

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

AUDIT REPORT

JUNE 30, 2018

Introductory Section

Holtville Unified School District
 Audit Report
 For The Year Ended June 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Holtville Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of funding progress for OPEB benefits and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of changes in the district's total OPEB liability and related ratios identified as Required Supplementary Information 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, *2017-18 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 December 17, 2018 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
December 17, 2018

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018
(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, 2018, 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 2017-18 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 decreased in 2017-18 by approximately \$1.9 million (See Table A-1). This is due to a sharp increase in Total Liabilities of approximately \$3.6 million, caused by two primary factors: a) the implementation of GASB 75, requiring government entities to recognize the total net liability of Other Post Employment Benefits (OPEB) rather than merely the annual required contribution, and b) a substantial increase in the District's Net Pension Liability, as required by GASB 68.

* District-wide, total revenues increased between and 2016-17 and 2017-18 by approximately \$310,000 and total expenditures decreased by approximately \$1.2 million. Despite this, however, total expenditures exceeded total revenues by approximately \$845,000 (see Table A-2). This excess was mostly due to capital expenditures of prior year dollars from the Building Fund.

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 2017-18 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		
	2017	2018	Net Change
ASSETS			
Cash & Current Assets (i.e. AR)	8,765,550	3,353,990	-392,460
Capital Assets	21,302,185	21,758,065	455,880
Total Assets	30,067,735	30,112,055	63,420
Deferred Outflows of Resources	3,903,821	7,194,442	3,271,521
LIABILITIES			
Long-Term Debt	30,363,977	33,594,167	3,230,190
Other Liabilities	1,448,207	1,841,750	393,543
Total Liabilities	31,812,184	35,435,917	3,623,733
Deferred Inflows of Resources	723,099	2,335,252	1,612,153
TOTAL NET POSITION	1,436,273	-464,672	-1,900,945
DISTRIBUTION OF NET POSITION			
Net Investment in Capital Assets	8,395,624	9,224,724	829,100
Restricted for Capital Projects	0	723,569	723,569
Restricted for Debt Service	0	0	0
Restricted for Educational Programs	182,436	55,672	-126,764
Other Purposes (Expendable)	142,339	250,893	108,554
Other Purposes (Nonexpendable)	2,500	297,803	295,303
Unrestricted	-7,286,626	-11,017,333	-3,730,707
TOTAL NET POSITION	1,436,273	-464,672	-1,900,945

The table below illustrates the District’s Governmental Activities for the fiscal year 2017-18 compared to the prior year.

Table A-2			
STATEMENT OF ACTIVITIES			
	Governmental Activities		
REVENUES	2017	2018	Net Change
Program Revenues			
Charges for Services	194,771	196,052	1,281
Operating Grants and Contributions	4,027,156	3,963,919	-63,237
Capital Grants and Contributions	0	0	0
General Revenues			
Taxes and Subventions	3,052,238	3,492,692	440,454
Federal and State Aid, Not Restricted	13,471,043	13,502,516	31,473
Other General Revenues	219,773	119,653	-100,120
Total Revenues	20,964,981	21,274,832	309,851
EXPENDITURES			
Instruction	13,254,439	13,051,237	-709,173
Supervision of Instruction	736,059	663,588	-72,471
Library, Media, and Technology	253,018	219,757	-37,037
School Site Administration	1,421,056	1,138,200	-282,856
Pupil Services	2,929,350	2,815,288	-122,243
General Administration & Data Processing	1,984,403	1,560,244	-424,159
Maint & Ops and Facility Acquisition	2,213,226	2,101,107	-223,509
Debt Service	314,012	489,577	175,565
Other Outgo	220,841	81,357	489,834
Total Expenditures	23,326,404	22,120,355	-1,206,049
Increase/Decrease in Net Position	-2,361,423	-845,523	1,515,900

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 2017-18 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 (7/1/2017)	End Balance (6/30/2018)	Net Change
General Fund (#010)	5,025,204	4,936,500	-88,704
Adult Education Fund (#110)	60,991	67,317	6,327
Cafeteria Fund (#130)	157,880	213,423	55,543
Building Fund (#210)	1,658,260	723,569	-934,690
Capital Facilities Fund (#250)	218,785	205,172	-13,613
Bond Interest and Redemption Fund (#510)	103,942	249,154	145,212
Debt Service Fund (#560)	249,687	285,115	35,428

In looking at the above, one can see that the bulk of loss to the end balance was in the building fund, representing the one-time spending on capital facilities for which those funds were intended. In addition, though the General Fund showed an overall deficit, this was entirely on the Restricted side of the General Fund (i.e. specialized programs), whereas the District's General Fund Unrestricted closed in the black.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table A-4 below summarizes the 2017-18 activity in the District's Capital Assets. Over the course of the 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 ongoing Prop 39 Clean Energy Project, which was not completed as of year-end, and thus, remains in the Work in Progress category. The annual depreciation for 2017-18 was approximately \$629,000.

Table A-4			
CAPITAL ASSETS			
	Governmental Activities		
ASSET TYPE	2017	2018	Net Change
Land	153,012	153,012	0
Work in Progress	1,394,301	2,384,397	990,096
Land Improvements	2,733,699	2,796,524	62,825
Buildings	26,528,302	26,528,302	0
Equipment	1,881,357	1,913,634	32,277
Accumulated Depreciation	-11,388,487	-12,017,805	-629,318
Totals	21,302,184	21,758,064	455,880

Outstanding Long-Term Obligations

For 2017-18, HUSD's long-term obligations increased by approximately \$2.18 million (see Table A-5 below). In looking at the figures below, the increase is due to the large increase in Net Pension Liability, a factor which is outside the District's control.

Table A-5			
OUTSTANDING LONG-TERM OBLIGATIONS			
	Governmental Activities		
OBLIGATION TYPE	2017	2018	Net Change
General Obligation Bonds	7,896,399	7,770,310	-126,089
Certificates of Participation	4,793,411	4,558,196	-235,215
Capital Leases	216,751	204,834	-11,917
Net Pension Liability	17,429,033	20,111,621	2,682,585
Net OPEB Obligation	1,076,816	944,120	-132,696
Compensated Absences	4,355	5,086	732
Totals	31,416,765	33,594,167	2,177,400

