the fiscal year 2018-19 compared to the prior year.

Table A-2			
STATEMENT OF ACTIVITIES			
	Governmental Activities		
REVENUES	2018	2019	Net Change
Program Revenues			
Charges for Services	196,052	193,162	-2,890
Operating Grants and Contributions	3,963,919	3,975,509	11,590
Capital Grants and Contributions	0	0	0
General Revenues			
Taxes and Subventions	3,492,692	3,723,227	230,535
Federal and State Aid, Not Restricted	13,502,516	14,255,321	752,805
Other General Revenues	119,653	337,952	218,299
Total Revenues	21,274,832	22,485,171	1,210,339
EXPENDITURES			
Instruction	12,545,266	12,672,569	127,303
Supervision of Instruction	663,588	495,672	-167,916
Library, Media, and Technology	215,981	209,073	-6,908
School Site Administration	1,138,200	1,145,519	7,319
Pupil Services	2,807,107	3,130,137	323,030
General Administration & Data Processing	1,560,244	1,602,256	42,012
Maint & Ops and Facility Acquisition	1,989,717	2,051,651	61,934
Debt Service	489,577	835,192	345,615
Other Outgo	710,675	110,223	-600,452
Total Expenditures	22,120,355	22,252,292	131,937
Increase/Decrease in Net Position	-845,523	232,879	1,078,402

Fund Financial Statements

While the District-Wide Statements provide an overall picture of the District’s financial performance, the Fund Financial Statements provide specific information for each of the District’s *funds*. Like other state and local entities, HUSD uses fund accounting to maintain control over related resources. These resources have been segregated into funds to track specific activities and objectives. Fund accounting ensures and demonstrates compliance with finance-related legal requirements.

All of the funds used by HUSD are *governmental funds*. Governmental funds account for essentially the same functions as governmental activities in the Government-Wide financial statements. However, the governmental fund financials provide a short-term view of the District’s inflows and outflows of resources that can be spent, including the balances at year-end of these resources.

Because the information derived from Governmental Fund Financial Statements is short-term, comparing the data to District-Wide Statements will assist in understanding long-term impact of financial decisions. Note that HUSD uses a number of individual governmental funds, which are presented individually in the Fund Financial Statements.

As mentioned above, the Fund Financial Statements provide insight into the performance of individual areas of the District’s operations. If one were to look at the District-Wide statements alone, this would only tell part of the story for the 2018-19 school year. By looking at the following chart (Table A-3), one can view the performance of each of the District’s funds separately.

Table A-3			
CHANGES IN DISTRICT FUND BALANCES			
FUND #	Beg Balance (7/1/2018)	End Balance (6/30/2019)	Net Change
General Fund (#010)	4,936,500	5,495,270	558,770
Adult Education Fund (#110)	67,317	64,694	-2,623
Cafeteria Fund (#130)	213,423	412,208	198,785
Building Fund (#210)	723,569	4,505,436	3,781,867
Capital Facilities Fund (#250)	205,172	222,865	17,693
Bond Interest and Redemption Fund (#510)	249,154	738,530	489,376
Debt Service Fund (#560)	285,115	310,793	25,678

In looking at the above, one can see that the bulk of gain to the end balance was in the building fund, representing the receipt of GO Bond proceeds from the November 2018 election authorization. In addition, the General Fund showed an overall gain in 2018-19, due to savings in actual to budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table A-4 below summarizes the 2018-19 activity in the District’s Capital Assets. Over the course of they year, the District made a few minor land improvements through a paving project, and acquired a few new equipment additions. The bulk of change in capital assets related to the HHS Barn Project, which was completed in 2018-19. The annual depreciation for 2018-19 was approximately \$645,000.

Table A-4			
CAPITAL ASSETS			
	Governmental Activities		
ASSET TYPE	2018	2019	Net Change
Land	153,012	153,012	0
Work in Progress	2,384,397	2,441,243	56,846
Land Improvements	2,796,524	2,796,524	0
Buildings	26,528,302	27,201,187	672,885
Equipment	1,913,634	2,103,648	190,014
Accumulated Depreciation	-12,017,805	-12,662,955	-645,150
Totals	21,758,064	22,032,659	274,595

Outstanding Long-Term Obligations

For 2018-19, HUSD's long-term obligations increased by approximately \$4 million (see Table A-5 below). In looking at the figures below, the increase is primarily due to the issuance of the first GO Bond of the 2018 Election authorization.

Table A-5			
OUTSTANDING LONG-TERM OBLIGATIONS			
	Governmental Activities		
OBLIGATION TYPE	2018	2019	Net Change
General Obligation Bonds	7,770,310	12,135,651	4,365,341
Certificates of Participation	4,558,196	4,317,959	-240,237
Capital Leases	204,834	204,834	0
Net Pension Liability	20,111,618	20,289,222	177,604
Total OPEB Obligation	944,120	682,816	-261,304
Compensated Absences	5,087	9,717	4,630
Totals	33,594,165	37,640,199	4,046,034

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time that this analysis was written, the District recognized the following areas of concern that could significantly impact the future of the District's financial health:

- Enrollment and Average Daily Attendance (ADA) need to be continually monitored.
- Due to the implementation of GASB 75 and GASB 68, the District's liabilities will continue to increase faster than assets.
- Continued increases to school district contributions toward employee pensions (STRS and PERS) will continue to erode at future funding increases. This must be offset by reductions in other areas in the budget.
- While the economy is currently in recovery, any recession would translate to large reductions in District revenues.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is vital to understanding the financial data presented within the District-Wide and Fund Financial Statements. The notes follow the Basic Financial Statements, and should be examined along with this report to form a more complete picture of the District's financial state.

CONTACTING THE DISTRICT'S FINANCIAL MANAGERS

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John-Paul Wells at Holtville Unified School District, 621 E. 6th Street, Holtville, CA 92250.

Basic Financial Statements

HOLTVILLE UNIFIED SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2019

	Governmental Activities
ASSETS	
Cash	\$ 11,525,197
Receivables	751,914
Stores	33,453
Prepaid Expenses	365,151
Capital Assets:	
Land	153,012
Land Improvements	2,796,524
Buildings	27,201,187
Equipment	2,103,648
Work in Progress	2,441,243
Less Accumulated Depreciation	(12,662,955)
Total Assets	<u>34,708,374</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>6,511,631</u>
LIABILITIES	
Accounts Payable	995,934
Unearned Revenue	96,742
Long-Term Liabilities:	
Due Within One Year	626,695
Due in More Than One Year	37,013,504
Total Liabilities	<u>38,732,875</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,718,923</u>
NET POSITION	
Net Investment in Capital Assets	5,374,215
Restricted for:	
Capital Projects	4,728,301
Debt Service	1,049,323
Educational Programs	553,254
Other Purposes (Expendable)	-
Other Purposes (Nonexpendable)	426,104
Unrestricted	(12,362,990)
Total Net Position	<u>\$ (231,793)</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 12,672,569	\$ 154,402	\$ 1,625,203	\$ (10,892,964)
Instruction-Related Services:				
Instructional Supervision and Administration	495,672	-	217,560	(278,112)
Instructional Library, Media and Technology	209,073	-	(1,704)	(210,777)
School Site Administration	1,145,519	-	80,583	(1,064,936)
Pupil Services:				
Home-to-School Transportation	564,402	-	(2,997)	(567,399)
Food Services	928,799	-	1,668,964	740,165
All Other Pupil Services	1,636,936	-	241,681	(1,395,255)
General Administration				
Centralized Data Processing	275,217	-	(2,236)	(277,453)
Other General Administration	1,327,039	6,841	140,611	(1,179,587)
Plant Services	1,665,709	-	8,647	(1,657,062)
Ancillary Services	385,942	-	(1,848)	(387,790)
Interest on Long-Term Debt	835,192	-	-	(835,192)
Other Outgo - Transfers Between Agencies	110,223	31,919	1,045	(77,259)
Total Expenses	<u>\$ 22,252,292</u>	<u>\$ 193,162</u>	<u>\$ 3,975,509</u>	<u>\$ (18,083,621)</u>
General Revenues:				
Taxes and Subventions:				
Taxes Levied for General Purposes				
				2,959,391
Taxes Levied for Debt Service				
				620,128
Taxes Levied for Other Specific Purposes				
				143,708
Federal and State Aid, Not Restricted				
				14,255,321
Interest and Investment Earnings				
				268,656
Miscellaneous				
				69,296
Total General Revenues				
				<u>18,316,500</u>
Change in Net Position				
				232,879
Net Position Beginning				
				<u>(464,672)</u>
Net Position Ending				
				<u>\$ (231,793)</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 5,268,354	\$ 4,095,384	\$ 1,608,410	\$ 10,972,148
Cash in Revolving Fund	25,000	-	2,500	27,500
Cash with a Fiscal Agent/Trustee	-	525,547	-	525,547
Accounts Receivable	521,799	6,370	223,746	751,915
Due from Other Funds	215,604	-	20,895	236,499
Stores Inventories	-	-	33,453	33,453
Prepaid Expenditures	365,151	-	-	365,151
Total Assets	<u>6,395,908</u>	<u>4,627,301</u>	<u>1,889,004</u>	<u>12,912,213</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 803,896	\$ 970	\$ 24,310	\$ 829,176
Due to Other Funds	-	120,895	115,605	236,500
Unearned Revenue	96,742	-	-	96,742
Total Liabilities	<u>900,638</u>	<u>121,865</u>	<u>139,915</u>	<u>1,162,418</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	25,000	-	2,500	27,500
Stores Inventories	-	-	33,453	33,453
Prepaid Items	365,151	-	-	365,151
Restricted Fund Balances	161,323	-	391,929	553,252
Committed Fund Balances	-	-	49,019	49,019
Assigned Fund Balances	-	4,505,436	1,272,188	5,777,624
Unassigned:				
Reserve for Economic Uncertainty	4,943,796	-	-	4,943,796
Total Fund Balance	<u>5,495,270</u>	<u>4,505,436</u>	<u>1,749,089</u>	<u>11,749,795</u>
Total Liabilities and Fund Balances	<u>\$ 6,395,908</u>	<u>\$ 4,627,301</u>	<u>\$ 1,889,004</u>	<u>\$ 12,912,213</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - governmental funds balance sheet \$ 11,749,795

