



Holtville Unified School District

County of Imperial
Holtville, California

Audit Report

June 30, 2021



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Holtville Unified School District

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June 30, 2021

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Independent Auditor's Report

To the Board of Education
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 (District), as of and for the year ended June 30, 2021, 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 an opinion 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Holtville Unified School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information identified in the table of contents, as required by the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations, Section 19810* is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022, 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 the District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co LLP

El Cajon, California
January 31, 2022

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021
(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, 2021, 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 2020-21 fiscal year. Note that this report should be read with the actual financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

* District-wide, HUSD's Net Position improved in 2020-21 by approximately \$2.81 million (See Table A-1). This improvement in net position occurred due to a large increase in total assets of \$6.7 million (cash on hand, accounts receivables, and capital projects), offset partially by a lesser increase in total liabilities of \$3.7 million (GO Bond issuance).

* District-wide, total revenues increased between 2019-20 and 2020-21 by approximately \$5.5 million. Total expenditures increased between 2019-20 and 2020-21 by approximately \$2.9 million. Overall, total revenues exceeded total expenditures by approximately \$2.8 million (See Table A-2). These large increases are due to the infusion of federal stimulus funds in 2020-21.

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 2020-21 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		
	2020	2021	Net Change
ASSETS			
Cash & Current Assets (i.e. AR)	13,134,118	18,952,214	5,818,096
Capital Assets	22,705,180	24,269,100	1,563,920
Total Assets	35,839,298	43,221,314	7,382,016
Deferred Outflows of Resources	6,850,967	6,148,072	-702,895
LIABILITIES			
Long-Term Debt	38,941,878	42,637,943	3,696,065
Other Liabilities	1,994,276	1,652,699	-341,577
Total Liabilities	40,936,154	44,290,642	3,354,488
Deferred Inflows of Resources	1,739,812	2,038,432	298,620
TOTAL NET POSITION	14,299	3,040,312	3,026,013
DISTRIBUTION OF NET POSITION			
Net Investment in Capital Assets	6,320,091	3,729,740	-2,590,351
Restricted for Capital Projects	3,632,435	5,522,423	1,889,988
Restricted for Debt Service	1,143,404	1,040,899	-102,505
Restricted for Educational Programs	241,900	2,093,819	1,851,919
Other Purposes (Expendable)	550,456	1,135,392	584,936
Other Purposes (Nonexpendable)	365,245	300,010	-65,235
Unrestricted	-12,239,232	-10,781,971	1,457,261
TOTAL NET POSITION	14,299	3,040,312	3,026,013

The table below illustrates the District’s Governmental Activities for the fiscal year 2020-21 compared to the prior year.

Table A-2

STATEMENT OF ACTIVITIES			
	Governmental Activities		
REVENUES	2020	2021	Net Change
Program Revenues			
Charges for Services	288,243	172,063	-116,180
Operating Grants and Contributions	4,600,788	10,432,554	5,831,766
Capital Grants and Contributions	0	0	0
General Revenues			
Taxes and Subventions	3,876,980	3,623,876	-253,104
Federal and State Aid, Not Restricted	14,574,444	14,569,771	-4,673
Other General Revenues	376,511	377,439	928
Total Revenues	23,716,966	29,175,703	5,458,737
EXPENDITURES			
Instruction	13,757,527	15,602,779	1,845,252
Supervision of Instruction	531,077	543,045	11,968
Library, Media, and Technology	207,536	225,490	17,954
School Site Administration	1,321,382	1,323,711	2,329
Pupil Services	3,335,278	3,335,180	-98
General Administration & Data Processing	1,433,006	1,805,342	372,336
Maint & Ops and Facility Acquisition	2,330,062	2,466,020	135,958
Debt Service	356,859	962,870	606,011
Other Outgo	198,150	98,334	-99,816
Total Expenditures	23,470,877	26,362,771	2,891,894
Increase/Decrease in Net Position	246,089	2,812,932	2,566,843

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 2020-21 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 (7/1/2020)	End Balance (6/30/2021)	Net Change
General Fund (#010)	5,921,634	9,501,832	3,580,198
Student Activity Special Revenue Fund (#008)	212,263	187,566	-24,697
Adult Education Fund (#110)	75,429	77,439	2,010
Cafeteria Fund (#130)	561,350	901,963	340,614
Building Fund (#210)	3,268,449	5,444,125	2,175,676
Capital Facilities Fund (#250)	363,986	78,298	-285,688
Bond Interest and Redemption Fund (#510)	767,282	1,040,899	273,618
Debt Service Fund (#560)	376,938	332,716	-44,222
Total All Funds	11,547,331	17,564,839	6,017,508

In looking at the above, one can see that the grand total of all fund balances increased in 2020-21. This increase was attributed to the increases brought on by federal stimulus in the General Fund, along with an additional G.O. Bond.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table A-4 below summarizes the 2020-21 activity in the District's Capital Assets. Over the year, the District continued its HMS Gymnasium Project, further adding to Work in Progress, and purchased depreciable equipment.

Table A-4			
CAPITAL ASSETS			
	Governmental Activities		
ASSET TYPE	2020	2021	Net Change
Land	153,012	153,012	0
Work in Progress	1,277,693	3,601,591	2,323,898
Land Improvements	2,796,524	2,796,524	0
Buildings	29,690,560	29,690,560	0
Equipment	2,332,707	2,532,513	199,806
Accumulated Depreciation	-13,545,316	-14,505,100	-959,784
Totals	22,705,180	24,269,100	1,563,920

Outstanding Long-Term Obligations

For 2020-21, HUSD’s long-term obligations increased by approximately \$3.7 million (See Table A-5 below). In looking at the figures below, the increase is due to a new GO Bond issuance authorized under the 2018 Bond Election, offset in part by some decreases in COP obligations and Net Pension Liability.

Table A-5			
OUTSTANDING LONG-TERM OBLIGATIONS			
	Governmental Activities		
OBLIGATION TYPE	2020	2021	Net Change
General Obligation Bonds	12,102,533	16,589,800	4,487,267
Certificates of Participation	4,077,722	3,827,463	-250,259
Capital Leases	204,834	122,097	-82,737
Net Pension Liability	21,354,164	20,911,162	-443,002
Net OPEB Obligation	1,197,104	1,178,942	-18,162
Compensated Absences	5,521	8,479	2,958
Totals	38,941,878	42,637,943	3,696,065

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.
- While the infusion of one-time federal stimulus dollars have increased the District’s net position in 2020-21, due to the implementation of GASB 75 and GASB 68, the District’s liabilities are likely to continue to increase at a pace that will likely be larger than assets.
- Continued increases in employer contributions toward employee pension costs (STRS and PERS) will continue to erode at future funding increases. This must be offset by increased funding and/or reductions in other areas in the budget.