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, 2018

	Governmental Activities
ASSETS	
Cash	\$ 7,037,147
Receivables	1,024,361
Stores	25,800
Prepaid Expenses	266,682
Capital Assets:	
Land	153,012
Land Improvements	2,796,524
Buildings	26,528,302
Equipment	1,913,634
Work in Progress	2,384,398
Less Accumulated Depreciation	(12,017,805)
Total Assets	<u>30,112,055</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>7,194,442</u>
LIABILITIES	
Accounts Payable	1,339,698
Unearned Revenue	502,052
Long-Term Liabilities:	
Due Within One Year	445,117
Due in More Than One Year	33,149,050
Total Liabilities	<u>35,435,917</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,335,252</u>
NET POSITION	
Net Investment in Capital Assets	9,224,724
Restricted for:	
Capital Projects	723,569
Educational Programs	55,672
Other Purposes (Expendable)	250,893
Other Purposes (Nonexpendable)	297,803
Unrestricted	(11,017,333)
Total Net Position	<u>\$ (464,672)</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 13,051,237	\$ 158,778	\$ 2,181,916	\$ (10,710,543)
Instruction-Related Services:				
Instructional Supervision and Administration	663,588	-	285,455	(378,133)
Instructional Library, Media and Technology	219,757	-	-	(219,757)
School Site Administration	1,138,200	1,427	118,054	(1,018,719)
Pupil Services:				
Home-to-School Transportation	544,262	-	-	(544,262)
Food Services	859,089	-	898,253	39,164
All Other Pupil Services	1,411,937	-	251,996	(1,159,941)
General Administration				
Centralized Data Processing	373,171	-	2,425	(370,746)
Other General Administration	1,187,073	4,851	77,906	(1,104,316)
Plant Services	1,584,939	-	133,850	(1,451,089)
Ancillary Services	382,951	-	3,545	(379,406)
Enterprise Services	133,217	-	-	(133,217)
Interest on Long-Term Debt	489,577	-	-	(489,577)
Other Outgo - Transfers Between Agencies	81,357	30,996	10,519	(39,842)
Total Expenses	<u>\$ 22,120,355</u>	<u>\$ 196,052</u>	<u>\$ 3,963,919</u>	<u>\$ (17,960,384)</u>
General Revenues:				
Taxes and Subventions:				
Taxes Levied for General Purposes				2,787,979
Taxes Levied for Debt Service				568,390
Taxes Levied for Other Specific Purposes				136,323
Federal and State Aid, Not Restricted				13,502,516
Interest and Investment Earnings				60,069
Miscellaneous				59,584
Total General Revenues				<u>17,114,861</u>
Change in Net Position				(845,523)
Net Position Beginning - As Restated (See Note Q)				<u>380,851</u>
Net Position Ending				<u>\$ (464,672)</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash in County Treasury	\$ 5,474,788	\$ 1,006,560	\$ 6,481,348
Cash in Revolving Fund	2,500	2,822	5,322
Cash with a Fiscal Agent/Trustee	-	550,478	550,478
Accounts Receivable	752,952	271,409	1,024,361
Due from Other Funds	64,553	7,164	71,717
Stores Inventories	-	25,800	25,800
Prepaid Expenditures	266,682	-	266,682
Total Assets	<u>6,561,475</u>	<u>1,864,233</u>	<u>8,425,708</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 1,115,759	\$ 55,931	\$ 1,171,690
Due to Other Funds	7,164	64,553	71,717
Unearned Revenue	502,052	-	502,052
Total Liabilities	<u>1,624,975</u>	<u>120,484</u>	<u>1,745,459</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	2,500	2,821	5,321
Stores Inventories	-	25,800	25,800
Prepaid Items	266,682	-	266,682
Restricted Fund Balances	102,450	204,115	306,565
Committed Fund Balances	-	48,004	48,004
Assigned Fund Balances	-	1,463,010	1,463,010
Unassigned:			
Reserve for Economic Uncertainty	4,564,868	-	4,564,868
Total Fund Balance	<u>4,936,500</u>	<u>1,743,750</u>	<u>6,680,250</u>
Total Liabilities and Fund Balances	<u>\$ 6,561,475</u>	<u>\$ 1,864,234</u>	<u>\$ 8,425,709</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, 2018

Total fund balances - governmental funds balance sheet \$ 6,680,250

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	33,775,870	
Accumulated depreciation	(12,017,805)	
	Net	21,758,065

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 unamortized interest owing at the end of the period was: (168,010)

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. Unamortized debt insurance costs included in Deferred Outflows of Resources on the statement of net position are: 19,100

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	6,645,947
Deferred inflows of resources relating to pensions	(2,335,252)

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	7,770,310	
Net pension liability	20,111,621	
Net OPEB obligation	944,120	
Compensated absences payable	5,086	
Certificates of participation payable	4,558,196	
Capital leases payable	204,834	
	Total	(33,594,167)

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: 400,250

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 outflows of resources relating to OPEB	<u>129,145</u>
Net position of governmental activities - statement of net position	\$ <u><u>(464,672)</u></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, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
LCFF Sources:			
State Apportionment or State Aid	\$ 10,818,641	\$ -	\$ 10,818,641
Education Protection Account Funds	2,124,659	-	2,124,659
Local Sources	2,778,718	-	2,778,718
Federal Revenue	1,648,564	906,601	2,555,165
Other State Revenue	1,634,623	262,505	1,897,128
Other Local Revenue	748,417	600,904	1,349,321
Total Revenues	<u>19,753,622</u>	<u>1,770,010</u>	<u>21,523,632</u>
Expenditures:			
Current:			
Instruction	11,976,032	180,705	12,156,737
Instruction - Related Services	1,876,954	79,484	1,956,438
Pupil Services	1,869,378	842,709	2,712,087
Ancillary Services	283,774	-	283,774
General Administration	1,504,739	-	1,504,739
Plant Services	1,667,692	25,430	1,693,122
Other Outgo	81,075	-	81,075
Capital Outlay	171,347	910,408	1,081,755
Debt Service:			
Principal	11,917	399,817	411,734
Interest	460	433,579	434,039
Total Expenditures	<u>19,443,368</u>	<u>2,872,132</u>	<u>22,315,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>310,254</u>	<u>(1,102,122)</u>	<u>(791,868)</u>
Other Financing Sources (Uses):			
Transfers In	-	396,323	396,323
Transfers Out	(396,323)	-	(396,323)
Total Other Financing Sources (Uses)	<u>(396,323)</u>	<u>396,323</u>	<u>-</u>
Net Change in Fund Balance	(86,069)	(705,799)	(791,868)
Fund Balance, July 1	5,022,569	2,449,549	7,472,118
Fund Balance, June 30	<u>\$ 4,936,500</u>	<u>\$ 1,743,750</u>	<u>\$ 6,680,250</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, 2018

Net change in fund balances - total governmental funds \$ (791,868)

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:	1,085,198	
	Depreciation expense:	<u>(629,318)</u>	
	Net:		455,880

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: 411,734

Debt issue costs for prepaid debt insurance: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. The difference between debt issue costs for prepaid insurance incurred in the current period and prepaid insurance costs amortized for the period is:

	Prepaid debt insurance incurred during the period:	-	
	Prepaid debt insurance amortized for the period:	<u>(282)</u>	
	Net:		(282)

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: (1,126,561)

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: (50,444)

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: (731)

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: 261,841

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:

(5,092)

Change in net position of governmental activities - statement of activities

\$ (845,523)

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 200,243
Total Assets	<u>200,243</u>
LIABILITIES:	
Due to Student Groups	\$ 200,243
Total Liabilities	<u>200,243</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, 2018

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.

In addition, the District reports the following fund types:

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

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 student body fund, which is used to account for proceeds and expenditures of the student body organization.

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.

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.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

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.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

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:

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

- 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.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

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, 2018. Those newly implemented pronouncements are as follows:

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement replaces the requirements of GASB 45 and GASB 57. This statement establishes standards for recognizing and measuring OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service for defined benefit OPEB.

The District provides a defined benefit OPEB plan that is not administered through a trust, but meets the criteria specified in GASB 75. As a result, the District has adjusted measurement of OPEB liability, OPEB expense, and related deferred outflows and inflows of resources in compliance with GASB 75. The change in accounting policies resulted in an adjustment to beginning net position in order to accurately reflect current period transactions. Additional note disclosures regarding OPEB liability, OPEB expense, and related deferred inflows and outflows of resources are located in Note L. Additional note disclosures regarding the adjustment to beginning net position resulting from this change in accounting policy are located in Note Q.

GASB 81 - Irrevocable Split-Interest Agreements

The primary objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government receiving resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. In addition, this statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The District does not receive resources pursuant to an irrevocable split-interest agreement, nor does the District have any beneficial interests in irrevocable split interest agreements as of June 30, 2018. The District has adopted the accounting policies in the event that the District obtains a beneficial interest in a future split-interest agreement. 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 81.