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost	34,695,614	
Accumulated depreciation	(12,662,875)	
Net		22,032,739

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was: (166,756)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	6,092,281
Deferred inflows of resources relating to pensions	(2,697,571)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	12,135,651	
Net pension liability	20,289,222	
Total OPEB obligation	682,816	
Compensated absences payable	9,717	
Certificates of participation payable	4,317,959	
Capital leases payable	204,834	
Total		(37,640,199)

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was: 419,350

Deferred outflows and inflows of resources related to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.

Deferred inflows of resources relating to OPEB	(21,352)
Deferred outflows of resources relating to OPEB	<u>-</u>
Net position of governmental activities - statement of net position	<u>\$ (231,713)</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 11,179,806	\$ -	\$ -	\$ 11,179,806
Education Protection Account Funds	2,442,690	-	-	2,442,690
Local Sources	2,949,971	-	-	2,949,971
Federal Revenue	1,591,000	44,074	1,172,544	2,807,618
Other State Revenue	2,982,991	-	329,119	3,312,110
Other Local Revenue	737,354	19,372	657,572	1,414,298
Total Revenues	<u>21,883,812</u>	<u>63,446</u>	<u>2,159,235</u>	<u>24,106,493</u>
Expenditures:				
Current:				
Instruction	12,508,796	-	162,097	12,670,893
Instruction - Related Services	1,850,343	-	77,049	1,927,392
Pupil Services	2,268,914	-	958,816	3,227,730
Ancillary Services	293,215	-	-	293,215
General Administration	1,586,269	-	58,859	1,645,128
Plant Services	1,699,293	-	-	1,699,293
Other Outgo	110,223	-	-	110,223
Capital Outlay	617,989	237,505	64,250	919,744
Debt Service:				
Principal	-	-	414,772	414,772
Interest	-	44,074	379,429	423,503
Total Expenditures	<u>20,935,042</u>	<u>281,579</u>	<u>2,115,272</u>	<u>23,331,893</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>948,770</u>	<u>(218,133)</u>	<u>43,963</u>	<u>774,600</u>
Other Financing Sources (Uses):				
Transfers In	-	-	390,000	390,000
Transfers Out	(390,000)	-	-	(390,000)
Proceeds From Sale of Bonds	-	4,000,000	-	4,000,000
Other Sources	-	-	294,946	294,946
Total Other Financing Sources (Uses)	<u>(390,000)</u>	<u>4,000,000</u>	<u>684,946</u>	<u>4,294,946</u>
Net Change in Fund Balance	558,770	3,781,867	728,909	5,069,546
Fund Balance, July 1	4,936,500	723,569	1,020,180	6,680,249
Fund Balance, June 30	<u>\$ 5,495,270</u>	<u>\$ 4,505,436</u>	<u>\$ 1,749,089</u>	<u>\$ 11,749,795</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT**EXHIBIT A-6**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds \$ 5,069,546

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

	Expenditures for capital outlay:	919,744	
	Depreciation expense:	(645,150)	
	Net:	274,594	274,594

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 414,772

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were: (4,294,946)

Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is: 168,009

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (1,093,586)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (166,756)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (4,631)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year the difference between OPEB costs and actual employer contributions was: 110,807

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or a discount, the premium or discount is recognized as an Other Financing Source or as an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding for the period is:

(244,930)

Change in net position of governmental activities - statement of activities

\$ 232,879

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2019

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 197,658
Total Assets	<u>197,658</u>
LIABILITIES:	
Due to Student Groups	\$ 197,658
Total Liabilities	<u>197,658</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

A. Summary of Significant Accounting Policies

Holtville Unified School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District operates under a locally elected Board form of government and provides educational services as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

2. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by GASB Statement 14, 39, and 61.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Building Fund. This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

In addition, the District reports the following fund types:

Special Revenue Funds. Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities 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.

Capital Projects Funds. Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Debt Service Funds. These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Additionally, the District reports the following fiduciary fund types:

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

The District has one agency fund, the associated student body fund, which is used to account for funds raised by students and held for student activities.

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

4. Encumbrances

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

5. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

6. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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 year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not 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, property taxes, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including 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.

b. 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 government-wide financial statements.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

7. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Minimum Fund Balance

The District maintains a minimum reserve, within the general fund, an amount not less than three percent or the amount required by state law. The minimum reserve shall apply towards the established three percent minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The primary purpose of this reserve is to avoid the need for service level reductions in the event of an economic downturn which causes revenues to come in lower than budget. The reserve may be increased from time to time in order to address specific anticipated shortfalls. The District believes a reserve at this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

8. Deferred Inflows and Deferred Outflows of Resources

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

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

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

10. Use of Estimates

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

11. Fair Value Measurements

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

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

12. Change in Accounting Policies

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

GASB 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. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 83.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

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

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

There have been no adjustments to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 88.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Fair Value Measurement

The District's investments at June 30, 2019, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	<u>Amount</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
External investment pools measured at fair value				
Imperial County Treasury	\$ 10,972,148	\$ -	\$ 10,972,148	\$ -
Total investments by fair value level	<u>\$ 10,972,148</u>	<u>\$ -</u>	<u>\$ 10,972,148</u>	<u>\$ -</u>

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 investments in the pool is reported in the accounting financial statements as 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 the 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.

The Imperial County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool (\$10,972,148 as of June 30, 2019). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$10,972,148. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$197,658 as of June 30, 2019) and in the revolving fund (\$27,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Cash with Fiscal Agent

The District's cash with fiscal agent at 2019, Holtville Unified School District are shown below.