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, 2021

	<u>Governmental Activities</u>
Assets	
Cash	\$ 13,668,364
Accounts Receivable	5,008,840
Inventory	31,576
Prepaid Expenses	243,434
Capital Assets:	
Land	153,012
Land Improvements	2,796,524
Buildings & Improvements	29,690,560
Equipment	2,532,513
Work In Progress	3,601,591
Less Accumulated Depreciation	<u>(14,505,100)</u>
Total Assets	<u>43,221,314</u>
 Deferred Outflows of Resources	 <u>6,148,072</u>
 Liabilities	
Accounts Payable and Other Current Liabilities	1,322,729
Unearned Revenue	329,970
Long-Term Liabilities:	
Due Within One Year	687,919
Due In More Than One Year	<u>41,950,024</u>
Total Liabilities	<u>44,290,642</u>
 Deferred Inflows of Resources	 <u>2,038,432</u>
 Net Position	
Net Investment in Capital Assets	3,729,740
Restricted For:	
Capital Projects	5,522,423
Debt Service	1,040,899
Educational Programs	2,093,819
Other Purposes (Expendable)	1,135,392
Other Purposes (Nonexpendable)	300,010
Unrestricted	<u>(10,781,971)</u>
Total Net Position	<u><u>\$ 3,040,312</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Holtville Unified School District

Statement of Activities

For the Year Ended June 30, 2021

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					Governmental Activities
Instruction	\$ 15,602,779	\$ 111,609	\$ 7,649,166	\$ -	\$ (7,842,004)
Instruction-Related Services:					
Instructional Supervision and Administration	543,045	105	274,553	-	(268,387)
Instructional Library, Media and Technology	225,490	-	12,240	-	(213,250)
School Site Administration	1,323,711	43	172,137	-	(1,151,531)
Pupil Services:					
Home-to-School Transportation	519,883	-	12,599	-	(507,284)
Food Services	1,013,539	-	1,272,496	-	258,957
All Other Pupil Services	1,801,758	293	540,153	-	(1,261,312)
General Administration:					
Centralized Data Processing	427,312	-	116,091	-	(311,221)
All Other General Administration	1,378,030	4,509	246,990	-	(1,126,531)
Plant Services	2,053,002	27	98,389	-	(1,954,586)
Ancillary Services	413,018	50,853	14,143	-	(348,022)
Interest on Long-Term Debt	962,870	-	-	-	(962,870)
Transfers Between Agencies	98,334	4,624	23,597	-	(70,113)
Total Governmental Activities	<u>\$ 26,362,771</u>	<u>\$ 172,063</u>	<u>\$ 10,432,554</u>	<u>\$ -</u>	<u>(15,758,154)</u>
General Revenues					
Taxes and Subventions:					
					\$ 3,147,669
					476,207
					14,569,771
					188,443
					188,996
					<u>18,571,086</u>
					2,812,932
					227,380
					<u>\$ 3,040,312</u>

The accompanying notes to the financial statements are an integral part of this statement.

Holtville Unified School District

Balance Sheet – Governmental Funds

June 30, 2021

	General Fund	Building Fund	Nonmajor Governmental Funds	Total
Assets				
Cash in County Treasury	\$ 5,879,595	\$ 5,414,529	\$ 2,143,418	\$ 13,437,542
Cash on Hand and in Banks	-	-	187,566	187,566
Cash in Revolving Fund	25,000	-	-	25,000
Cash with Fiscal Agent	-	18,256	-	18,256
Accounts Receivable	4,725,846	11,730	271,264	5,008,840
Stores Inventories	-	-	31,576	31,576
Prepaid Expenditures	243,434	-	-	243,434
Total Assets	<u>\$ 10,873,875</u>	<u>\$ 5,444,515</u>	<u>\$ 2,633,824</u>	<u>\$ 18,952,214</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts Payable	\$ 1,042,073	\$ 390	\$ 14,943	\$ 1,057,406
Unearned Revenue	329,970	-	-	329,970
Total Liabilities	<u>1,372,043</u>	<u>390</u>	<u>14,943</u>	<u>1,387,376</u>
Fund Balance:				
Nonspendable	268,434	-	31,576	300,010
Restricted	2,093,819	5,444,125	2,254,589	9,792,533
Assigned	-	-	332,716	332,716
Unassigned	7,139,579	-	-	7,139,579
Total Fund Balance	<u>9,501,832</u>	<u>5,444,125</u>	<u>2,618,881</u>	<u>17,564,838</u>
Total Liabilities and Fund Balances	<u>\$ 10,873,875</u>	<u>\$ 5,444,515</u>	<u>\$ 2,633,824</u>	<u>\$ 18,952,214</u>

The accompanying notes to the financial statements are an integral part of this statement.

Holtville Unified School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total fund balances governmental funds: \$ 17,564,838

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	38,774,200	
Accumulated depreciation	<u>(14,505,100)</u>	
	Net	24,269,100

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 unmatrued interest owing at the end of the period was: (265,323)

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	16,589,800	
Total OPEB liability	1,178,942	
Net pension liability	20,911,162	
Certificates of participation payable	3,827,463	
Capital leases payable	122,097	
Compensated absences	<u>8,479</u>	
	Total	(42,637,943)

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 a 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: 640,357

The accompanying notes to the financial statements are an integral part of this statement.

Holtville Unified School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, Continued
June 30, 2021

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	4,806,652	
Deferred inflows of resources relating to pensions	<u>(2,023,265)</u>	
Net		2,783,387

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

Deferred outflows of resources relating to OPEB	701,063	
Deferred inflows of resources relating to OPEB	<u>(15,167)</u>	
Net		<u>685,896</u>

Total net position governmental activities: \$ 3,040,312

The accompanying notes to the financial statements 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, 2021

	General Fund	Building Fund	Nonmajor Governmental Funds	Total
Revenues				
State Apportionment	\$ 9,313,865	\$ -	\$ -	\$ 9,313,865
Education Protection Account Funds	4,888,369	-	-	4,888,369
Property Taxes	3,147,669	-	476,207	3,623,876
Federal Revenue	4,491,925	36,622	1,296,629	5,825,176
Other State Revenue	4,579,840	-	381,022	4,960,862
Interest	56,021	34,178	13,504	103,703
Fair Market Value Adjustment	45,901	42,270	8,625	96,796
Other Local Revenue	747,850	-	81,402	829,252
Total Revenues	<u>\$ 27,271,440</u>	<u>\$ 113,070</u>	<u>\$ 2,257,389</u>	<u>\$ 29,641,899</u>
Expenditures				
Current Expenditures:				
Instruction	14,767,181	-	96,014	14,863,195
Instruction - Related Services	2,056,241	-	35,710	2,091,951
Pupil Services	2,270,841	-	1,164,872	3,435,713
Ancillary Services	225,096	-	80,213	305,309
General Administration	1,736,588	-	56,886	1,793,474
Plant Services	1,816,304	-	303,934	2,120,238
Other Outgo	98,334	-	-	98,334
Capital Outlay	301,733	1,918,037	-	2,219,770
Debt Service:				
Principal	-	-	695,752	695,752
Interest	-	19,357	468,102	487,459
Total Expenditures	<u>23,272,318</u>	<u>1,937,394</u>	<u>2,901,483</u>	<u>28,111,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,999,122</u>	<u>(1,824,324)</u>	<u>(644,094)</u>	<u>1,530,704</u>
Other Financing Sources (Uses):				
Transfers In	-	-	418,924	418,924
Transfers Out	(418,924)	-	-	(418,924)
Proceeds from Sale of Bonds	-	4,000,000	-	4,000,000
Other Sources	-	-	486,803	486,803
Total Other Financing Sources (Uses)	<u>(418,924)</u>	<u>4,000,000</u>	<u>905,727</u>	<u>4,486,803</u>
Net Change in Fund Balance	3,580,198	2,175,676	261,633	6,017,507
Fund Balance, Beginning of Year	5,921,634	3,268,449	2,357,248	11,547,331
Fund Balance, End of Year	<u>\$ 9,501,832</u>	<u>\$ 5,444,125</u>	<u>\$ 2,618,881</u>	<u>\$ 17,564,838</u>