GASB 85 - Omnibus 2017

The primary objective of this statement is to address practice issues that were identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(pensions and OPEB). The statement was issued as a clarifying measure to previously issued statements.

The implementation of this statement resulted in a change in how the District recognizes on-behalf payments for the special funding situation for CalSTRS pension. The results of implementing these accounting policies did not have a material effect on the financial statements and did not affect previous periods.

GASB 86 - Certain Debt Extinguishment Issues

The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial statements for debt that is defeased in substance.

The District does not have any in-substance defeasance of debt as of June 30, 2018. The District has adopted the accounting policies in the event that the District extinguishes debt through use of a legal extinguishment or through an in-substance defeasance in a future period. 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 86.

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. 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 County Treasury as part of the common investment pool (6,481,348 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was 6,481,348. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

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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.

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

Cash balances on hand and in banks (\$200,243 as of June 30, 2018) and in the revolving fund (\$5,321) 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 June 30, 2018 are shown below.

Account Type	Average Days to Maturity	Amount Reported
Dreyfus Treasury Obligations	<30 days	\$ 550,478
Total Cash with Fiscal Agent		\$ 550,478

4. General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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

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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.

b. Custodial Credit Risk - Deposits

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.

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.

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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2018, the District's bank balances (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.

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.

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

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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.

D. Accounts Receivable

Accounts receivables as of June 30, 2018, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal Government:			
Federal Programs	\$ 558,014	\$ 246,981	804,995
State Government:			
LCFF Sources	-	-	-
Lottery Revenue	68,163	-	68,163
Other State Programs	11,069	16,046	27,115
Local Sources:			
Interest	15,812	2,467	18,279
Other Local Sources	99,894	5,915	105,809
Totals	<u>\$ 752,952</u>	<u>\$ 271,409</u>	<u>1,024,361</u>

There are no significant receivables which are not scheduled for collection within one year of year end.

E. Capital Assets

Capital asset activity for the year ended June 30, 2018, 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	1,394,301	990,096	-	2,384,397
Total capital assets not being depreciated	<u>1,547,313</u>	<u>990,096</u>	<u>-</u>	<u>2,537,409</u>
Capital assets being depreciated:				
Buildings	26,528,302	-	-	26,528,302
Improvements	2,733,699	62,825	-	2,796,524
Equipment	1,881,357	32,277	-	1,913,634
Total capital assets being depreciated	<u>31,143,358</u>	<u>95,102</u>	<u>-</u>	<u>31,238,460</u>
Less accumulated depreciation for:				
Buildings	(9,051,802)	(479,007)	-	(9,530,809)
Improvements	(707,532)	(130,677)	-	(838,209)
Equipment	(1,629,153)	(19,634)	-	(1,648,787)
Total accumulated depreciation	<u>(11,388,487)</u>	<u>(629,318)</u>	<u>-</u>	<u>(12,017,805)</u>

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Total capital assets being depreciated, net	19,754,871	(534,216)	-	19,220,655
Governmental activities capital assets, net	\$ 21,302,184	\$ 455,880	\$ -	\$ 21,758,064

Depreciation was charged to functions as follows:

Instruction	\$ 505,971
Instruction-Related Services	3,776
Pupil Services	8,181
Ancillary Services	98,174
Plant Services	13,216
	<u>\$ 629,318</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 64,553	Reimbursement of expenses
Nonmajor Governmental Funds	General Fund	7,164	
	Total	<u>\$ 71,717</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Nonmajor Governmental Funds	\$ 396,323	Debt service payments
	Total	<u>\$ 396,323</u>	

G. Accounts Payable

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

	Major Funds	Nonmajor	
	General	Governmental	
	Fund	Funds	Total
Vendor payables	\$ 517,846	\$ 28,095	\$ 545,941
Payroll and related benefits	549,449	25,207	574,656
Pension related liabilities	48,464	2,629	51,093
Totals	<u>\$ 1,115,759</u>	<u>\$ 55,931</u>	<u>\$ 1,171,690</u>

H. Unearned Revenue

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

General Fund

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Career Technical Incentives Grant	\$ 502,052
Total	<u>\$ 502,052</u>

I. 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. The District did not have any short term loans as of June 30, 2018.

J. 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, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds					
Principal balance	\$ 7,286,408	\$ -	\$ 165,000	\$ 7,121,408	180,000
Bond premium	334,378	-	20,672	313,706	20,240
Bond discount	(19,508)	-	(358)	(19,150)	(447)
Accreted interest	295,121	59,225	-	354,346	-
Total Bonds	<u>7,896,399</u>	<u>59,225</u>	<u>185,314</u>	<u>7,770,310</u>	<u>199,793</u>
Certificates of participation					
Principal balance	4,778,905	-	234,817	4,544,088	239,817
COPs premium	14,506	-	398	14,108	420
Total COPs	<u>4,793,411</u>	<u>-</u>	<u>235,215</u>	<u>4,558,196</u>	<u>240,237</u>
Capital leases	216,751	-	11,917	204,834	-
Net Pension Liability	17,429,033	2,682,588	-	20,111,621	-
Net OPEB obligation	1,076,816	-	132,696	944,120	-
Compensated absences *	4,355	731	-	5,086	5,087
Total governmental activities	<u>\$ 31,416,765</u>	<u>\$ 2,742,544</u>	<u>\$ 565,142</u>	<u>\$ 33,594,167</u>	<u>\$ 445,117</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, 2018, 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

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2014 Refunding Bonds	12/23/2014	3.75%-5.00%	8/1/2034	2,930,000
2016 Refunding Bonds	11/10/2016	2.00-3.00%	8/1/2036	1,090,000
Total GO Bonds				<u>\$ 8,571,409</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2002 Election Series C	\$ 10,000	\$ -	\$ 10,000	\$ -
2002-C Bond Premium	529	-	529	-
2002 Election Series D	536,408	-	-	536,408
2002-D Bond Premium	61,481	-	2,562	58,919
2002-D Accreted Interest	295,121	59,225	-	354,346
2002 Election Series E	980,000	-	-	980,000
2002-E Premium	73,454	-	3,498	69,956
2012 General Obligation	1,850,000	-	85,000	1,765,000
2012 Premium	144,254	-	13,114	131,140
2014 General Obligation	2,820,000	-	50,000	2,770,000
2014 Premium	54,660	-	969	53,691
2016 General Obligation	1,090,000	-	20,000	1,070,000
2016 Discount	(19,508)	-	(358)	(19,150)
Total GO Bonds	<u>\$ 7,896,399</u>	<u>\$ 59,225</u>	<u>\$ 185,314</u>	<u>\$ 7,770,310</u>

The annual requirements to amortize the bonds outstanding at June 30, 2018, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2019	\$ 175,000	\$ -	\$ 253,838	\$ 428,838
2020	200,000	-	248,988	448,988
2021	213,198	1,802	243,151	458,151
2022	240,000	-	236,189	476,189
2023	255,000	-	228,331	483,331
2024-2028	1,620,183	19,817	954,606	2,594,606
2029-2033	2,174,689	305,311	556,669	3,036,669
2034-2038	2,073,986	1,026,014	146,919	3,246,919
2039-2043	169,352	1,540,648	-	1,710,000
Totals	<u>\$ 7,121,408</u>	<u>\$ 2,893,592</u>	<u>\$ 2,868,691</u>	<u>\$ 12,883,691</u>

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, 2018.

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.