<u>Account Type</u>	<u>Maturity</u>	<u>Account Balance</u>
BNY Mellon Money Market	<30 Days	\$ 525,547
Total Cash with Fiscal Agent		\$ 525,547

4. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At June 30, 2019, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 10,972,148

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

As of June 30, 2019, the District's bank balances, and investments (including revolving cash) were not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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d. Interest Rate Risk

This is the risk that changes in 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 manages its exposure to interest rate risk by investing in the county pool. As of June 30, 2019 the Imperial County treasurer did not hold any investments in debt securities and as such the District was not exposed to interest rate risk.

e. Foreign Currency Risk

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

6. Investment Accounting Policy

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

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Accounts Receivable

Accounts receivables as of June 30, 2019, consisted of the following:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Federal Government:				
Federal Programs	\$ 372,540	\$ -	\$ 219,682	\$ 592,222
State Government:				
LCFF Sources	27,284	-	-	27,284
Lottery Revenue	55,566	-	-	55,566
Other State Programs	30,198	-	-	30,198
Local Sources:				
Interest	29,401	6,370	4,064	39,835
Other Local Sources	6,810	-	-	6,810
Totals	<u>\$ 521,799</u>	<u>\$ 6,370</u>	<u>\$ 223,746</u>	<u>\$ 751,915</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

F. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 153,012	\$ -	\$ -	\$ 153,012
Work in progress	2,384,397	65,595	8,750	2,441,242
Total capital assets not being depreciated	<u>2,537,409</u>	<u>65,595</u>	<u>8,750</u>	<u>2,594,254</u>
Capital assets being depreciated:				
Buildings	26,528,302	672,885	-	27,201,187
Improvements	2,796,524	-	-	2,796,524
Equipment	1,913,634	190,014	-	2,103,648
Total capital assets being depreciated	<u>31,238,460</u>	<u>862,899</u>	<u>-</u>	<u>32,101,359</u>
Less accumulated depreciation for:				
Buildings	(9,530,809)	(479,597)	-	(10,010,406)
Improvements	(838,209)	(131,463)	-	(969,672)
Equipment	(1,648,787)	(34,090)	-	(1,682,877)
Total accumulated depreciation	<u>(12,017,805)</u>	<u>(645,150)</u>	<u>-</u>	<u>(12,662,955)</u>
Total capital assets being depreciated, net	<u>19,220,655</u>	<u>217,749</u>	<u>-</u>	<u>19,438,404</u>
Governmental activities capital assets, net	<u>\$ 21,758,064</u>	<u>\$ 283,344</u>	<u>\$ 8,750</u>	<u>\$ 22,032,658</u>

Depreciation was charged to functions as follows:

Instruction	\$ 511,792
Instruction-Related Services	3,730
Pupil Services	16,584
Ancillary Services	98,593
General Administration	3,915
Plant Services	10,536
	<u>\$ 645,150</u>

G. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Adult Education Fund	\$ 66,366	Temporary Loan
General Fund	Cafeteria Fund	49,239	Indirect Costs
General Fund	Building Fund	100,000	Temporary Loan
Debt Service Fund	Building Fund	20,895	Temporary Loan
	Total	<u>\$ 236,500</u>	

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

2. Transfers To and From Other Funds

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

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Debt Service Fund	\$ 390,000	Debt Service Payments
	Total	\$ <u>390,000</u>	

H. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. During the fiscal year the District had no loans.

I. Accounts Payable

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

	<u>Major Funds</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Building Fund</u>		
Vendor payables	\$ 127,090	\$ 970	\$ 24,310	\$ 152,370
Payroll and related benefits	666,003	-	-	666,003
Other	10,803	-	-	10,803
Totals	\$ <u>803,896</u>	\$ <u>970</u>	\$ <u>24,310</u>	\$ <u>829,176</u>

J. Unearned Revenue

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

	<u>General Fund</u>
Federal Programs	\$ 95,849
Microsoft Vouchers	\$ 893
Total	\$ <u>96,742</u>

K. Deferred Inflows of Resources

A summary of activity of deferred inflows of resources for the year ended June 30, 2019 is as follows:

<u>Description</u>	<u>Amortization Term</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Current Year Amortization</u>	<u>Ending Balance</u>
Pension Related	Varies	\$ 2,335,252	\$ 1,407,982	\$ 1,045,663	\$ 2,697,571
OPEB Related	Varies	-	21,352	-	21,352
Total Deferred Inflows of Resources		\$ <u>2,335,252</u>	\$ <u>1,429,334</u>	\$ <u>1,045,663</u>	\$ <u>2,718,923</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related	OPEB Related
2020	\$ 855,672	\$ 3,103
2021	803,461	3,103
2022	756,843	3,103
2023	281,595	3,103
2024	-	3,103
Thereafter	-	5,837
Total	\$ 2,697,571	\$ 21,352

L. Deferred Outflows of Resources

A summary of the deferred outflows of resources as of June 30, 2019, are as follows:

Description	Issue Date	Amortization Term	Beginning Balance	Additions	Current Year Amortization	Ending Balance
Bond insurance	11/08/2012	25 Years	\$ 8,766	\$ -	\$ -	\$ 8,766
Refunding Loss	11/08/2012	15 Years	75,475	-	-	75,475
Bond insurance	12/23/2014	20 Years	6,332	-	-	6,332
Refunding Loss	12/23/2014	20 Years	187,632	-	-	187,632
Bond Insurance	11/10/2016	20 Years	4,002	-	-	4,002
Refunding Loss	11/10/16	20 Years	137,143	-	-	137,143
Pension Related		Varies	6,645,947	2,769,744	3,323,410	6,092,281
OPEB Related		Varies	129,145	-	129,145	-
Total Deferred Outflows of Resources			\$ 7,194,442	\$ 2,769,744	\$ 3,452,555	\$ 6,511,631

Year Ending June 30	Debt Insurance	Refunding Loss	Pension Related	Total
2020	\$ 208	\$ 25,804	\$ 3,642,655	\$ 3,668,667
2021	220	25,803	1,254,093	1,280,116
2022	208	25,803	1,042,565	1,068,576
2023	220	25,802	152,968	178,990
2024	309	25,802	-	26,111
2025-2029	1,973	129,015	-	130,988
2030-2034	7,598	91,275	-	98,873
2035-2039	8,364	50,946	-	59,310
Total	\$ 19,100	\$ 400,250	\$ 6,092,281	\$ 6,511,631

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

M. Long-Term Obligations

1. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds					
Principal balance	\$ 7,121,408	\$ 4,000,000	\$ 175,000	\$ 10,946,408	\$ 270,000
Bond premium	313,706	496,502	20,143	790,065	28,929
Bond discount	(19,150)	-	(447)	(18,703)	(447)
Accreted interest	354,346	63,535	-	417,881	68,236
Total Bonds	<u>7,770,310</u>	<u>4,560,037</u>	<u>194,696</u>	<u>12,135,651</u>	<u>366,718</u>
Certificates of participation					
Principal balance	4,544,088	-	239,679	4,304,409	249,817
COPs premium	14,108	-	558	13,550	442
Total COPs	<u>4,558,196</u>	<u>-</u>	<u>240,237</u>	<u>4,317,959</u>	<u>250,259</u>
Capital leases	204,834	-	-	204,834	-
Net Pension Liability	20,111,621	177,601	-	20,289,222	-
Net OPEB obligation	944,120	-	261,304	682,816	-
Compensated absences *	5,086	4,631	-	9,717	9,717
Total governmental activities	<u>\$ 33,594,167</u>	<u>\$ 4,742,269</u>	<u>\$ 696,237</u>	<u>\$ 37,640,199</u>	<u>\$ 626,694</u>

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

2. General Obligation Bonds

General obligation bonds as of June 30, 2019, consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2002 Election Series C	06/21/2007	4.125-8.0%	08/01/2036	\$ 970,000
2002 Election Series D	08/19/2010	4.0-12.00%	08/01/2040	536,409
2002 Election Series E	11/08/2012	5%	08/01/2037	980,000
2012 Refunding Bonds	11/08/2012	2.00-5.00%	08/01/2027	2,065,000
2014 Refunding Bonds	12/23/2014	3.75%-5.00%	08/1/2034	2,930,000
2016 Refunding Bonds	11/10/2016	2.00-3.00%	08/1/2036	1,090,000
2018 Election Series A	06/05/2019	2.00-5.00%	08/01/2048	980,000
Total GO Bonds				<u>\$ 8,571,409</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

	Beginning Balance	Increases	Decreases	Ending Balance
2002 Election Series D	\$ 536,408	\$ -	\$ -	\$ 536,408
2002-D Bond Premium	58,919	-	2,562	56,357
2002-D Accreted Interest	354,346	63,535	-	417,881
2002 Election Series E	980,000	-	-	980,000
2002-E Premium	69,956	-	3,498	66,458
2012 General Obligation	1,765,000	-	100,000	1,665,000
2012 Premium	131,140	-	13,114	118,026
2014 General Obligation	2,770,000	-	50,000	2,720,000
2014 Premium	53,691	-	969	52,722
2016 General Obligation	1,070,000	-	25,000	1,045,000
2016 Discount	(19,150)	-	(447)	(18,703)
2018 Election Series A	-	4,000,000	-	4,000,000
2018-A Bond Premium	-	496,502	-	496,502
Total GO Bonds	\$ 7,770,310	\$ 4,560,037	\$ 194,696	\$ 12,135,651

The annual requirements to amortize the bonds outstanding at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	Principal	Accreted Interest	Interest	Total
2020	\$ 270,000	\$ -	\$ 362,005	\$ 632,005
2021	213,198	1,802	414,151	629,151
2022	240,000	-	405,789	645,789
2023	255,000	-	397,931	652,931
2024	277,570	2,430	387,931	667,931
2025-2029	1,734,689	60,311	1,728,288	3,523,288
2030-2034	2,609,237	355,763	1,290,180	4,255,180
2035-2039	2,364,971	1,410,029	801,794	4,576,794
2040-2044	1,206,743	1,063,257	520,450	2,790,450
2045-2049	1,775,000	-	190,400	1,965,400
Totals	\$ 10,946,408	\$ 2,893,592	\$ 6,498,919	\$ 20,338,919

Note: Amounts represented in the repayment schedule for accreted interest are reflective of 100% of amounts to be paid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have accrued as of June 30, 2019.