The accompanying notes to the financial statements are an integral part of this statement.

Holtville Unified School District

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, 2021

Total change in fund balances, governmental funds: \$ 6,017,507

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	2,523,704	
Depreciation expense	<u>(959,784)</u>	
	Net	1,563,920

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue of premium or discount, were: (4,486,803)

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: 695,752

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: (142,253)

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: (2,958)

Pensions: In governmental 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: (397,922)

The accompanying notes to the financial statements are an integral part of this statement.

Holtville Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, Continued
For the Year Ended June 30, 2021

Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year the difference between OPEB expenses and actual employer OPEB contributions was: (101,153)

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 at a discount, the premium or discount is recognized as an Other Financing Source or 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 debt issue premium or discount, or deferred gain or loss from debt refunding for the period is: (333,158)

Change in net position of governmental activities: \$ 2,812,932

The accompanying notes to the financial statements are an integral part of this statement.

Holtville Unified School District

Notes to the Financial Statements

For the Year Ended June 30, 2021

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 California 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 of Education form of government and provides educational services to grades K-12 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, capital facilities funds, debt service funds, 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.

3. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements 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 revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from general revenues of the District.

Holtville Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. 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 non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

The District reports the following major governmental funds:

General Fund: The general fund is the primary operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code §15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code §17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code §41003*).

Non-Major Governmental Funds

The District reports the following non-major governmental funds categorized by the fund type:

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following nonmajor special revenue funds:

Associated Student Body Fund: This fund is used to account separately for the activities of associated student body organizations operated by the District.

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code §38091 through §38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code §38091 and §38100*).

Holtville Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

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 (other than those financed by proprietary funds and trust funds). The District maintains the following nonmajor capital projects fund:

Capital Facilities Fund: The Capital Facilities Fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code §17620 through §17626*). The authority for these levies may be county or city ordinances (*Government Code §65970 through §65981*) or private agreements between the District and the developer. All funds, including interest earned, are restricted to the purposes specified in *Government Code §65970 through §65981* or *Government Code §65995*, or items specified in agreements with the developer (*Government Code §66006*).

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt. The District maintains the following nonmajor debt service funds:

Bond Interest and Redemption Fund: The bond interest and redemption fund is used for the repayment of bonds issued for the District (*Education Code §15125 through §15262*). The County of Imperial Auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the County Treasurer from taxes levied by the County Auditor-Controller.

Debt Service Fund: This fund is used for the accumulation of resources for and retirement of principal and interest on general long-term debt.

Holtville Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

4. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements 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 are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. The 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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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 from 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.

5. 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 or at year end, whichever is sooner.

6. 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 1st. A public hearing must be conducted to receive comments prior to adoption. The District's governing board has 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.

7. 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 are 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.

8. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code §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 §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 using the first-in/first-out (FIFO) method and consist of expendable supplies held for consumption. Reported inventories are equally offset by a non-spendable fund balance designation, 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 expenditures during the benefiting period.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital 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 Life</u>
Buildings & Improvements	20 - 50 Years
Land Improvements	10 - 25 Years
Equipment	5 - 15 Years

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The balance of the liabilities is recognized in the government-wide financial statements 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

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 occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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. 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 items) or legally required to remain intact (such as revolving cash accounts or principal of a permanent fund).

Restricted Fund Balance represents amounts that are subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations, or may be imposed by law through 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 or resolution. 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 convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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

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

h. Minimum Fund Balance Policy

The District has adopted a policy to maintain a minimum economic uncertainty reserve of at least 3% of the total general fund expenditures and other financing uses. The reserve may be increased from time to time in order to address specific anticipated revenue or cash flow shortfalls. The primary purpose of this reserve is to avoid the need for service level reductions in the event of economic downturn. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. 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.

i. 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 relating to pension, deferred inflows of resources relating to pension, 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 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.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain timeframes. For this report, the following time frames are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

10. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

11. Property Taxes

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

12. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

13. Fair Value Measurements

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

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

14. New Accounting Pronouncements

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, 2021. Those newly implemented pronouncements are as follows:

Description	Date Issued
GASB Statement 84, Fiduciary Activities	01/2017
GASB Statement 90, Majority Equity Interest – an amendment of GASB Statements 14 and 61	08/2018
GASB Statement 93, Replacement of Interbank Offered Rates	03/2020
GASB Implementation Guide No. 2019-1, Implementation Guidance Update – 2019	04/2019
GASB Implementation Guide No. 2019-2, Fiduciary Activities	06/2019

The implementation of new accounting guidelines resulted in the following changes during the fiscal year ended June 30, 2021:

- Associated Student Body Funds were previously accounted for as fiduciary funds. It was determined by the District, as a result of applying definitions in GASB Statement No. 84, that the funds are governmental rather than fiduciary. The District established a special revenue fund to account for these activities.

Implementation of these standards did not result in any additional changes to financial accounting or reporting for the District.

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

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

The following funds 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	Not Applicable	Not Applicable

C. Fair Value Measurements

The District’s investments at June 30, 2021, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	<u>Amount</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
BNY Mellon Money Market Funds	\$ 18,256	\$ 18,256	\$ -	\$ -
Total investments by fair value level	<u>\$ 18,256</u>	<u>\$ 18,256</u>	<u>\$ -</u>	<u>\$ -</u>
External investment pools measured at fair value				
Imperial County Treasury	\$ 13,437,542	\$ -	\$ 13,437,542	\$ -
Total investments by fair value level	<u>\$ 13,437,542</u>	<u>\$ -</u>	<u>\$ 13,437,542</u>	<u>\$ -</u>

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

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

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

D. Cash and Investments

As of June 30, 2021, the District held the following cash and cash equivalents:

	General Fund	Building Fund	Nonmajor Governmental Funds	Total
Cash In County Treasury	\$ 5,833,694	\$ 5,372,259	\$ 2,134,794	\$ 13,340,747
Fair Market Value Adjustment	45,901	42,270	8,624	96,795
Cash With Fiscal Agent	-	18,256	-	18,256
Cash In Banks and Revolving Fund	25,000	-	187,566	212,566
Total Cash and Cash Equivalents	<u>\$ 5,904,595</u>	<u>\$ 5,432,785</u>	<u>\$ 2,330,984</u>	<u>\$ 13,668,364</u>

1. Cash in County Treasury

In accordance with Education Code §41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool (\$13,340,747 as of June 30, 2021). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$13,437,542. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$187,566 as of June 30, 2021) and in revolving fund (\$25,000 as of June 30, 2021) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

3. Cash with Fiscal Agent

The District's cash with fiscal agent at June 30, 2021 are shown below:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
BNY Mellon Money Market Funds	< 30 days	18,256

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

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

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

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

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 treasury is restricted by Government Code §53635 pursuant to §53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of risk.