Premiums resulted in effective interest rates as follows:

	2002-B	2002-C	2002-D
Total Interest	\$ 3,201,046	\$ 1,262,021	\$ 2,893,592
Less Bond Premium	(88,516)	(51,356)	(78,269)
Plus Bond Discount	-	-	-

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Net Interest	\$ 3,112,530	\$ 1,210,665	\$ 2,815,323
Par Amount of Bonds	\$ 3,000,000	\$ 970,000	\$ 536,408
Periods	30	30	30
Effective Interest Rate	3.46%	4.16%	17.49%

	2002-E	2012 Bonds	2014 Bonds	2016 Bonds
Total Interest	\$ 970,164	\$ 901,277	\$ 1,523,950	483,275
Less Bond Premium	(93,276)	(209,825)	(56,793)	-
Plus Bond Discount	-	-	-	19,508
Net Interest	\$ 876,888	\$ 691,452	\$ 1,467,157	502,783
Par Amount of Bonds	\$ 980,000	\$ 2,065,000	\$ 2,930,000	1,090,000
Periods	25	15	20	20
Effective Interest Rate	3.58%	2.23%	2.50%	2.31%

Accreted Interest

Accreted interest in the Long-Term Obligation Activity chart represents amounts that have compounded as of June 30, 2018 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, 2018, as follows:

<u>Year Ending June 30:</u>	
2019	\$ 2,315
2020	2,315
2021	85,051
2022	122,787
Total Minimum Rentals	212,468
Less Amount Representing Interest	(7,634)
Net Present Value of Minimum Lease Payments	\$ 204,834

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, 2017 the escrow account carried an accrued balance of \$503,559. 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:

<u>Year Ending June 30,</u>	Required Deposit	Scheduled Escrow Balance
2019	\$ 54,817	\$ 629,214
2020	54,817	718,233
2021	54,817	807,252
2022	54,817	903,626
2023	54,820	1,000,000
Totals	\$ 274,088	

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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.

Remaining payments on the 2011 COPs as of June 30, 2018 were:

<u>Year Ending June 30,</u>	Principal	Interest	Less Subsidy Payments	Total
2019	\$ 90,000	\$ 66,712	\$ (47,093)	\$ 109,619
2020	90,000	61,312	(43,027)	108,285
2021	95,000	55,762	(38,980)	111,782
2022	95,000	50,062	(34,890)	110,172
2023	95,000	44,362	(30,800)	108,562
2024-2028	505,000	124,031	(84,810)	544,221
2029-2033	110,000	3,713	-	113,713
Totals	<u>\$ 1,080,000</u>	<u>\$ 405,954</u>	<u>\$ (279,600)</u>	<u>\$ 1,206,354</u>

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, 2018 were:

<u>Year Ending June 30,</u>	Principal	Interest	Total
2019	\$ 95,000	\$ 95,106	\$ 190,106
2020	95,000	94,156	189,156
2021	100,000	92,206	192,206
2022	100,000	90,206	190,206
2023	100,000	88,206	188,206
2024-2028	560,000	399,806	959,806
2029-2033	650,000	306,081	956,081
2034-2038	775,000	187,709	962,709
2039-2043	715,000	51,081	766,081
Totals	<u>\$ 3,190,000</u>	<u>\$ 1,404,557</u>	<u>\$ 4,594,557</u>

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
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straight line method over the life of the debt.

Premiums resulted in effective interest rates as follows:

	2016 COPs
Total Interest	\$ 1,640,405
Less Bond Premium	(14,506)
Net Interest	\$ 1,625,899
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 \$1,076,816 and decreased during the year ended June 30, 2018 by \$132,696. The ending OPEB liability at June 30, 2018 was \$944,120. See Note L for additional information regarding the OPEB liability.

7. Net Pension Liability

The District's beginning net pension liability was \$17,429,033 and increased by \$2,682,588 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$20,111,621. See Note K for additional information regarding the net pension liability.

8. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$5,086. This amount is included as part of long-term liabilities in the government-wide financial statements.

K. 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, 2018 are summarized as follows:

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	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date	2% at 60	2% at 62**
Benefit Formula	5 Years	5 Years
Benefit Vesting Schedule	Monthly for Life	Monthly for Life
Benefit Payments	50-62	55-67
Retirement Age	1.1-2.4%	1.0-2.4*
Monthly Benefits as a % of Eligible Compensation	10.250%	9.205%
Required Employee Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required Employer Contribution Rates (at June 30, 2018)	7.084%	7.084%
Required State Contribution Rates (at June 30, 2018)		

*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 Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date	2% at 55	2% at 62
Benefit Formula	5 Years	5 Years
Benefit Vesting Schedule	Monthly for Life	Monthly For Life
Benefit Payments	50-62	52-67
Retirement Age	1.1-2.5%	1.1-2.5*
Monthly Benefits as a % of Eligible Compensation	7.000%	6.500%
Required Employee Contribution Rates (at June 30, 2018)	15.531%	15.531%
Required Employer Contribution Rates (at June 30, 2018)		

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.205% (if hired on or after January 1, 2013) or 10.25% (if hired before 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 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 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 the 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 employees. For the measurement period ending June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid in 6.00%, and the employer

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contribution rate was 13.888% of covered payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

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 measurement period ended June 30, 2017 (measurement date) the State contributed 7.084% of salaries creditable to CalSTRS. In accordance with GASB 85 the District recorded these contributions as revenue and expense in the fund financial statements based on contributions made for the measurement period (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). On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the District's proportionate share of the States contribution for the measurement period.

Contributions made by the State on behalf of the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.490%	\$ 361,616
2017	5.820%	494,181
2018	7.084%	634,162

The State's pension expense associated with District employees for the past three fiscal years are as follows:

Year Ended June 30,	On Behalf Pension Expense
2016	\$ 690,718
2017	1,219,628
2018	385,360

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 1,067,903	\$ 393,314	\$ 1,461,217
Contributions - State On Behalf Payments	634,162	-	634,162
Total Contributions	<u>\$ 1,702,065</u>	<u>\$ 393,314</u>	<u>\$ 2,095,379</u>

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

As of June 30, 2018 the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	CalSTRS	CalPERS	Total
Proportionate Share of Net Pension Liability - Governmental	<u>\$ 14,847,704</u>	<u>\$ 5,263,917</u>	<u>\$ 20,111,621</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled

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forward to measurement date June 30, 2017 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, 2017 and June 30, 2018 were as follows:

	CalSTRS		
	District's Proportionate Share	State's Proportionate Share	Total For District Employees
Proportion June 30, 2017	0.0162%	0.0093%	0.0255%
Proportion June 30, 2018	0.0161%	0.0095%	0.0256%
Change in Proportion	-0.0001%	0.0002%	0.0001%
	CalPERS		
	District's Proportionate Share		
Proportion June 30, 2017	0.0219%		
Proportion June 30, 2018	0.0221%		
Change in Proportion	0.0002%		

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 1,741,159	\$ 941,426	\$ 2,682,585
State On Behalf Pension Expense	385,360	-	385,360
Employer Contributions to Pension Expense	1,206,625	479,024	1,685,649
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(126,797)	(78,199)	(204,996)
Differences between actual and expected experiences	(51,247)	(28,135)	(79,382)
Changes in assumptions	(2,567,258)	(820,136)	(3,387,394)
Changes in proportionate share	164,892	33,911	198,803
Net difference between projected and actual earnings	1,066	303,723	304,789
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(944)	-	(944)
Changes in assumptions	-	(51,789)	(51,789)
Changes in proportionate share	50,319	-	50,319
Net difference between projected and actual earnings	1,405,262	209,305	1,614,567
Total Pension Expense	\$ 2,208,437	\$ 989,130	\$ 3,197,567

b. Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 1,206,625	\$ 479,024	\$ 1,685,649
Differences between actual and expected experience	51,247	242,704	293,951