Unamortized Bond Premium

General obligation bonds issued were sold at a premium, meaning that the market rate of interest was lower than the stated rate of interest on the bonds; therefore, they were sold for more than the face value. Generally Accepted Accounting Principles (GAAP) requires that this premium be amortized over the life of the debt. The carrying value reported on the government-wide balance sheet was presented in accordance with GAAP and was the face value of the debt plus the unamortized premium. Amounts are amortized using the straight line method over the life of the debt.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Premiums resulted in effective interest rates as follows:

	2002-B	2002-D	2002-E	2012 Bonds
Total Interest	\$ 3,201,046	\$ 2,893,592	\$ 970,164	\$ 901,277
Less Bond Premium	(88,516)	(78,269)	(93,276)	(209,825)
Plus Bond Discount	-	-	-	-
Net Interest	<u>\$ 3,112,530</u>	<u>\$ 2,815,323</u>	<u>\$ 876,888</u>	<u>\$ 691,452</u>
Par Amount of Bonds	\$ 3,000,000	\$ 536,408	\$ 980,000	\$ 2,065,000
Periods	30	30	25	15
Effective Interest Rate	3.46%	17.49%	3.58%	2.23%

	2014 Bonds	2016 Bonds	2018 Bonds
Total Interest	\$ 1,523,950	\$ 483,275	\$ 3,884,068
Less Bond Premium	(56,793)	-	(496,502)
Plus Bond Discount	-	19,508	-
Net Interest	<u>\$ 1,467,157</u>	<u>\$ 502,783</u>	<u>\$ 3,387,566</u>
Par Amount of Bonds	\$ 2,930,000	\$ 1,090,000	\$ 4,000,000
Periods	20	20	20
Effective Interest Rate	2.50%	2.31%	4.23%

Accreted Interest

Accreted interest in the Long-Term Obligation Activity chart represents amounts that have compounded as of June 30, 2019 for the bonds which were issued as capital appreciation bonds. Accreted interest in the repayment schedule represents the entire amount that will be repaid in the years the accreted interest becomes due.

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2019, as follows:

<u>Year Ending June 30:</u>	
2020	\$ 2,315
2021	3,172
2022	86,767
2023	<u>123,298</u>
Total Minimum Rentals	215,552
Less Amount Representing Interest	<u>(10,718)</u>
Net Present Value of Minimum Lease Payments	<u>\$ 204,834</u>

5. Certificates of Participation

On August 1, 2007, the District issued \$1,000,000 in Certificates of Participation as Qualified Zone Academy Bonds (QZABs) to provide funds to finance certain capital improvements, equipment and other educational development programs of the District. The District is required to make a scheduled deposit of \$54,817 each year through the maturity date of August 16, 2022. Accumulated interest earned on the account provides the additional funding required to pay the bonds in full upon maturity. The escrow account accrues interest at a fixed rate of 2.74%. As of June 30, 2019 the escrow account carried an accrued balance of \$219,268. The District does not have a legal right to claim cash in the escrow account and is not obligated to make payments in excess of the scheduled deposit amounts. Scheduled deposit and escrow balances are as follows:

HOLTVILLE UNIFIED SCHOOL DISTRICT
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<u>Year Ending June 30,</u>	Required Deposit	Scheduled Escrow Balance
2020	\$ 54,817	\$ 718,233
2021	54,817	807,252
2022	54,817	903,626
2023	54,820	1,000,000
Totals	\$ 219,271	\$ 3,429,111

On September 20, 2011 the District issued \$1,530,000 of Certificates of Participation (COPs). The COPs are a part of the Qualified School Construction Program as a part of the American Recovery and Reinvestment Act of 2009 (ARRA) which subsidizes interest payments on the COPs. The COPs were issued to finance the costs of capital improvements of the District and to pay the issuance costs associated with the COPs. The COPs were issued pursuant to a trust agreement, dated September 1, 2011, by and among the Bank of New York Mellon Trust Company, as trustee, the California School Boards Association Finance Corporation (the Corporation), and the District. Pursuant to a Site Lease, dated as of September 1, 2011, the District will lease the site and improvements comprising generally the District transportation/maintenance facility to the Corporation, and will lease the Property back from the Corporation pursuant to a Lease/Purchase Agreement, dated as of September 1, 2011. The payments on the COPs made by the District represent lease payments for possession and use of the property. The COPs bear an interest rate of 4.625 - 6.75% which is subsidized at a rate of 4.55%. The COPs mature on September 1, 2028.

On January 14, 2016 the District issued \$3,280,000 of Certificates of Participation (COPs) plus a premium of \$14,506. The COPs were issued to (i) finance the acquisition, construction and installation of certain capital improvements in the Holtville Unified School District, and (ii) pay costs of delivery of the COPs, which includes the purchase of insurance and a reserve fund surety policy. The COPs require semi-annual coupon payments at interest rates ranging from 2.00% - 4.00%. The COPs mature annually from August 1, 2017 through August 1, 2041.

The annual requirements to amortize the COPs outstanding as of June 30, 2019 were:

<u>Year Ending June 30,</u>	Principal	Interest	Less Subsidy Payments	Total
2020	\$ 239,955	\$ 155,468	\$ (34,890)	\$ 360,533
2021	249,817	147,968	(30,800)	366,985
2022	249,817	140,268	(25,821)	364,264
2023	249,820	132,568	(60,288)	322,100
2024	200,000	124,462	-	324,462
2025-2029	1,095,000	472,744	-	1,567,744
2030-2034	675,000	283,506	-	958,506
2034-2038	800,000	162,572	-	962,572
2040-2044	545,000	29,138	-	574,138
Totals	\$ 4,304,409	\$ 1,648,694	\$ (151,799)	\$ 5,801,304

Unamortized COPs Premium

The 2016 Certificates of Participation issued were sold at a premium, meaning that the market rate of interest was lower than the stated rate of interest on the COPs; therefore, they were sold for more than the face value. Generally Accepted Accounting Principles (GAAP) requires that this premium be amortized over the life of the debt. The carrying value reported on the government-wide balance sheet was presented in accordance with GAAP and was the face value of the debt plus the unamortized premium. Amounts are amortized using the straight line method over the life of the debt.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Premiums resulted in effective interest rates as follows:

	2016 COPs
Total Interest	\$ 1,640,405
Less Bond Premium	(14,506)
Net Interest	<u>\$ 1,625,899</u>
Par Amount of Bonds	\$ 3,280,000
Periods	26
Effective Interest Rate	1.91%

6. Total OPEB Liability

The District's beginning OPEB liability was \$944,120 and decreased during the year ended June 30, 2019 by \$261,304. The ending OPEB liability at June 30, 2019 was \$682,816. See Note P for additional information regarding the OPEB liability.

7. Net Pension Liability

The District's beginning net pension liability was \$20,111,621 and increased by \$177,601 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was \$20,289,222. See Note O for additional information regarding the net pension liability.

8. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2019 amounted to \$9,717. This amount is included as part of long-term liabilities in the government-wide financial statements.

N. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreement (JPA) entities, the Imperial Valley Regional Occupation Program (IVROP) and the Imperial County School Property/Liability Insurance, Workers Compensation JPA (SIPIC). The relationship between the District and the JPA is such that the JPA is not a component unit of the District

The JPAs arrange for and provide for various types of insurances for its member districts as requested. The JPAs are governed by a board consisting of a representative from each member district. The board controls the operations of each JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

Complete financial information for each JPA is available upon request from the JPA.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

O. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Paid

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2019 are summarized as follows:

	CalSTRS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55-60	55-62
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2019)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2019)	16.280%	16.280%
Required State Contribution Rates (at June 30, 2019)	14.772%	14.772%

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

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 55	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2019)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2019)	18.062%	18.062%

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), Section 22950 of the California Education code requires members to contribute monthly to the system 10.205% (if hired prior to January 1, 2013) or 10.25% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 16.28% of creditable compensation for the fiscal year ended June 30, 2019. Rates are defined in Section 22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending June 30, 2022 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the employee contribution rate was 7.00% and employer contribution rate was 18.062% of covered payroll.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the State contributed 14.772% of salaries creditable to CalSTRS. The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS on behalf of the Districts during the 2018-19 fiscal year in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The contribution resulting from SB 90 made up 42% of the total contributions made by the State on behalf of the District. Consistent with the requirements of GASB 85, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the State's contribution for the fiscal year.

Contributions made by the State on behalf of the District and the State's pension expense associated with District employees for the the past three fiscal years are as follows:

Year Ended June 30,	CalSTRS		
	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2017	7.470%	\$ 634,162	\$ 1,082,492
2018	8.292%	677,902	303,873
2019	14.772%	1,280,821	(246,700)

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Year Ended June 30,	CalPERS		
	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	7.971%	\$ 261,814	\$ -

d. Contributions Recognized

For the fiscal year ended June 30, 2019 (measurement period June 30, 2018), the contributions recognized for each plan were:

	Fund Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
	Contributions - Employer	\$ 1,411,607	\$ 593,289
Contributions - State On Behalf Payments	1,280,821	261,814	1,542,635
Total Contributions	<u>\$ 2,692,428</u>	<u>\$ 855,103</u>	<u>\$ 3,547,531</u>

	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
	Contributions - Employer	\$ 1,179,659	\$ 476,946
Contributions - State On Behalf Payments	1,280,821	261,814	1,542,635
Total Contributions	<u>\$ 2,460,480</u>	<u>\$ 738,760</u>	<u>\$ 3,199,240</u>

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

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

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 14,148,163
CalPERS	6,141,056
Total Net Pension Liability	<u>\$ 20,289,219</u>

The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2018 and June 30, 2019 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	
Proportion June 30, 2018	0.0161%	0.0095%	0.0256%	0.0221%
Proportion June 30, 2019	0.0154%	0.0088%	0.0242%	0.0230%
Change in Proportion	<u>-0.0007%</u>	<u>-0.0007%</u>	<u>-0.0014%</u>	<u>0.0009%</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

a. Pension Expense

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

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ (699,541)	\$ 877,139	\$ 177,598
State On Behalf Pension Expense	(246,700)	-	(246,700)
Employer Contributions to Pension Expense	1,411,607	593,289	2,004,896
(Increase)/Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(204,982)	(114,265)	(319,247)
Difference Between Actual & Expected Experience	12,812	(252,268)	(239,456)
Change in Assumptions	641,815	122,107	122,107
Change in Proportionate Shares	164,892	(121,234)	(121,234)
Net Difference Between Projected & Actual Earnings	1,066	303,723	304,789
Increase/(Decrease) in Deferred Inflows of Resources			
Difference Between Actual & Expected Experience	10,633	-	10,633
Change in Assumptions	-	(51,789)	(51,789)
Change in Proportionate Shares	418,288	-	418,288
Net Difference Between Projected & Actual Earnings	129,470	(144,283)	(14,813)
Total Pension Expense	\$ 1,639,360	\$ 1,212,419	\$ 2,851,779

b. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 1,411,607	\$ 593,289	\$ 2,004,896
Differences between actual and expected experience	38,435	494,972	533,407
Changes in assumptions	1,925,443	698,029	2,623,472
Change in employer's proportionate share	164,891	285,254	450,145
Net difference between projected and actual earnings	1,589	478,772	480,361
Total Deferred Outflows of Resources	\$ 3,541,965	\$ 2,550,316	\$ 6,092,281

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (12,173)	\$ -	\$ (12,173)
Changes in assumptions	-	(51,789)	(51,789)
Change in employer's proportionate share	(654,742)	-	(654,742)
Net difference between projected and actual earnings	(1,534,732)	(444,135)	(1,978,867)
Total Deferred Inflows of Resources	\$ (2,201,647)	\$ (495,924)	\$ (2,697,571)

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

Year Ended June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2020	\$ 2,232,190	\$ 1,410,465	\$ (667,921)	\$ (187,751)	\$ 2,786,983
2021	655,149	598,944	(667,499)	(135,962)	450,632
2022	654,626	387,939	(620,880)	(135,963)	285,722
2023	-	152,968	(245,347)	(36,248)	(128,627)
Total	\$ 3,541,965	\$ 2,550,316	\$ (2,201,647)	\$ (495,924)	\$ 3,394,710

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2019 were based on actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Fiscal Year	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.5%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

(1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually) maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.

(2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

(3) Wage growth is a component of inflation for CalPERS assumptions.

(4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.

(5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

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

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM and expects to complete the process by November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

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

CalSTRS		
Asset Class	Assumed Asset Allocation	Long Term Expected Real Rate of Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year average

HOLTVILLE UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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CalPERS			
Asset Class*	Assumed Asset Allocation	Real Return Years 1-10**	Real Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%

* In the Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

** An expected inflation of 2.00% used for this period

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

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

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

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 20,725,403	\$ 8,941,084
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 14,148,163	\$ 6,141,056
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 8,694,994	\$ 3,818,032

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2018 (Previously Reported)	\$ 77,475,853	\$ 53,811,082	\$ 23,664,771	\$ 8,817,067	\$ 14,847,704
Changes for the year:					
CalSTRS Auditor Adjustment	-	(123,382)	123,382	45,026	78,356
Change in Prop share	(4,084,369)	(2,836,811)	(1,247,558)	(636,264)	(611,294)
Service Cost	1,731,221	-	1,731,221	631,781	1,099,440
Interest	5,210,630	-	5,210,630	1,901,536	3,309,094
Differences between expected and actual experience	(22,786)	-	(22,786)	(8,315)	(14,471)
Contributions:					
Employer	-	1,179,679	(1,179,679)	(430,505)	(749,174)
Employee	-	847,490	(847,490)	(309,278)	(538,212)
State On Behalf Payments	-	677,914	(677,914)	(247,394)	(430,520)
Net Investment Income	-	4,526,465	(4,526,465)	(1,651,861)	(2,874,604)
Other Income	-	25,487	(25,487)	(9,301)	(16,186)
Benefit Payments, including refunds of employee contributions	(3,523,695)	(3,523,695)	-	-	-
Administrative expenses	-	(52,379)	52,379	19,115	33,264
Borrowing Costs	-	(22,846)	22,846	8,337	14,509
Other Expenses	-	(407)	407	148	259
Net Changes	(688,999)	697,515	(1,386,514)	(686,975)	(699,539)
Balance at June 30, 2019	\$ 76,786,854	\$ 54,508,597	\$ 22,278,257	\$ 8,130,092	\$ 14,148,165

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018 (Previously Reported)	\$ 18,714,061	\$ 13,450,144	\$ 5,263,917
Changes for the year:			
Change in Proportionate Share	833,433	599,004	234,429
Service Cost	500,415	-	500,415
Interest	1,420,088	-	1,420,088
Differences between expected and actual experience	426,760	-	426,760
Change in Assumptions	103,659	-	103,659
Contributions:			
Employer	-	476,954	(476,954)
Employee	-	219,490	(219,490)
Net Investment Income	-	1,173,495	(1,173,495)
Plan to Plan Resource Movement	-	-	-
Benefit Payments, including refunds of employee contributions	(933,514)	(933,514)	-
Administrative expenses	-	(21,293)	21,293
Other expenses	-	(40,435)	40,435
Net Changes	<u>2,350,841</u>	<u>1,473,701</u>	<u>877,140</u>
Balance at June 30, 2019	<u>\$ 21,064,902</u>	<u>\$ 14,923,845</u>	<u>\$ 6,141,057</u>

P. Postemployment Benefits Other Than Pension Benefits

1. General Information About the OPEB Plan

Plan Description

The District's defined benefit OPEB plan, Holtville Unified School District Retiree Health Care Plan (the Plan) provides OPEB for retirees and their eligible dependents that meet eligibility requirements until age 65. Retirees and their eligible dependents in the plan are eligible for the same medical plans as active employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No 75.