At June 30, 2021, credit risk for the District’s investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 13,437,542
BNY Mellon Money Market Funds	Unrated	Not Applicable	18,256

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

At June 30, 2021, the District’s bank balances did not exceed FDIC limitations and were therefore not exposed to custodial credit risk. Cash with fiscal agent amounts of \$18,256 were held in accounts which were not FDIC insured and therefore 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 maintains pooled investments with the Imperial County Treasury with a fair value of \$13,437,542. The average weighted maturity for this pool was 462 days at June 30, 2021.

e. Foreign Currency Risk

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

6. Investment Accounting Policy

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

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 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.

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

E. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2021 consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total
	General Fund	Building Fund		
Federal Government:				
Migrant Education	\$ 168,855	\$ -	\$ -	\$ 168,855
Special Education	216,954	-	-	216,954
Education Stabilization	361,839	-	-	361,839
Title III LEP	55,265	-	-	55,265
Title IV Student Support	31,128	-	-	31,128
National School Lunch	-	-	230,109	230,109
Other Federal Programs	23,462	-	-	23,462
State Government:				
LCFF State Aid	1,883,783	-	-	1,883,783
Lottery	106,239	-	-	106,239
Special Education	147,754	-	-	147,754
In Person Instruction	304,951	-	-	304,951
Extended Learning Opportunity	68,535	-	-	68,535
Water Board Grant	200,925	-	-	200,925
School Bus Grants	1,132,307	-	-	1,132,307
Other State Programs	2,500	-	34,076	36,576
Local Sources				
Interest	12,807	11,677	3,904	28,388
Local Grants	3,000	-	-	3,000
Other Local Sources	5,542	53	3,175	8,770
Total Accounts Receivable	<u>\$ 4,725,846</u>	<u>\$ 11,730</u>	<u>\$ 271,264</u>	<u>\$ 5,008,840</u>

F. Prepaid Expenditures

As of June 30, 2021, prepaid expenditures consisted of:

	General Fund
Prepaid Textbook Adoptions	\$ 243,434
Total	<u>\$ 243,434</u>

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

G. Interfund Balances & Activities

1. Due To and From Other Funds

As of June 30, 2021, the District did not have any interfund payables or receivables.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2021 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Governmental Fund	General Fund	<u>\$ 418,924</u>	Debt Service Payments

H. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

<u>Governmental activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 153,012	\$ -	\$ -	\$ 153,012
Work in progress	1,277,693	2,323,898	-	3,601,591
Total capital assets not being depreciated	<u>1,430,705</u>	<u>2,323,898</u>	<u>-</u>	<u>3,754,603</u>
Capital assets being depreciated:				
Land improvements	2,796,524	-	-	2,796,524
Buildings and improvements	29,690,560	-	-	29,690,560
Equipment	2,332,707	199,806	-	2,532,513
Total capital assets being depreciated	<u>34,819,791</u>	<u>199,806</u>	<u>-</u>	<u>35,019,597</u>
Less accumulated depreciation for:				
Land improvements	(1,101,135)	(131,462)	-	(1,232,597)
Buildings and improvements	(10,707,140)	(736,050)	-	(11,443,190)
Equipment	(1,737,041)	(92,272)	-	(1,829,313)
Total accumulated depreciation	<u>(13,545,316)</u>	<u>(959,784)</u>	<u>-</u>	<u>(14,505,100)</u>
Total capital assets being depreciated, net	<u>21,274,475</u>	<u>(759,978)</u>	<u>-</u>	<u>20,514,497</u>
Governmental activities capital assets, net	<u>\$ 22,705,180</u>	<u>\$ 1,563,920</u>	<u>\$ -</u>	<u>\$ 24,269,100</u>

Depreciation was charged to functions as follows:

Instruction	\$ 570,112
Instruction-Related Services	3,839
Pupil Services	25,914
Ancillary Services	108,456
General Administration	13,437
Plant Services	238,026
Totals	<u>\$ 959,784</u>

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

I. Accounts Payable

Accounts payable balances as of June 30, 2021, consisted of:

	<u>Major Governmental Funds</u>		Nonmajor	Total
	<u>General Fund</u>	<u>Building Fund</u>	Governmental Funds	<u>Governmental Funds</u>
Vendors Payable	\$ 197,798	\$ 390	\$ 3,968	\$ 202,156
Payroll and Benefits	769,082	-	10,975	780,057
OPEB Retiree Benefits	75,193	-	-	75,193
Total Accounts Payable	<u>\$ 1,042,073</u>	<u>\$ 390</u>	<u>\$ 14,943</u>	<u>\$ 1,057,406</u>

J. Unearned Revenue

Unearned revenue balances as of June 30, 2021, consisted of:

	<u>General Fund</u>
Federal Programs	
Title I Part A	\$ 46,281
Title V Rural and Low Income	6,247
USDA Rural Development Facilities	2,574
State Programs	
Career Tech Initiative Grant	8,870
After School Education and Safety	75,328
Local Sources	
K-12 Strong Workforce Grant	186,390
ASES Consort Award	4,280
Total Unearned Revenue	<u>\$ 329,970</u>

K. 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 financing sources. During the year ended June 30, 2021, the District did not enter into any short-term debt agreements.