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Changes in assumptions	2,567,258	820,136	3,387,394
Changes in employer's proportionate share	329,783	164,020	493,803
Net difference between projected and actual earnings	2,655	782,495	785,150
Total Deferred Outflows of Resources	<u>\$ 4,157,568</u>	<u>\$ 2,488,379</u>	<u>\$ 6,645,947</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (1,540)	\$ -	\$ (1,540)
Changes in assumptions	-	(103,578)	(103,578)
Changes in employer's proportionate share	(236,454)	-	(236,454)
Net difference between projected and actual earnings	(1,405,262)	(588,418)	(1,993,680)
Total Deferred Inflows of Resources	<u>\$ (1,643,256)</u>	<u>\$ (691,996)</u>	<u>\$ (2,335,252)</u>

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. 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,	Governmental Activities				Net Effect on Expenses
	Deferred Outflows of Resources		Deferred Inflows of Resources		
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2019	\$ 2,027,210	\$ 1,143,230	\$ (423,006)	\$ (341,061)	\$ 2,406,373
2020	820,583	664,205	(422,571)	(151,505)	910,712
2021	655,151	445,977	(422,151)	(99,716)	579,261
2022	654,624	234,967	(375,528)	(99,714)	414,349
Total	<u>\$ 4,157,568</u>	<u>\$ 2,488,379</u>	<u>\$ (1,643,256)</u>	<u>\$ (691,996)</u>	<u>\$ 4,310,695</u>

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	CalSTRS		CalPERS	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Measurement Date	June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:				
Discount Rate	7.10%	7.10%	7.15%	7.15%
Inflation	2.75%	2.75%	2.75%	2.75%
Wage Growth	3.50%	3.50%	3.00%	3.00%
Projected Salary Increase	0.5% - 6.4% (1)	0.5% - 6.4% (1)	3.10% - 9.00% (1)	3.10% - 9.00% (1)
Investment Rate of Return	7.10% (2)	7.10% (2)	7.50% (2)	7.50% (2)
Mortality	0.073%-22.86% (3)	0.073%-22.86% (3)	0.466%-32.536% (3)	0.466%-32.536% (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine

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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 CalPERS and CalSTRS 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.

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 valuation 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 all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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 reflects 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 Allocation 06/30/2017	Long Term Expected 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%
Absolute Return	9.00%	2.90%

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Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year geometric average used for long term expected real rate of return

CalPERS

Asset Class	Assumed Allocation 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% 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	\$ 21,801,143	\$ 7,744,909
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 14,847,704	\$ 5,263,917
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 9,204,517	\$ 3,205,727

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, 2017 (Previously Reported)	\$ 68,780,293	\$ 48,176,062	\$ 20,604,231	\$ 7,497,688	\$ 13,106,543
Changes for the year:					
Change in proportionate share	308,648	216,188	92,460	213,524	(121,064)
Service cost	1,551,717	-	1,551,717	578,142	973,575
Interest	5,175,887	-	5,175,887	1,928,442	3,247,445
Differences between					

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expected and actual experience	102,100	-	102,100	38,041	64,059
Change in assumptions	5,114,729	-	5,114,729	1,905,656	3,209,073
Contributions:					
Employer	-	1,067,889	(1,067,889)	(397,876)	(670,013)
Employee	-	880,488	(880,488)	(328,054)	(552,434)
State On Behalf	-	634,154	(634,154)	(236,274)	(397,880)
Net investment income	-	6,439,518	(6,439,518)	(2,399,248)	(4,040,270)
Other income	-	18,425	(18,425)	(6,865)	(11,560)
Benefit payments, including refunds of employee contributions	(3,557,522)	(3,557,522)	-	-	-
Administrative expenses	-	(46,666)	46,666	17,387	29,279
Borrowing costs	-	(14,831)	14,831	5,526	9,305
Other expenses	-	(2,623)	2,623	977	1,646
Net Changes	8,695,559	5,635,020	3,060,539	1,319,378	1,741,161
Balance at June 30, 2018	\$ 77,475,852	\$ 53,811,082	\$ 23,664,770	\$ 8,817,066	\$ 14,847,704

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	\$ 16,559,578	\$ 12,237,088	\$ 4,322,490
Changes for the year:			
Adjustment for change in proportionate share	124,120	91,721	32,399
Service cost	448,037	-	448,037
Interest	1,261,224	-	1,261,224
Differences between expected and actual experience	117,275	-	117,275
Changes in assumptions	1,025,170	-	1,025,170
Contributions - Employer	-	393,314	(393,314)
Contributions - Employee	-	197,885	(197,885)
Net plan to plan resource movement	-	(30)	30
Net investment income	-	1,369,698	(1,369,698)
Benefit payments, including refunds of employee contributions	(821,343)	(821,343)	-
Administrative expenses	-	(18,189)	18,189
Net Changes	2,154,483	1,213,056	941,427
Balance at June 30, 2018	\$ 18,714,061	\$ 13,450,144	\$ 5,263,917

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

L. Postemployment Benefits Other Than Pension Benefits

1. General Information About the OPEB Plan

Plan Description

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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.

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, 2018, the following retirees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	11
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	87
Total number of participants	<u>98</u>

2. Total OPEB Liability

The District's total OPEB liability of \$1,076,816 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 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	3.13% per annum

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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, 2017 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.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 1,076,816
Changes for the year:	
Service cost	26,674
Interest	30,752
Benefit payments	(190,122)
Net changes	<u>(132,696)</u>
Balance at June 30, 2018	\$ <u>944,120</u>

There were no changes in benefit terms or assumptions and other inputs for the fiscal year ended June 30, 2018.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point-higher (4.13%) than the current discount rate:

	<u>1% Decrease</u> <u>(2.13%)</u>	<u>Discount Rate</u> <u>(3.13%)</u>	<u>1% Increase</u> <u>(4.13%)</u>
Total OPEB Liability	\$ 999,275	\$ 944,120	\$ 893,246

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>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
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	5.00% decreasing to 4.00%	6.00% decreasing to 5.00%	7.00% decreasing to 6.00%
Total OPEB Liability	\$ 894,681	\$ 944,120	\$ 100,502

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 \$57,426. At June 30, 2018 the District reported deferred outflows of resources related to the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to measurement date	\$ <u>129,145</u>

At June 30, 2018 the District did not report any deferred inflows 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, 2019.

M. Deferred Outflows of Resources

On June 21, 2007 the District issued general obligation bonds in the amount of \$970,000. When the bonds were issued, the District prepaid bond insurance in the amount of \$9,000. In accordance with GASB Statement No. 65 this prepaid insurance is recorded as a deferred outflow of resources to be amortized over the life of the bond using the equity method.

On November 8, 2012 the District issued general obligation bonds in the amount of \$980,000. When the bonds were issued, the District prepaid bond insurance in the amount of \$8,776. In accordance with GASB Statement No. 65 this prepaid insurance is recorded as a deferred outflow of resources to be amortized over the life of the bond using the equity method.

On November 8, 2012 the District issued refunding bonds in the amount of \$2,065,000 plus a premium of \$209,825. The refunding bonds were issued to repay bonds issued in 2003. The issuance of the refunding bonds resulted in an refunding loss of \$113,210. In accordance with GASB Statement No. 65 the loss is recorded as a deferred outflow of resources and is amortized against interest expense over the life of the bond using the straight line method.