Plan Eligibility

Certificated and Certificated Management employees are eligible to retire and receive District-paid health benefits after attaining age 55. The District pays \$350 per month towards healthcare premiums for an eligible retiree, spouse, and dependents. District-paid benefits continue for the earlier of 2 years or until age 65. Classified CSEA unit members and Confidential employees are not entitled to District-paid retiree health benefits, except as noted below.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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One retired Board member is receiving District-paid health premiums until age 65; this benefit will not apply for current Board members. In addition, several Certificated and Classified retirees are receiving benefits under special incentive arrangements that are scheduled to expire not later than age 65. The District has informed us that future incentive arrangements are not anticipated, and based on this representation, we have not made a provision for future incentive arrangements in the valuation. This assumption will be subject to ongoing review in future valuations.

Groups	100-A \$0 Rx 200/10-35	90-D \$10 Rx 5-20	80-G \$30 Rx 5-20	HSA-B
Active & Retiree <65 Single	\$ 856	\$ 821	\$ 696	529
Active & Retiree <65 2-party	1,470	1,411	1,195	907
Active & Retiree <65 Family	1,695	1,640	1,394	1,031
Retiree w/Med. A&B Single	554	643	637	528

Employees Covered by Benefit Terms

At June 30, 2019, the following retirees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	12
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	87
Total number of participants	<u>99</u>

2. Total OPEB Liability

The District's total OPEB liability of \$682,816 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per annum
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.62% per annum
Healthcare Cost Trend Rates	6.00% decreasing to 5.00%
Retiree's Share of Costs	0.00% of projected premiums

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

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations. The CalPERS mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. The CalSTRS mortality table was developed based on CalSTRS specific data. The table includes mortality improvements set at 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 944,120
Changes for the year:	
Service cost	27,474
Interest	25,057
Changes in assumptions or other inputs	(24,455)
Benefit payments	<u>(289,380)</u>
Net changes	<u>(261,304)</u>
Balance at June 30, 2018	\$ <u>682,816</u>

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62%) or 1-percentage-point-higher (4.62%) than the current discount rate:

	<u>1% Decrease</u> <u>(2.62%)</u>	<u>Discount Rate</u> <u>(3.62%)</u>	<u>1% Increase</u> <u>(4.62%)</u>
Total OPEB Liability	\$ 733,752	\$ 682,816	\$ 635,857

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower (5.00% decreasing to 4.00% per year) or 1-percentage-point higher (7.00% decreasing to 6.00% per year) than the current healthcare cost trend rates:

	<u>1% Decrease</u> <u>5.00%</u> <u>decreasing to</u> <u>4.00%</u>	<u>Healthcare Cost Trend Rate</u> <u>6.00%</u> <u>decreasing to</u> <u>5.00%</u>	<u>1% Increase</u> <u>7.00%</u> <u>decreasing to</u> <u>6.00%</u>
Total OPEB Liability	\$ 631,457	\$ 682,816	\$ 741,504

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

For the year ended June 30, 2018 the District recognized OPEB expense of \$49,428. At June 30, 2018 the District reported deferred inflows of resources related to the following sources:

	<u>Deferred Inflows of Resources</u>
Contributions made subsequent to measurement date	\$ <u>21,352</u>

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

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2020.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Q. Fund Classification of the Governmental Funds

As of June 30, 2019 ending fund balance in governmental funds consisted of the following:

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Nonspendable Fund Balances				
Revolving Cash	\$ 25,000	\$ -	\$ 2,500	\$ 27,500
Stores Inventory	-	-	33,453	33,453
Prepaid Expenses	365,151	-	-	365,151
Total Nonspendable	<u>390,151</u>	<u>-</u>	<u>35,953</u>	<u>426,104</u>
Restricted Fund Balances				
Lottery-Instructional Materials	38,198	-	-	38,198
Child Nutrition Program	-	-	376,253	376,253
Medi-Cal Program	80,699	-	-	80,699
Adult Education	-	-	15,676	15,676
Special Ed-Mental Health	441	-	-	441
Low Performing Students Grant	27,972	-	-	27,972
Other Restricted	14,013	-	-	14,013
Total Restricted	<u>161,323</u>	<u>-</u>	<u>391,929</u>	<u>553,252</u>
Committed Fund Balances				
Adult Education Program	-	-	49,019	49,019
Total Committed	<u>-</u>	<u>-</u>	<u>49,019</u>	<u>49,019</u>
Assigned Fund Balances				
Capital Projects	-	4,505,436	222,865	4,728,301
Debt Service	-	-	1,049,323	1,049,323
Total Assigned	<u>-</u>	<u>4,505,436</u>	<u>1,272,188</u>	<u>5,777,624</u>
Unassigned Fund Balances				
For Economic Uncertainty	<u>4,943,796</u>	<u>-</u>	<u>-</u>	<u>4,943,796</u>
Total Fund Balance	<u>\$ 5,495,270</u>	<u>\$ 4,505,436</u>	<u>\$ 1,749,089</u>	<u>\$ 11,749,795</u>

R. Risk Management

The District is exposed to risk of losses due to:

- a. Torts,
- b. Theft of, damage to, or destruction of assets,
- c. Business interruption,
- d. Errors or omissions,
- e. Job related illnesses or injuries to employees,
- f. Natural disasters,
- g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

The District purchases insurance through joint powers authorities. The District is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

S. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

T. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2020. Those newly implemented pronouncements are as follows:

GASB 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 these activities should be reported. The 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 District expects adjustments to be made to the financial statements resulting from implementation of this GASB Statement but does not expect the adjustments to be material to the financial statements.

GASB 90 - Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

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

The District does not currently hold any equity interests in legally separate organizations and as such does not anticipate any adjustments to be made to the financial statements as a result of implementing this GASB Statement.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

HOLTVILLE UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 11,828,681	\$ 11,310,818	\$ 11,179,806	\$ (131,012)
Education Protection Account Funds	1,905,413	2,288,579	2,442,690	154,111
Local Sources	2,730,352	2,986,961	2,949,971	(36,990)
Federal Revenue	1,539,027	1,780,047	1,591,000	(189,047)
Other State Revenue	1,531,356	2,119,230	2,982,991	863,761
Other Local Revenue	611,908	662,613	737,354	74,741
Total Revenues	<u>20,146,737</u>	<u>21,148,248</u>	<u>21,883,812</u>	<u>735,564</u>
Expenditures:				
Current:				
Certificated Salaries	9,493,194	9,634,915	9,523,718	111,197
Classified Salaries	2,777,793	2,916,301	2,880,008	36,293
Employee Benefits	4,767,978	4,818,677	5,536,854	(718,177)
Books And Supplies	961,431	1,080,251	822,692	257,559
Services And Other Operating Expenditures	1,555,550	1,736,636	1,502,417	234,219
Other Outgo	82,134	125,223	110,223	15,000
Direct Support/Indirect Costs	-	(65,301)	(58,859)	(6,442)
Capital Outlay	-	651,050	617,989	33,061
Total Expenditures	<u>19,638,080</u>	<u>20,897,752</u>	<u>20,935,042</u>	<u>(37,290)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>508,657</u>	<u>250,496</u>	<u>948,770</u>	<u>698,274</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(390,000)</u>	<u>(390,000)</u>	<u>(390,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(390,000)</u>	<u>(390,000)</u>	<u>(390,000)</u>	<u>-</u>
Net Change in Fund Balance	118,657	(139,504)	558,770	698,274
Fund Balance, July 1	4,936,500	4,936,500	4,936,500	-
Fund Balance, June 30	<u>\$ 5,055,157</u>	<u>\$ 4,796,996</u>	<u>\$ 5,495,270</u>	<u>\$ 698,274</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	2019	2018	2017	2016	2015	2014	2013	2012	2011
	Fiscal Year								
District's proportion of the net pension liability (asset)	0.0154%	0.0161%	0.0162%	0.0166%	0.0151%	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	0.0088%	0.0095%	0.0093%	0.0088%	0.0092%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 14,148,163	\$ 14,847,704	\$ 13,106,543	\$ 11,142,294	8,847,000	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ 8,130,093	\$ 8,817,232	\$ 7,497,588	\$ 5,932,685	5,386,729	N/A	N/A	N/A	N/A
Total share of net pension liability (asset) associated with the District	\$ 22,278,256	\$ 23,664,936	\$ 20,604,131	\$ 17,074,979	14,233,729	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 8,175,045	\$ 8,488,895	\$ 8,051,064	\$ 7,648,187	6,708,388	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	173.07%	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A

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

N/A - 2014-15 was the first implementation year and as such, no information is being presented for years prior to implementation.