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

L. Fund Balance Classifications of the Governmental Funds

Ending fund balance classifications of the governmental funds for the year ended June 30, 2021, consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Nonspendable Fund Balance				
Revolving Cash	\$ 25,000	\$ -	\$ -	\$ 25,000
Stores Inventory	-	-	31,576	31,576
Prepaid Expenditures	243,434	-	-	243,434
Total Nonspendable Fund Balance	268,434	-	31,576	300,010
Restricted Fund Balance				
Child Nutrition Program	-	-	870,387	870,387
Low Performing Students Grant	27,972	-	-	27,972
Medi-Cal Billing Option	74,208	-	-	74,208
Expanded Learning Opportunities	654,875	-	-	654,875
Student Activity Funds	-	-	187,566	187,566
Adult Education Program	-	-	77,439	77,439
Lottery: Instructional Materials	65,399	-	-	65,399
Other Educational Programs	1,271,365	-	-	1,271,365
Debt Service	-	-	1,040,899	1,040,899
Capital Projects	-	5,444,125	-	5,444,125
Capital Facilities	-	-	78,298	78,298
Total Restricted Fund Balance	2,093,819	5,444,125	2,254,589	9,792,533
Assigned Fund Balance:				
Debt Service	-	-	332,716	332,716
Total Assigned Balance	-	-	332,716	332,716
Unassigned Fund Balance				
For Economic Uncertainties	7,139,579	-	-	7,139,579
Total Unassigned Fund Balance	7,139,579	-	-	7,139,579
Total Fund Balance	\$ 9,501,832	\$ 5,444,125	\$ 2,618,881	\$ 17,564,838

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

M. Long Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 11,041,408	\$ 4,000,000	\$ 293,198	\$ 14,748,210	\$ 304,000
Accreted Interest	486,117	73,140	1,802	557,455	-
Bond Discount	(18,256)	-	(447)	(17,809)	(544)
Bond Premiums	593,264	712,211	3,531	1,301,944	3,628
Total GO Bonds	<u>12,102,533</u>	<u>4,785,351</u>	<u>298,084</u>	<u>16,589,800</u>	<u>307,084</u>
Certificates of Participation	3,900,000	-	195,000	3,705,000	195,000
QZAB COPS	164,454	-	54,817	109,637	54,817
COPS Premium	13,268	-	442	12,826	442
Total COPS	<u>4,077,722</u>	<u>-</u>	<u>250,259</u>	<u>3,827,463</u>	<u>250,259</u>
Capital Leases	204,834	-	82,737	122,097	122,097
Total OPEB Liability	1,197,104	-	18,162	1,178,942	-
Net Pension Liability	21,354,164	-	443,002	20,911,162	-
Compensated Absences*	5,521	2,958	-	8,479	8,479
Total Governmental Activities	<u>\$ 38,941,878</u>	<u>\$ 4,788,309</u>	<u>\$ 1,092,244</u>	<u>\$ 42,637,943</u>	<u>\$ 687,919</u>

*Other long-term liabilities

- Payments for general obligation bonds are made from the bond interest and redemption fund.
- Payments for certificates of participation and QZAB payable are made from the debt service fund.
- Payments for capital leases are made from the general fund.
- Payments for compensated absences are made from the general fund, the adult education fund, and the cafeteria fund.
- Payments for pension contributions are made from the general fund, the adult education fund, and the cafeteria fund.
- Payments for OPEB contributions are made from the general fund, the adult education fund, and the cafeteria fund.

2. General Obligation Bonds

The District's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds pay primarily for acquiring or constructing capital facilities. The District repays general obligation bonds from voter-approved property taxes.

On November 5, 2002 registered voters authorized the issuance of \$8,000,000 principal amount of general obligation bonds. Of the total amount originally authorized, no amounts remain unissued.

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

On November 6, 2018 registered voters authorized the issuance of \$10,000,000 principal amount of general obligation bonds. Of the total amount originally issued, \$2,000,000 remain unissued as of June 30, 2021.

2021 General Obligation Bonds

In January 2021 the District issued \$4,000,000 in 2018 Election, Series B, General Obligation Bonds for the purpose of financing the renovation, construction, and improvement of school facilities for the District in addition to paying the costs related thereto as authorized by the voters November 6, 2018 election. Interest on the bonds ranges from 2.00% to 4.00% payable semi-annually. Principal amounts mature annually beginning August 1, 2022 through August 1, 2050. Total proceeds of \$4,712,211 consisted of \$4,000,000 in bonds and \$712,211 in bond premium with \$4,000,000 being deposited into the Building Fund (212) and the remainder of \$225,408 expensed as cost of issuance, while remaining funds of \$486,803 were deposited into the Bond Interest and Redemption Fund to be utilized for subsequent debt service on the bonds.

General obligation bonds for the fiscal year ended June 30, 2021, consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2002 Election Series D	08/19/10	4.56-12.00%	08/01/40	\$ 536,408
2014 Refunding Bonds	12/23/14	3.75-5.00%	08/01/34	2,930,000
2016 Refunding Bonds	11/10/16	2.00-3.00%	08/01/36	1,090,000
2018 Election Series A	06/05/19	2.00-5.00%	08/01/48	4,000,000
2020 Refunding Bonds	05/07/20	1.55-1.95%	08/01/35	2,890,000
2018 Election Series B	01/14/21	2.00-4.00%	08/01/50	4,000,000
Total GO Bonds				<u>\$ 15,446,408</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2012 Election Series D					
Principal	\$ 536,408	\$ -	\$ 3,198	\$ 533,210	\$ -
Accreted Interest	486,117	73,140	1,802	557,455	-
Premium	53,795	-	2,562	51,233	2,562
2014 Refunding Bonds					
Principal	2,665,000	-	50,000	2,615,000	55,000
Premium	51,656	-	969	50,687	1,066
2016 Refunding Bonds					
Principal	1,020,000	-	25,000	995,000	25,000
Discount	(18,256)	-	(447)	(17,809)	(544)
2018 Election Series A					
Principal	3,930,000	-	-	3,930,000	-
Premium	487,813	-	-	487,813	-
2020 Refunding Bonds					
Principal	2,890,000	-	215,000	2,675,000	224,000
2018 Election Series B					
Principal	-	4,000,000	-	4,000,000	-
Premium	-	712,211	-	712,211	-
Total	<u>\$ 12,102,533</u>	<u>\$ 4,785,351</u>	<u>\$ 298,084</u>	<u>\$ 16,589,800</u>	<u>\$ 307,084</u>

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

The annual requirements to amortize the bonds outstanding at June 30, 2021 are as follows:

Year Ended June 30,	Principal	Accreted Interest	Interest	Total
2022	\$ 304,000	\$ -	\$ 418,359	\$ 722,359
2023	498,000	-	489,296	987,296
2024	536,570	2,430	478,544	1,017,544
2025	375,376	2,624	464,450	842,450
2026	400,375	5,625	459,880	865,880
2027-2031	2,492,418	164,582	2,265,423	4,922,423
2032-2036	3,250,515	532,485	2,167,131	5,950,131
2037-2041	2,075,956	2,184,044	3,382,344	7,642,344
2042-2046	2,310,000	-	788,950	3,098,950
2047-2051	2,505,000	-	242,200	2,747,200
Total	<u>\$ 14,748,210</u>	<u>\$ 2,891,790</u>	<u>\$ 11,156,577</u>	<u>\$ 28,796,577</u>

Accreted Interest

Accreted interest is the process of systematically increasing the carrying amount of capital appreciation bonds to their estimated value at the maturity date of the bond. The District imputes the effective interest rate, using the present value, the face value, and the period of the bond and multiplies the effective interest rate by the book value of the debt at the end of the period.

Amounts represented in the repayment schedule for accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have accrued as of June 30, 2021.

Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond.