In 2014 the District issued refunding bonds as a partial refunding of 2002 Series B General Obligation Bonds. The refunding resulted in a loss on refunding of \$220,746 which is recorded as a deferred outflow of resources and amortized over 20 years (the life of the bonds).

In January 2016 the District issued Certificates of Participation (COPs) in the amount of \$3,280,000. When the COPs were issued, the District prepaid debt insurance in the amount of \$17,700. In accordance with GASB Statement No. 65 this prepaid insurance is recorded as a deferred outflow of resources to be amortized over the life of the COPs using the equity method.

In 2016 the District issued refunding bonds as a partial refunding of 2002 Series C General Obligation Bonds. The refunding resulted in a loss on refunding of \$144,362 which is recorded as a deferred outflow of resources and amortized over 20 years (the life of the bonds).

GASB Statement No. 71 requires that contributions of pension plans subsequent to the measurement date be recorded as deferred outflows of resources. In addition, GASB 68 prescribes other items that are recorded as Deferred Outflows of Resources. Pension related deferred outflows of resources as of year end are representative of contributions made after the measurement date.

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In accordance with GASB Statement No. 75, payments made subsequent to the total OPEB liability measurement date, and other items are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2018, are as follows:

Description	Issue Date	Amortization Term	Beginning Balance	Additions	Current Year Amortization	Ending Balance
Bond insurance	06/21/2007	30 Years	\$ 93	\$ -	\$ 93	\$ -
Bond insurance	11/08/2012	25 Years	8,766	-	-	8,766
Refunding Loss	11/08/2012	15 Years	83,022	-	7,547	75,475
Bond insurance	12/23/2014	20 Years	6,446	-	114	6,332
Refunding Loss	12/23/2014	20 Years	198,670	-	11,038	187,632
Bond Insurance	11/10/2016	20 Years	4,077	-	75	4,002
Refunding Loss	11/10/16	20 Years	144,362	-	7,219	137,143
Pension Related		Varies	3,477,767	6,133,624	2,965,444	6,645,947
OPEB Related		Varies	-	129,145	-	129,145
Total Deferred Outflows of Resources			\$ 3,923,203	\$ 6,262,769	\$ 2,991,530	\$ 7,194,442

Year Ending June 30	Debt Insurance	Refunding Loss	Pension Related	OPEB Related	Total
2019	\$ 208	\$ 25,804	\$ 3,170,440	\$ 129,145	\$ 3,325,597
2020	220	25,803	1,484,788	-	1,510,811
2021	208	25,803	1,101,128	-	1,127,139
2022	220	25,802	889,591	-	915,613
2023	309	25,802	-	-	26,111
2024-2028	1,973	129,015	-	-	130,988
2029-2033	7,598	91,275	-	-	98,873
2034-2038	8,364	50,946	-	-	59,310
Total	\$ 19,100	\$ 400,250	\$ 6,645,947	\$ 129,145	\$ 7,194,442

N. Deferred Inflows of Resources

Consistent with the requirements of GASB Statement No. 68, the pension related deferred inflows of resources have been recorded for changes in assumptions, change in employer's proportionate share, and the net difference between projected and actual earnings on investments.

A summary of activity of deferred inflows of resources for the year ended June 30, 2018 is as follows:

Description	Amortization Term	Beginning Balance	Additions	Current Year Amortization	Ending Balance
Pension Related	Varies	\$ 723,099	\$ 2,376,221	\$ 764,068	\$ 2,335,252
Total Deferred Inflows of Resources		\$ 723,099	\$ 2,376,221	\$ 764,068	\$ 2,335,252

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2019	\$ 764,067
2020	574,076
2021	521,867
2022	475,242
Total	\$ 2,335,252

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

O. 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 review 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.

P. Components of Ending Net Position

As of June 30, 2018 ending fund balance in governmental funds consisted of the following:

	Major Funds General Fund	Nonmajor Governmental Funds	Total
Nonspendable Fund Balances			
Revolving Cash	\$ 2,500	\$ 2,821	\$ 5,321
Stores Inventory	-	25,800	25,800
Prepaid Expenses	266,682	-	266,682
Total Nonspendable	<u>269,182</u>	<u>28,621</u>	<u>297,803</u>
Restricted Fund Balances			
Educational Programs	36,359	19,313	55,672
Child Nutrition Program	-	184,802	184,802
Medi-Cal Program	65,059	-	65,059
Capital Projects	-	723,569	723,569
Debt Service	-	-	-
Other Restricted	1,032	-	1,032
Total Restricted	<u>102,450</u>	<u>927,684</u>	<u>1,030,134</u>
Committed Fund Balances			
Adult Education Program	-	48,004	48,004
Total Committed	<u>-</u>	<u>48,004</u>	<u>48,004</u>
Assigned Fund Balances			
Capital Projects	-	205,172	205,172
Debt Service	-	534,269	534,269
Total Assigned	<u>-</u>	<u>739,441</u>	<u>739,441</u>
Unassigned Fund Balances			
For Economic Uncertainty	4,564,868	-	4,564,868
Total Fund Balance	<u>\$ 4,936,500</u>	<u>\$ 1,743,750</u>	<u>\$ 6,680,250</u>

Q. Adjustments to Beginning Net Position

During the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. The result of applying the change in accounting policy is an adjustment to beginning net position on the government wide financial statements.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

In addition, the District made corrections to clerical errors in the individual funds

Beginning net position was adjusted as follows:

Net Position, Beginning (As Originally Stated)	\$ 1,436,273
Adjustments for:	
GASB 75 OPEB Adjustment	(1,052,788)
Individual fund corrections	<u>(2,634)</u>
Net Position, Beginning (As Restated)	<u>\$ 380,851</u>

R. 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 (SIPIIC). 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.

S. 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, 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.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 11,193,635	\$ 10,989,358	\$ 10,818,641	\$ (170,717)
Education Protection Account Funds	1,944,637	1,969,517	2,124,659	155,142
Local Sources	2,532,778	2,777,785	2,778,718	933
Federal Revenue	1,293,261	1,690,519	1,648,564	(41,955)
Other State Revenue	1,457,590	2,149,718	1,634,623	(515,095)
Other Local Revenue	593,070	724,053	748,417	24,364
Total Revenues	<u>19,014,971</u>	<u>20,300,950</u>	<u>19,753,622</u>	<u>(547,328)</u>
Expenditures:				
Current:				
Certificated Salaries	8,906,762	9,165,594	9,141,809	23,785
Classified Salaries	2,748,897	2,837,766	2,798,077	39,689
Employee Benefits	4,436,961	4,560,983	4,342,284	218,699
Books And Supplies	914,581	1,439,817	1,180,277	259,540
Services And Other Operating Expenditures	1,569,224	1,902,442	1,716,122	186,320
Other Outgo	82,114	82,134	81,075	1,059
Capital Outlay	158,743	599,981	171,347	428,634
Debt Service:				
Principal	11,917	11,917	11,917	-
Interest	460	460	460	-
Total Expenditures	<u>18,829,659</u>	<u>20,601,094</u>	<u>19,443,368</u>	<u>1,157,726</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>185,312</u>	<u>(300,144)</u>	<u>310,254</u>	<u>610,398</u>
Other Financing Sources (Uses):				
Transfers Out	(390,000)	(396,323)	(396,323)	-
Total Other Financing Sources (Uses)	<u>(390,000)</u>	<u>(396,323)</u>	<u>(396,323)</u>	<u>-</u>
Net Change in Fund Balance	(204,688)	(696,467)	(86,069)	610,398
Fund Balance, July 1	4,412,759	5,025,204	5,022,569	(2,635)
Fund Balance, June 30	<u>\$ 4,208,071</u>	<u>\$ 4,328,737</u>	<u>\$ 4,936,500</u>	<u>\$ 607,763</u>

See Accompanying Notes to Required Supplementary Information.