See accompanying Notes to Required Supplementary Information

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,411,607	\$ 1,206,625	\$ 1,067,903	\$ 863,879	679,159	N/A	N/A	N/A	N/A	N/A
Total Contractually Required Contributions	1,411,607	1,206,625	1,067,903	863,879	679,159	N/A	N/A	N/A	N/A	N/A
Total Contributions in relation to the contractually required contribution	(1,411,607)	(1,206,625)	(1,067,903)	(863,879)	(679,159)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	-	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 8,670,805	\$ 8,361,920	\$ 8,488,895	\$ 8,051,062	7,648,187	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A

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

N/A - 2014-15 was the first year of implementation and as such, information is not being presented for years prior to implementation.

See accompanying Notes to Required Supplementary Information

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.0230%	0.0221%	0.0219%	0.0213%	0.0194%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 6,141,056	\$ 5,263,917	\$ 4,322,490	\$ 3,133,790	2,206,640	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 3,070,929	\$ 2,832,042	\$ 2,650,317	\$ 2,364,285	2,043,769	N/A	N/A	N/A	N/A	N/A
District's proportionate share of pension liability (asset) as a percentage of its covered-employee payroll	199.97%	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A

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

N/A - 2014-15 was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

See accompanying Notes to Required Supplementary Information

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 593,289	\$ 479,024	\$ 393,314	\$ 313,983	278,300	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(593,289)	(479,024)	(393,314)	(313,983)	(278,300)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	-	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 3,284,736	\$ 3,084,309	\$ 2,832,042	\$ 2,650,317	2,364,285	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A

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

N/A - 2014-15 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

See accompanying Notes to Required Supplementary Information

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
HUSD Post-Employment Medical Benefit Plan
LAST TEN FISCAL YEARS *

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB liability:									
Service cost	\$ 27,474	\$ 26,674	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	25,057	30,752	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	(24,455)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(289,380)	(190,122)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	(261,304)	(132,696)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	944,120	1,076,816	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 682,816	\$ 944,120	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered-employee payroll	\$ 12,375,879	\$ 12,382,930	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Total OPEB liability as a percentage of covered-employee payroll	5.52%	7.62%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

HOLTVILLE UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2019

Excess of Expenditures Over Appropriations

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

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Employee Benefits	718,177	The underestimation resulted from the additional on behalf payment contributions made by the state as a result of SB90 passed on 6/28/19.

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

Schedule of District's Proportionate Share - California State Teachers' Retirement System

- 1) Benefit Changes: In 2015, 2016, 2017, 2018, & 2019 there were no changes to benefits
- 2) Changes in Assumptions: In 2015, 2016, 2017 & 2019 there were no changes in assumptions. In 2018 there was a change in discount rate from 7.60% to 7.10%.

Schedule of District's Contributions - California State Teachers' Retirement System

The total pension liability for California State Teachers Retirement System was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016 & 2017 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016, 2017 & 2018 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/10 - 06/30/15	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.10%	7.10%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.50%	3.50%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

Schedule of District's Proportionate Share - California Public Employees Retirement System

1) Benefit Changes: In 2015, 2016, 2017, 2018 & 2019 there were no changes to benefits

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%. In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS experience study and review of Actuarial Assumptions December 2017, there were no changes to the discount rate in this period.

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, & 2016 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016 & 2017 (measurement dates) The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2018	June 30, 2019
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.15%	7.50%
Consumer Price Inflation	2.75%	2.50%
Wage Growth (Average)	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the April 2014 experience study report (based on demographic data from 1997 to 2011) available on CalPERS website.

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

- 1) Benefit Changes: In 2018 & 2019 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions. Changes in assumptions for the fiscal year ended June 30, 2019 included an increase in the discount rate from 3.13% to 3.62% based on a change in the bond buyer 20 bond index rate.
- 3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 Paragraph 4.
- 4) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.13%
2019	3.62%

Combining Statements as Supplementary Information

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

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund Capital Facilities Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 360,709	\$ 1,025,887	\$ 221,814	\$ 1,608,410
Cash in Revolving Fund	2,500	-	-	2,500
Accounts Receivable	220,154	2,541	1,051	223,746
Due from Other Funds	-	20,895	-	20,895
Stores Inventories	33,453	-	-	33,453
Total Assets	<u>616,816</u>	<u>1,049,323</u>	<u>222,865</u>	<u>1,889,004</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 24,310	\$ -	\$ -	\$ 24,310
Due to Other Funds	115,605	-	-	115,605
Total Liabilities	<u>139,915</u>	<u>-</u>	<u>-</u>	<u>139,915</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	2,500	-	-	2,500
Stores Inventories	33,453	-	-	33,453
Restricted Fund Balances	391,929	-	-	391,929
Committed Fund Balances	49,019	-	-	49,019
Assigned Fund Balances	-	1,049,323	222,865	1,272,188
Total Fund Balance	<u>476,901</u>	<u>1,049,323</u>	<u>222,865</u>	<u>1,749,089</u>
Total Liabilities and Fund Balances	<u>\$ 616,816</u>	<u>\$ 1,049,323</u>	<u>\$ 222,865</u>	<u>\$ 1,889,004</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

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

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund Capital Facilities Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 1,172,544	\$ -	\$ -	\$ 1,172,544
Other State Revenue	325,524	3,595	-	329,119
Other Local Revenue	19,164	620,715	17,693	657,572
Total Revenues	<u>1,517,232</u>	<u>624,310</u>	<u>17,693</u>	<u>2,159,235</u>
Expenditures:				
Current:				
Instruction	162,097	-	-	162,097
Instruction - Related Services	77,049	-	-	77,049
Pupil Services	958,816	-	-	958,816
General Administration	58,859	-	-	58,859
Capital Outlay	64,250	-	-	64,250
Debt Service:				
Principal	-	414,772	-	414,772
Interest	-	379,429	-	379,429
Total Expenditures	<u>1,321,071</u>	<u>794,201</u>	<u>-</u>	<u>2,115,272</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>196,161</u>	<u>(169,891)</u>	<u>17,693</u>	<u>43,963</u>
Other Financing Sources (Uses):				
Transfers In	-	390,000	-	390,000
Other Sources	-	294,946	-	294,946
Total Other Financing Sources (Uses)	<u>-</u>	<u>684,946</u>	<u>-</u>	<u>684,946</u>
Net Change in Fund Balance	196,161	515,055	17,693	728,909
Fund Balance, July 1	280,740	534,268	205,172	1,020,180
Fund Balance, June 30	<u>\$ 476,901</u>	<u>\$ 1,049,323</u>	<u>\$ 222,865</u>	<u>\$ 1,749,089</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2019

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 119,591	\$ 241,118	\$ 360,709
Cash in Revolving Fund	-	2,500	2,500
Accounts Receivable	26,618	193,536	220,154
Stores Inventories	-	33,453	33,453
Total Assets	<u>146,209</u>	<u>470,607</u>	<u>616,816</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 15,149	\$ 9,161	\$ 24,310
Due to Other Funds	66,366	49,239	115,605
Total Liabilities	<u>81,515</u>	<u>58,400</u>	<u>139,915</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	-	2,500	2,500
Stores Inventories	-	33,453	33,453
Restricted Fund Balances	15,675	376,254	391,929
Committed Fund Balances	49,019	-	49,019
Total Fund Balance	<u>64,694</u>	<u>412,207</u>	<u>476,901</u>
Total Liabilities and Fund Balances	<u>\$ 146,209</u>	<u>\$ 470,607</u>	<u>\$ 616,816</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 38,231	\$ 1,134,313	\$ 1,172,544
Other State Revenue	218,691	106,833	325,524
Other Local Revenue	1,014	18,150	19,164
Total Revenues	<u>257,936</u>	<u>1,259,296</u>	<u>1,517,232</u>
Expenditures:			
Current:			
Instruction	162,097	-	162,097
Instruction - Related Services	77,049	-	77,049
Pupil Services	11,793	947,023	958,816
General Administration	9,620	49,239	58,859
Capital Outlay	-	64,250	64,250
Total Expenditures	<u>260,559</u>	<u>1,060,512</u>	<u>1,321,071</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,623)</u>	<u>198,784</u>	<u>196,161</u>
Net Change in Fund Balance	(2,623)	198,784	196,161
Fund Balance, July 1	67,317	213,423	280,740
Fund Balance, June 30	<u>\$ 64,694</u>	<u>\$ 412,207</u>	<u>\$ 476,901</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2019