Effective interest on general obligation bonds issued at a premium are as follows:

	2002 Series D	2014 Refunding	2016 Refunding	2018 Series A	2018 Series B
Total Interest Payments	\$ 2,893,592	\$ 1,523,950	\$ 483,275	\$ 3,884,068	\$ 3,085,940
Plus Bond Discount	-	-	19,508	-	-
Less Bond Premium	(78,269)	(56,793)	-	(496,502)	(712,211)
Net Interest Payments	<u>2,815,323</u>	<u>1,467,157</u>	<u>502,783</u>	<u>3,387,566</u>	<u>2,373,729</u>
PAR Amount of Bonds	536,408	2,930,000	1,090,000	4,000,000	4,000,000
Periods	30	20	20	20	30
Effective Interest Rate	17.49%	2.50%	2.31%	4.23%	1.98%

3. 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, 2021, the escrow account carried an accrued balance of \$718,233. 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:

Year Ended June 30,	Required Deposit	Scheduled Escrow Balance
2022	\$ 54,817	\$ 903,626
2023	54,820	1,000,000
Total	<u>\$ 109,637</u>	<u>\$ 1,903,626</u>

On September 20, 2011 the District issued \$1,530,000 of Certificates of Participation (COPs). The COPs are part of the Qualified School Construction Program as 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 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 September 1, 2011. The payments on the COPs made by the District represent lease payments for possession and use of the property. The COPs bear an interest rate of 4.625 – 6.75% which is subsidized at a rate of 4.55%. The COPs mature on September 1, 2028.

On January 14, 2016, the District issued \$3,280,000 of Certificates of Participation (COPs) plus a premium of \$14,506. The COPs were issued to (i) finance the acquisition, construction and installation of certain capital improvements in the Holtville Unified School District, and (ii) pay the costs of delivery of the COPs. 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.

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

Activity for COPs for the fiscal year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2011 COPS					
Principal	\$ 900,000	\$ -	\$ 95,000	\$ 805,000	\$ 95,000
2016 COPS					
Principal	3,000,000	-	100,000	2,900,000	100,000
Premium	<u>13,268</u>	<u>-</u>	<u>442</u>	<u>12,826</u>	<u>442</u>
Total	<u>\$ 3,913,268</u>	<u>\$ -</u>	<u>\$ 195,442</u>	<u>\$ 3,717,826</u>	<u>\$ 195,442</u>

The annual requirements to amortize the COPs outstanding as of June 30, 2021 were:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Less Subsidy Payments</u>	<u>Total</u>
2022	\$ 195,000	\$ 140,268	\$ (25,821)	\$ 309,447
2023	195,000	132,568	(60,288)	267,280
2024	200,000	124,462	-	324,462
2025	210,000	115,181	-	325,181
2026	210,000	105,131	-	315,131
2027-2031	930,000	379,918	-	1,309,918
2032-2036	725,000	236,377	-	961,377
2037-2041	850,000	108,029	-	958,029
2042-2046	<u>190,000</u>	<u>3,325</u>	<u>-</u>	<u>193,325</u>
Total	<u>\$ 3,705,000</u>	<u>\$ 1,345,259</u>	<u>\$ (86,109)</u>	<u>\$ 4,964,150</u>

Premium

Debt premium arises when the market rate of interest is higher than the stated interest rate on the debt. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the debt and then amortize the premium over the life of the bond.

Effective interest on certificates of participation issued at a premium are as follows:

	<u>2016 COPS</u>
Total Interest Payments	\$ 1,709,453
Less Bond Premium	<u>(14,506)</u>
Net Interest Payments	<u>1,694,947</u>
PAR Amount of Bonds	3,280,000
Periods	20
Effective Interest Rate	2.58%

Holtville Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2021, as follows:

Year Ended June 30,	Principal	Interest	Total
2022	<u>\$ 122,097</u>	<u>\$ 1,201</u>	<u>\$ 123,298</u>

5. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2021, amounted to \$8,479. This amount is included as part of long-term liabilities in the government-wide financial statements.

6. Net Pension Liability

The District's beginning net pension liability was \$21,354,164 and decreased by \$443,002 during the year ended June 30, 2021 for an ending net pension liability of \$20,911,162. See Note N for additional information regarding the net pension liability.

7. Total OPEB Liability

The Districts beginning total OPEB liability was \$1,197,104 and decreased during the year ended June 30, 2021 by \$18,162. The ending total OPEB liability at June 30, 2021 was \$1,178,942. See Note O for additional information regarding the total OPEB liability.

N. 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 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 Plan's provisions and benefits in effect at June 30, 2021 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55-60	55-62
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (2020-21)	10.250%	10.205%
Required Employer Contribution Rates (2020-21)	16.150%	16.150%
Required State Contribution Rates (2020-21)	10.328%	10.328%

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

**The contribution rate for CalSTRS 2% at 62 members is based, in part, on the normal cost of benefits and may increase or decrease in future years.

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

	CalPERS	
	Before Jan. 1, 2013	After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.5%	1.0 - 2.5%*
Required Employee Contribution Rates (2020-21)	7.000%	7.000%
Required State Contribution Rates (2020-21)	20.700%	20.700%

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

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2021, California Education Code §22950 requires members to contribute monthly to the system 10.205% (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 16.15% of creditable compensation for the fiscal year ended June 30, 2021. Rates are defined in Education Code §22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending on June 30, 2022, and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. Those adjustments are limited to 1% annually, not to exceed 20.25% of creditable compensation. For 2020-21, the employer rate reflects a 2.95% reduction from the rate that was originally required in the funding plan.

CalPERS

California Public Employees' Retirement Law §20814(c) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2021, the employee contribution rate was 7.00% and the employer contribution rate was 20.700% of covered payroll. For 2020-21, the employer rate reflects a 1.98% reduction from the rate originally adopted by the board on April 21, 2020, due to an amendment of Government Code §20825.2.

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

On Behalf Payments

Consistent with California Education Code §22955.1, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2021 the State contributed 10.328% of salaries creditable to CalSTRS. Consistent with the requirements of generally accepted accounting principles, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District’s proportionate share of the States contribution for the fiscal year. Contributions made by the state on behalf of the District and the State’s pension expense associated with District employees for the past three fiscal years are as follows:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	9.828%	\$ 1,280,821	\$ (246,700)
2020	10.328%	920,803	291,076
2021	10.328%	988,133	643,551

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	N/A	\$ 261,814	N/A

The contributions made by the State during the fiscal year ended June 30, 2019, included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS and \$904 Million to CalPERS during the 2018-19 fiscal year in order to reduce employer contribution rates in 2019-20 and 2020-21. In addition, the State contributed an additional \$1.1 Billion to CalSTRS during the 2019-20 fiscal year and \$297 Million to CalSTRS during the 2020-21 fiscal year as a continuing settlement associated with SB90.