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 *

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0161%	0.0162%	0.0166%	0.0151%	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	0.0095%	0.0093%	0.0088%	0.0092%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 14,847,704	\$ 13,106,543	11,142,294	8,847,000	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ 8,817,232	\$ 7,497,588	5,932,685	5,386,729	N/A	N/A	N/A	N/A	N/A	N/A
Total share of net pension liability (asset) associated with the District	\$ 23,664,936	\$ 20,604,131	17,074,979	14,233,729	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 8,488,895	8,051,064	7,648,187	6,708,388	N/A	N/A	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	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	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.

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,206,625	1,067,903	863,879	679,159	N/A	N/A	N/A	N/A	N/A	N/A
Total Contractually Required Contributions	1,206,625	1,067,903	863,879	679,159	N/A	N/A	N/A	N/A	N/A	N/A
Total Contributions in relation to the contractually required contribution	(1,206,625)	(1,067,903)	(863,879)	(679,159)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 8,361,920	8,488,895	8,051,062	7,648,187	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%	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 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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0221%	0.0219%	0.0213%	0.0194%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 5,263,917	4,322,490	3,133,790	2,206,640	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 2,832,042	2,650,317	2,364,285	2,043,769	N/A	N/A	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	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	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.

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 479,024	393,314	313,983	278,300	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(479,024)	(393,314)	(313,983)	(278,300)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 3,084,309	2,832,042	2,650,317	2,364,285	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%	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 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 *

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	\$ 26,674	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	30,752	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms and actual experience	-	N/A	N/A	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	N/A	N/A
Changes of assumptions or other inputs	(190,122)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(132,696)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	1,076,816	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	944,120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 12,382,930	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered-employee payroll										
Total OPEB liability as a percentage of covered-employee payroll	7.62%	N/A	N/A	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, 2018

Excess of Expenditures Over Appropriations

As of June 30, 2018, there were no expenditures that exceeded appropriations in individual budgeted funds.

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

- 1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits
- 2) Changes in Assumptions: In 2015, 2016 & 2017 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 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016 & 2017 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

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	07/01/06 - 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

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

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:

<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	07/01/97 - 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

<u>Reporting Period</u>	<u>June 30, 2018</u>
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.00%
Post-retirement Benefit Increases	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 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions.
- 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%

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, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 103,210	\$ 533,263	\$ 370,087	\$ 1,006,560
Cash in Revolving Fund	2,822	-	-	2,822
Cash with a Fiscal Agent/Trustee	-	-	550,478	550,478
Accounts Receivable	269,392	1,005	1,012	271,409
Due from Other Funds	-	-	7,164	7,164
Stores Inventories	25,800	-	-	25,800
Total Assets	<u>401,224</u>	<u>534,268</u>	<u>928,741</u>	<u>1,864,233</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 55,931	\$ -	\$ -	\$ 55,931
Due to Other Funds	64,553	-	-	64,553
Total Liabilities	<u>120,484</u>	<u>-</u>	<u>-</u>	<u>120,484</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	2,821	-	-	2,821
Stores Inventories	25,800	-	-	25,800
Restricted Fund Balances	204,115	-	-	204,115
Committed Fund Balances	48,004	-	-	48,004
Assigned Fund Balances	-	534,269	928,741	1,463,010
Total Fund Balance	<u>280,740</u>	<u>534,269</u>	<u>928,741</u>	<u>1,743,750</u>
Total Liabilities and Fund Balances	<u>\$ 401,224</u>	<u>\$ 534,269</u>	<u>\$ 928,741</u>	<u>\$ 1,864,234</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

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

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 881,821	\$ -	\$ 24,780	\$ 906,601
Other State Revenue	259,024	3,481	-	262,505
Other Local Revenue	23,922	566,157	10,825	600,904
Total Revenues	<u>1,164,767</u>	<u>569,638</u>	<u>35,605</u>	<u>1,770,010</u>
Expenditures:				
Current:				
Instruction	180,705	-	-	180,705
Instruction - Related Services	79,484	-	-	79,484
Pupil Services	842,709	-	-	842,709
Plant Services	-	-	25,430	25,430
Capital Outlay	-	-	910,408	910,408
Debt Service:				
Principal	-	399,817	-	399,817
Interest	-	385,505	48,074	433,579
Total Expenditures	<u>1,102,898</u>	<u>785,322</u>	<u>983,912</u>	<u>2,872,132</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>61,869</u>	<u>(215,684)</u>	<u>(948,307)</u>	<u>(1,102,122)</u>
Other Financing Sources (Uses):				
Transfers In	-	396,323	-	396,323
Total Other Financing Sources (Uses)	<u>-</u>	<u>396,323</u>	<u>-</u>	<u>396,323</u>
Net Change in Fund Balance	61,869	180,639	(948,307)	(705,799)
Fund Balance, July 1	218,871	353,630	1,877,048	2,449,549
Fund Balance, June 30	<u>\$ 280,740</u>	<u>\$ 534,269</u>	<u>\$ 928,741</u>	<u>\$ 1,743,750</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 60,388	\$ 42,822	\$ 103,210
Cash in Revolving Fund	-	2,822	2,822
Accounts Receivable	39,587	229,805	269,392
Stores Inventories	-	25,800	25,800
Total Assets	<u>99,975</u>	<u>301,249</u>	<u>401,224</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 30,912	\$ 25,019	\$ 55,931
Due to Other Funds	1,746	62,807	64,553
Total Liabilities	<u>32,658</u>	<u>87,826</u>	<u>120,484</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	-	2,821	2,821
Stores Inventories	-	25,800	25,800
Restricted Fund Balances	19,313	184,802	204,115
Committed Fund Balances	48,004	-	48,004
Total Fund Balance	<u>67,317</u>	<u>213,423</u>	<u>280,740</u>
Total Liabilities and Fund Balances	<u>\$ 99,975</u>	<u>\$ 301,249</u>	<u>\$ 401,224</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, 2018

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 70,395	\$ 811,426	\$ 881,821
Other State Revenue	195,585	63,439	259,024
Other Local Revenue	535	23,387	23,922
Total Revenues	<u>266,515</u>	<u>898,252</u>	<u>1,164,767</u>
Expenditures:			
Current:			
Instruction	180,705	-	180,705
Instruction - Related Services	79,484	-	79,484
Pupil Services	-	842,709	842,709
Total Expenditures	<u>260,189</u>	<u>842,709</u>	<u>1,102,898</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,326</u>	<u>55,543</u>	<u>61,869</u>
Net Change in Fund Balance	6,326	55,543	61,869
Fund Balance, July 1	60,991	157,880	218,871
Fund Balance, June 30	<u>\$ 67,317</u>	<u>\$ 213,423</u>	<u>\$ 280,740</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2018

	Bond Interest & Redemption Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 248,559	\$ 284,704	\$ 533,263
Accounts Receivable	594	411	1,005
Total Assets	<u>249,153</u>	<u>285,115</u>	<u>534,268</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Assigned Fund Balances	\$ 249,154	\$ 285,115	\$ 534,269
Total Fund Balance	<u>249,154</u>	<u>285,115</u>	<u>534,269</u>
Total Liabilities and Fund Balances	<u>\$ 249,154</u>	<u>\$ 285,115</u>	<u>\$ 534,269</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, 2018