	Bond Interest & Redemption Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-1)
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash in County Treasury	\$ 736,144	\$ 289,743	\$ 1,025,887
Accounts Receivable	2,386	155	2,541
Due from Other Funds	-	20,895	20,895
Total Assets	<u>738,530</u>	<u>310,793</u>	<u>1,049,323</u>
 LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balance:			
Assigned Fund Balances	\$ 738,530	\$ 310,793	\$ 1,049,323
Total Fund Balance	<u>738,530</u>	<u>310,793</u>	<u>1,049,323</u>
 Total Liabilities and Fund Balances	<u>\$ 738,530</u>	<u>\$ 310,793</u>	<u>\$ 1,049,323</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

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

	Bond Interest & Redemption Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	\$ 3,595	\$ -	\$ 3,595
Other Local Revenue	619,674	1,041	620,715
Total Revenues	<u>623,269</u>	<u>1,041</u>	<u>624,310</u>
Expenditures:			
Current:			
Debt Service:			
Principal	175,000	239,772	414,772
Interest	253,838	125,591	379,429
Total Expenditures	<u>428,838</u>	<u>365,363</u>	<u>794,201</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>194,431</u>	<u>(364,322)</u>	<u>(169,891)</u>
Other Financing Sources (Uses):			
Transfers In	-	390,000	390,000
Other Sources	294,946	-	294,946
Total Other Financing Sources (Uses)	<u>294,946</u>	<u>390,000</u>	<u>684,946</u>
Net Change in Fund Balance	489,377	25,678	515,055
Fund Balance, July 1	249,153	285,115	534,268
Fund Balance, June 30	<u>\$ 738,530</u>	<u>\$ 310,793</u>	<u>\$ 1,049,323</u>

Other Supplementary Information

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

Supplementary Information Section

HOLTVILLE UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2019

The Holtville Unified School District was established in 1906 and is located in the southeastern most portion of Imperial County. The District encompasses within its boundaries the City of Holtville, with jurisdiction of approximately 562 square miles. No changes were made to these boundaries during the current year. The District operates two elementary schools, one middle school, and two high schools.

Governing Board

Name	Office	Term and Term Expiration
Kevin Grizzle	President	Four year term Expires December 2022
Jared Garewal	Clerk	Four year term Expires December 2020
Ben Abatti, Jr.	Member	Four year term Expires December 2022
Matt Hester	Member	Four year term Expires December 2020
Robin Cartee	Member	Four year term Expires December 2022

Administration

Celso Ruiz
Superintendent

John Paul Wells
Assistant Superintendent

Mitchell Drye
Director of Special
Projects

Margie Stacey
Director of Special
Education

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2019

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3: Regular ADA	424.12	N/A	424.85	N/A
Grades 4-6: Regular ADA	324.93	N/A	323.72	N/A
Grades 7 and 8: Regular ADA	228.94	N/A	229.17	N/A
Grades 9-12: Regular ADA	533.99	N/A	531.63	N/A
ADA Totals	<u>1,511.98</u>	<u>N/A</u>	<u>1,509.37</u>	<u>N/A</u>

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

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2019

TABLE D-2

Grade Level	Ed. Code Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Status
Transitional Kindergarten	36,000	52,105	180	Complied
Kindergarten	36,000	52,105	180	Complied
Grade 1	50,400	54,075	180	Complied
Grade 2	50,400	54,075	180	Complied
Grade 3	50,400	54,075	180	Complied
Grade 4	54,000	55,585	180	Complied
Grade 5	54,000	55,585	180	Complied
Grade 6	54,000	58,340	180	Complied
Grade 7	54,000	58,340	180	Complied
Grade 8	54,000	58,340	180	Complied
Grade 9	64,800	66,291	180	Complied
Grade 10	64,800	66,291	180	Complied
Grade 11	64,800	66,291	180	Complied
Grade 12	64,800	66,291	180	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The district has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46207.

The District has met or exceeded its target funding.

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2019

TABLE D-3

General Fund	Budget 2020 (see note 1)	2019	2018	2017
Revenues and other financial sources	\$ 22,024,193	\$ 21,883,812	\$ 19,753,622	\$ 19,188,737
Expenditures, other uses and transfers out	21,886,529	21,325,042	19,839,691	19,265,903
Change in fund balance (deficit)	137,664	558,770	(86,069)	(77,166)
Ending fund balance	\$ 5,632,934	\$ 5,495,270	\$ 4,936,500	\$ 5,022,569
Available reserves (see note 2)	\$ 5,303,642	\$ 4,943,796	\$ 3,930,706	\$ 4,303,129
Available reserves as a percentage of total outgo (see note 3)	24.2%	23.7%	20.3%	22.9%
Total long-term debt	\$ 1,665,444	\$ 16,668,161	\$ 12,533,340	\$ 12,906,561
Average daily attendance at P-2	1,512	1,512	1,501	1,552

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

The fund balance of the general fund has increased by \$472,701 over the past two years. The fiscal year 2018-19 budget projects an increase of \$137,664. For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$3,761,600 over the past two years.

Average daily attendance has decreased by 40 over the past two years.

Notes:

- 1 Budget 2020 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$1,789,335, \$634,162, and \$494,181, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2019, 2018, and 2017.

HOLTVILLE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

TABLE D-4

The ending fund balances as reported in these audited financial statements are in agreement with the ending fund balances reported in the District's Annual Financial and Budget Report.

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

No charter schools are chartered by Holtville Unified School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ -	\$ 332,699
Noncash Commodities	10.555	13396	-	73,246
National School Lunch Program	10.555	13523	-	717,052
Total Passed Through State Department of Education			-	1,122,997
Total U. S. Department of Agriculture			-	1,122,997
Total Child Nutrition Cluster			-	1,122,997
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	234,429
Total U. S. Department of Education			-	234,429
Total Special Education (IDEA) Cluster			-	234,429
OTHER PROGRAMS:				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Rural & Low Income Schools	84.358	14356	-	7,672
Total U. S. Department of Health and Human Services			-	7,672
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Adult Education Secondary	84.002	13978	-	14,850
Adult Education English Literacy	84.002	14109	-	11,837
Adult Education Basic	84.002	14508	-	11,544
Title I	84.010	14329	-	749,938
Migrant Education Summer	84.011	10005	-	130,214
Migrant Education	84.011	14838	-	260,857
Carl D. Perkins Career & Technical Education	84.048	14894	-	21,605
Title III English Learner Student Program	84.365	14346	-	64,506
Title III Immigrant Education & LEP	84.365	15146	-	10,787
Title II Supporting Effective Instruction	84.367	14341	-	84,167
Title IV Student Support & Academic Enrichment	84.424	15396	-	2,676
Total Passed Through State Department of Education			-	1,362,981
Total U. S. Department of Education			-	1,362,981
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child Nutrition Equipment Assistance	10.579	14906	-	84,562
Total U. S. Department of Agriculture			-	84,562
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 2,812,641

The accompanying notes are an integral part of this schedule.

HOLTVILLE UNIFIED SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

Basis of Presentation

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

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 6.18% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
Migrant Education	84.011	6.15%
Title III English Learner	84.365	1.56%

Schoolwide Program

The District operates "schoolwide programs" at all school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in it's schoolwide program:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I	84.010	\$749,938

Summary of Significant Accounting Policies

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

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Holtville Unified School District
Holtville, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holtville Unified School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Holtville Unified School District's basic financial statements, and have issued our report thereon dated January 31, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wilkinson Hadley King + LLP

El Cajon, California
January 31, 2020

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

Board of Trustees
Holtville Unified School District
Holtville, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Wilkinson Hadley King + LLP

El Cajon, California
January 31, 2020

Independent Auditor's Report on State Compliance

Board of Trustees
Holtville Unified School District
Holtville, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2019.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

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

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

Opinion on State Compliance

In our opinion, Holtville Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
January 31, 2020

Findings and Recommendations Section

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Version of compliance supplement used in audit: August 2019

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes No

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

3. State Awards

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

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

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

HOLTVILLE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings reported in the June 30, 2018 audit.		