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

d. Contributions Recognized

For the fiscal year ended June 30, 2021 (measurement period June 30, 2020), the contributions recognized for each plan were:

	<u>Governmental Fund Financial Statements</u> <u>(Current Financial Resources Measurement Focus)</u>		
	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Contributions - Employer	\$ 1,511,690	\$ 760,236	\$ 2,271,926
Contributions - State On Behalf Payments	988,133	-	988,133
Total Governmental Funds	<u>\$ 2,499,823</u>	<u>\$ 760,236</u>	<u>\$ 3,260,059</u>

	<u>Government-Wide Financial Statements</u> <u>(Economic Resources Measurement Focus)</u>		
	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Contributions - Employer	\$ 1,524,567	\$ 682,381	\$ 2,206,948
Contributions - State On Behalf Payments	-	-	-
Total Government-Wide	<u>\$ 1,524,567</u>	<u>\$ 682,381</u>	<u>\$ 2,206,948</u>

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

As of June 30, 2020 (measurement date) the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

	<u>Proportionate Share of the</u> <u>Net Pension Liability</u>		
	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Governmental Activities	<u>\$ 13,761,085</u>	<u>\$ 7,150,077</u>	<u>\$ 20,911,162</u>

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

The District’s net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to measurement date June 30, 2020 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, 2020 and June 30, 2021 were as follows:

	CalSTRS		Total For District Employees	CalPERS
	District's Proportionate Share	State's Proportionate Share*		District's Proportionate Share
<u>Governmental Activities</u>				
Proportion June 30, 2020	0.0162%	0.0090%	0.0252%	0.0232%
Proportion June 30, 2021	0.0142%	0.0101%	0.0243%	0.0233%
Change in Proportion	<u>-0.0020%</u>	<u>0.0011%</u>	<u>-0.0009%</u>	<u>0.0001%</u>

*Represents State’s Proportionate Share on behalf of District employees.

a. Pension Expense

	Governmental Activities		
	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ (834,236)	\$ 391,234	\$ (443,002)
State On Behalf Pension Expense	643,551	-	643,551
Employer Contributions to Pension Expense	1,511,690	760,236	2,271,926
Change in Contributions Subsequent to Measurement Date	12,877	(77,855)	(64,978)
Change in Other Deferred Outflows/Inflows of Resources	431,277	474,625	905,902
Total Pension Expense - Governmental	<u>\$ 1,765,159</u>	<u>\$ 1,548,240</u>	<u>\$ 3,313,399</u>

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

b. Deferred Outflows and Inflows of Resources

At June 30, 2021, 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
<u>Governmental Activities</u>			
Pension contributions subsequent to measurement date	\$ 1,511,690	\$ 760,236	\$ 2,271,926
Differences between actual and expected experience	23,061	383,550	406,611
Changes in assumptions	1,087,966	31,097	1,119,063
Changes in employer's proportionate share	422,404	151,800	574,204
Net difference between projected and actual earnings	279,745	155,103	434,848
Total Deferred Outflows of Resources	<u>\$ 3,324,866</u>	<u>\$ 1,481,786</u>	<u>\$ 4,806,652</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Differences between actual and expected experience	\$ 338,355	\$ -	\$ 338,355
Changes in employer's proportionate share	1,684,910	-	1,684,910
Total Deferred Inflows of Resources	<u>\$ 2,023,265</u>	<u>\$ -</u>	<u>\$ 2,023,265</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, 2022. 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	
2022	\$ 1,756,681	\$ 1,047,472	\$ (564,806)	\$ -	\$ 2,239,347
2023	596,307	221,347	(540,451)	-	277,203
2024	716,506	135,365	(418,149)	-	433,722
2025	213,624	77,602	(418,147)	-	(126,921)
2026	20,874	-	(62,176)	-	(41,302)
Thereafter	20,874	-	(19,536)	-	1,338
Total	<u>\$ 3,324,866</u>	<u>\$ 1,481,786</u>	<u>\$ (2,023,265)</u>	<u>\$ -</u>	<u>\$ 2,783,387</u>

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2021, were based on actuarial valuations determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Fiscal Year	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2020	June 30, 2020
Valuation Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Experience Study Period	2015 - 2018	1997 - 2015
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.50%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

- (1) CalSTRS post-retirement benefit increases assumed at 2% simple (annually) maintaining 85% purchasing power level.
- (2) CalSTRS base mortality tables are custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set to equal 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.
- (3) Varies by entry age and service.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Holtville Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

a. Discount Rate

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

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

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

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 actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. CalSTRS completed their ALM November 2019 with new policies in effect on July 1, 2021. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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

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

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

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

CalSTRS		
<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Public Equity	42.00%	4.80%
Real Estate	15.00%	3.60%
Private Equity	13.00%	6.30%
Fixed Income	12.00%	1.30%
Risk Mitigating Strategies	10.00%	1.80%
Inflation Sensitive	6.00%	3.30%
Cash/Liquidity	2.00%	-0.40%
*20 year average		

CalPERS			
<u>Asset Class⁽¹⁾</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10⁽²⁾</u>	<u>Real Return Years 11+⁽³⁾</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) In the basic financial statements, fixed income is included in global debt securities; liquidity is included in short term investments; inflation assets are included in both global equity securities and global debt securities.

(2) An expected inflation of 2.00% is used for this period.

(3) An expected inflation of 2.92% is used for this period

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

b. 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:

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 20,791,083	\$ 10,279,540
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 13,761,085	\$ 7,150,077
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 7,956,832	\$ 4,552,780

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

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

CalSTRS

	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, 2020					
(Previously Reported)	\$ 82,943,351	\$ 60,186,030	\$ 22,757,321	\$ 8,162,000	\$ 14,595,321
Changes for the year					
CalSTRS auditor adjustment	(486)	-	(486)	(203)	(283)
Change in proportionate share	(2,972,329)	(2,156,805)	(815,524)	954,701	(1,770,225)
Service cost	1,783,183	-	1,783,183	740,903	1,042,280
Interest	5,668,773	-	5,668,773	2,355,345	3,313,428
Difference between expected and actual experience	(233,952)	-	(233,952)	(97,206)	(136,746)
Change in assumptions	249,986	-	249,986	103,868	146,118
Change in benefits	-	-	-	-	-
Contributions:					
Employer	-	1,477,093	(1,477,093)	(613,724)	(863,369)
Employee	-	907,393	(907,393)	(377,017)	(530,376)
State on oehalf	-	1,080,316	(1,080,316)	(448,866)	(631,450)
Net investment income	-	2,454,447	(2,454,447)	(1,019,810)	(1,434,637)
Other income	-	24,640	(24,640)	(10,238)	(14,402)
Benefit payments ⁽¹⁾	(3,893,043)	(3,893,043)	-	-	-
Administrative expenses	-	(53,172)	53,172	22,093	31,079
Borrowing costs	-	(23,004)	23,004	9,558	13,446
Other expenses	-	(1,542)	1,542	641	901
Net changes	602,132	(183,677)	785,809	1,620,045	(834,236)
Balance at June 30, 2021	<u>\$ 83,545,483</u>	<u>\$ 60,002,353</u>	<u>\$ 23,543,130</u>	<u>\$ 9,782,045</u>	<u>\$ 13,761,085</u>