	Bond Interest & Redemption Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	\$ 3,481	\$ -	\$ 3,481
Other Local Revenue	565,008	1,149	566,157
Total Revenues	<u>568,489</u>	<u>1,149</u>	<u>569,638</u>
Expenditures:			
Current:			
Debt Service:			
Principal	165,000	234,817	399,817
Interest	258,278	127,227	385,505
Total Expenditures	<u>423,278</u>	<u>362,044</u>	<u>785,322</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>145,211</u>	<u>(360,895)</u>	<u>(215,684)</u>
Other Financing Sources (Uses):			
Transfers In	-	396,323	396,323
Total Other Financing Sources (Uses)	<u>-</u>	<u>396,323</u>	<u>396,323</u>
Net Change in Fund Balance	145,211	35,428	180,639
Fund Balance, July 1	103,943	249,687	353,630
Fund Balance, June 30	<u>\$ 249,154</u>	<u>\$ 285,115</u>	<u>\$ 534,269</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash in County Treasury	\$ 165,477	\$ 204,610	\$ 370,087
Cash with a Fiscal Agent/Trustee	550,478	-	550,478
Accounts Receivable	450	562	1,012
Due from Other Funds	7,164	-	7,164
Total Assets	<u>723,569</u>	<u>205,172</u>	<u>928,741</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Assigned Fund Balances	\$ 723,569	\$ 205,172	\$ 928,741
Total Fund Balance	<u>723,569</u>	<u>205,172</u>	<u>928,741</u>
Total Liabilities and Fund Balances	<u>\$ 723,569</u>	<u>\$ 205,172</u>	<u>\$ 928,741</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 24,780	\$ -	\$ 24,780
Other Local Revenue	7,758	3,067	10,825
Total Revenues	<u>32,538</u>	<u>3,067</u>	<u>35,605</u>
Expenditures:			
Current:			
Plant Services	8,750	16,680	25,430
Capital Outlay	910,408	-	910,408
Debt Service:			
Interest	48,074	-	48,074
Total Expenditures	<u>967,232</u>	<u>16,680</u>	<u>983,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(934,694)</u>	<u>(13,613)</u>	<u>(948,307)</u>
Net Change in Fund Balance	(934,694)	(13,613)	(948,307)
Fund Balance, July 1	1,658,263	218,785	1,877,048
Fund Balance, June 30	<u>\$ 723,569</u>	<u>\$ 205,172</u>	<u>\$ 928,741</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, 2018

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
John Hawk	President	Four year term Expires December 2018
Kevin Grizzle	Clerk	Four year term Expires December 2018
Ben Abatti, Jr.	Member	Four year term Expires December 2018
Matt Hester	Member	Four year term Expires December 2020
Jared Garewal	Member	Four year term Expires December 2020

Administration

Celso Ruiz
Superintendent

John Paul Wells
Assistant Superintendent

Samantha Williams
Director of Special
Projects/Special Education

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2018

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3: Regular ADA	411.53	N/A	413.24	N/A
Grades 4-6: Regular ADA	323.21	N/A	322.42	N/A
Grades 7 and 8: Regular ADA	226.01	N/A	225.41	N/A
Grades 9-12: Regular ADA	540.43	N/A	540.30	N/A
ADA Totals	1,501.18	N/A	1,501.37	N/A

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, 2018

TABLE D-2

Grade Level	Ed. Code Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
Transitional Kindergarten	36,000	58,605	180	Complied
Kindergarten	36,000	58,605	180	Complied
Grade 1	50,400	52,505	180	Complied
Grade 2	50,400	52,505	180	Complied
Grade 3	50,400	53,085	180	Complied
Grade 4	54,000	54,785	180	Complied
Grade 5	54,000	54,785	180	Complied
Grade 6	54,000	63,266	180	Complied
Grade 7	54,000	63,266	180	Complied
Grade 8	54,000	63,266	180	Complied
Grade 9	64,800	69,048	180	Complied
Grade 10	64,800	69,048	180	Complied
Grade 11	64,800	69,048	180	Complied
Grade 12	64,800	69,048	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 neither met nor exceeded its target funding.

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2018

TABLE D-3

General Fund	Budget 2019 (see note 1)	2018	2017	2016
Revenues and other financial sources	\$ 20,786,664	\$ 19,753,622	\$ 19,188,737	\$ 18,770,514
Expenditures, other uses and transfers out	20,754,925	19,839,691	19,265,903	17,005,696
Change in fund balance (deficit)	31,739	(86,069)	(77,166)	1,764,818
Ending fund balance	\$ 4,968,239	\$ 4,936,500	\$ 5,022,569	\$ 5,102,372
Available reserves (see note 2)	\$ 4,737,153	\$ 3,930,706	\$ 4,303,129	\$ 4,166,703
Available reserves as a percentage of total outgo (see note 3)	22.8%	20.3%	22.9%	25.2%
Total long-term debt	\$ 12,093,310	\$ 12,533,340	\$ 12,906,561	\$ 13,008,990
Average daily attendance at P-2	1,501	1,501	1,552	1,542

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 decreased by \$165,872 (3%) over the past two years. The fiscal year 2018-19 budget projects an increase of \$31,739 (0.6%). 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 decreased by \$2,524,350 over the past two years.

Average daily attendance has decreased by 41 (2.7%) over the past two years.

Notes:

- 1 Budget 2019 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 \$634,162, \$494,181, and \$361,616, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2018, 2017, and 2016.

HOLTVILLE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

TABLE D-5

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, 2018

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	\$ -	\$ 292,354
Noncash Commodities	10.555	13396	-	78,456
National School Lunch Program	10.555	13523	-	519,073
Total Passed Through State Department of Education			-	889,883
Total U. S. Department of Agriculture			-	889,883
Total Child Nutrition Cluster			-	889,883
MEDICAID CLUSTER:				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Medi-Cal	93.778	10013	-	22,408
Total U. S. Department of Health and Human Services			-	22,408
Total Medicaid Cluster			-	22,408
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	213,897
Total U. S. Department of Education			-	213,897
Total Special Education (IDEA) Cluster			-	213,897
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through California Department of Education:				
Adult Education English Literacy	84.002	14109	-	42,282
Passed Through State Department of Education:				
Adult Education Secondary	84.002	13978	-	16,263
Adult Education Basic	84.002	14508	-	11,850
Title I	84.010	14329	-	758,433
Migrant Education Summer	84.011	10005	-	109,686
Migrant Education	84.011	14838	-	292,388
Carl D. Perkins Career & Technical Education	84.048	14894	-	19,037
Title III Limited English Proficiency (LEP)	84.365	14346	-	90,167
Title II Supporting Effective Instruction	84.367	14341	-	113,739
Total Passed Through State Department of Education			-	1,411,563
Total U. S. Department of Education			-	1,453,845
<u>U. S. Department of Agriculture</u>				
Direct Program:				
Distance Learning & Telemedicine	10.855	-	-	28,809
Total U. S. Department of Agriculture			-	28,809
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 2,608,842

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, 2018

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of El Centro Elementary 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 5.36% 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	5.34%
Title III	84.365	2.00%

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	\$714,937

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



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

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, 2018, 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 December 17, 2018.

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*.

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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
December 17, 2018



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on Compliance for Each Major Program and 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, 2018. 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, 2018.

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
December 17, 2018



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

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 *2017-18 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, 2018.

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, *2017-18 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, *2017-18 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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
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, 2018.

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 *2017-18 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
December 17, 2018

Findings and Recommendations Section

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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>
84.010	Title I
84.027	Special Education

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

Auditee qualified as low-risk auditee? X Yes No

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 X No

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings in the prior audit year.	N/A	N/A