(1) – Includes refunds of employee contributions

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

CalPERS

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2020			
(Previously Reported)	\$ 22,565,073	\$ 15,806,230	\$ 6,758,843
Changes for the year			
Change in proportionate share	108,977	76,335	32,642
Service cost	536,639	-	536,639
Interest	1,609,002	-	1,609,002
Difference between expected and actual experience	105,437	-	105,437
Change in assumptions	-	-	-
Change in benefits	-	-	-
Contributions:			
Employer	-	667,898	(667,898)
Employee	-	244,211	(244,211)
Nonemployer	-	210,659	(210,659)
Net plan to plan resource movement	-	38	(38)
Net investment income	-	791,961	(791,961)
Benefit payments ⁽¹⁾	(1,088,566)	(1,088,566)	-
Administrative expenses	-	(22,281)	22,281
Other expenses	-	-	-
Net changes	<u>1,271,489</u>	<u>880,255</u>	<u>391,234</u>
Balance at June 30, 2021	<u>\$ 23,836,562</u>	<u>\$ 16,686,485</u>	<u>\$ 7,150,077</u>

(1) – Includes refunds of employee contributions

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports available on their respective websites.

O. Postemployment Benefits Other Than Pension Benefits

1. Plan Description

The District’s defined benefit OPEB plan, Holtville Unified School District Retiree Health Care Plan (the Plan) provides OPEB for retirees that meet eligibility requirements until age 65. Retirees 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 Districts governing board. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

2. 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 two 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; the 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 does not anticipate any future incentive arrangements and as such there has not been a provision for future incentive arrangements in the valuation.

Groups	100-A \$0 Rx200/10-35	90-D \$10 Rx 5-20	80-G \$30 Rx 5-20	HSA-B
Active & Retiree < 65 Single	\$ 915	\$ 874	\$ 740	\$ 567
Active & Retiree < 2-Party	1,571	1,502	1,271	973
Active & Retiree < 65 Family	1,811	1,745	1,482	1,106

3. Contributions

The District contributes 100% up to a cap as identified above. Retirees are not required to make any contributions, unless the cost of coverage exceeds the cap. For the year ended June 30, 2021, retirees did not make any contributions to the healthcare plan.

Holtville Unified School District
 Notes to the Financial Statements, Continued
 June 30, 2021

4. Plan Membership

Membership of the plan consisted of the following as of June 30, 2021:

Inactive plan members or beneficiaries currently receiving benefits	11
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	99
	<u>110</u>

5. Total OPEB Liability

The Holtville Unified School District’s total OPEB liability of \$1,178,942 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019.

6. Actuarial Assumptions and Other Inputs

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

Economic assumptions:	
Inflation	3.00% per annum
Salary increases	3.00% per annum, in aggregate
Discount rate	2.45%
Healthcare cost trend rates	5.90% decreasing to 5.00%
Retiree’s share of costs	0.00%

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 Index, Bond Buyer 20-Bond GO Index, and Fidelity GO 20 Year Bond Index.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1009 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

7. Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 1,197,104
Changes for the year:	
Service cost	31,052
Interest	35,959
Changes of assumptions	74,643
Benefit payments	<u>(159,816)</u>
Net change	<u>(18,162)</u>
Balance at June 30, 2021	<u>\$ 1,178,942</u>

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

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

	<u>1% Decrease (1.45%)</u>	<u>Valuation Discount Rate (2.45%)</u>	<u>1% Increase (3.45%)</u>
Total OPEB Liability	\$ 1,302,570	\$ 1,178,942	\$ 1,071,540

9. Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Plan, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease 4.90% Decreasing to 4.00%</u>	<u>Healthcare Cost Trends Rate 5.90% Decreasing to 5.00%</u>	<u>1% Increase 6.90% Decreasing to 6.00%</u>
Total OPEB Liability	\$ 1,061,780	\$ 1,178,942	\$ 1,318,307

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

10. OPEB Expense

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$160,868.

11. Deferred Outflows and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the District reported deferred outflows and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 121,178	\$ 15,167
Difference between expected and actual experience	488,229	-
Contributions made subsequent to measurement date	91,656	-
Total	<u>\$ 701,063</u>	<u>\$ 15,167</u>

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will impact OPEB expense under the following amortization schedule:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Effect on OPEB Expense
2022	\$ 188,609	\$ (3,096)	\$ 185,513
2023	96,953	(3,096)	93,857
2024	96,953	(3,096)	93,857
2025	96,953	(3,096)	93,857
2026	96,953	(2,783)	94,170
Thereafter	124,642	-	124,642
Total	<u>\$ 701,063</u>	<u>\$ (15,167)</u>	<u>\$ 685,896</u>

P. Risk Management

The District is exposed to risk of losses due to:

- Torts,
- Theft of, damage to, or destruction of assets,
- Business interruption,
- Errors or omissions,
- Job related illness or injuries to employees,
- Natural disasters,
- Other risks associated with public entity risk pools

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

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

There have been no significant changes in property and liability or workers compensation coverage during the current fiscal year.

Q. Participation in Joint Powers Authorities

The District is a member of the Imperial Valley Regional Occupation Program (IVROP) the Imperial County School Property/Liability Insurance (ICSPLI), and the Self Insurance Program for Imperial County (SIPIC) for the operation of a common risk management and insurance program for property and liability coverage and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

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

R. Commitments and Contingencies

1. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject 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.

2. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District as of June 30, 2021.

3. Construction Commitments

As of June 30, 2021, the District had the following construction commitments:

	<u>Commitment</u>	<u>Expected Date of Completion*</u>
Construction in Process:		
Holtville Middle School Modular Gymnasium Project	\$ 1,074,860	December 2021
District Water Fountains Installation Project	74,013	December 2021

*Expected date of completion subject to change.

S. Adjustment to Beginning Balance

As a result of the implementation of GASB Statement No. 84, the District adjusted beginning fund balance/net position as follows:

	<u>Government-Wide Financial Statements</u>	<u>Associated Student Body Fund</u>
Beginning Net Position/Fund Balance as Reported in June 30, 2020 Audit Report	\$ 15,117	\$ -
Adjustments to Beginning Balance		
Inclusion of Associated Student Body Funds as governmental under GASB 84	212,263	212,263
Beginning Net Position/Fund Balance as Restated	<u>\$ 227,380</u>	<u>\$ 212,263</u>

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

T. Deferred Outflows of Resources

In accordance with GASB Statement No. 65, refunding losses and bond issue insurance are recorded as deferred outflows of resources and amortized over the life of the bonds.

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the pension plan measurement date and other items as outlined in the GASB pronouncement have been recorded as deferred outflows of resources.

In accordance with GASB Statement No. 75, the District has recorded deferred outflows of resources for OPEB related items as prescribed by the statement.

A summary of the deferred outflows of resources as of June 30, 2021 is as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Loss 2014 Refunding Bonds	\$ 176,594	\$ -	\$ 11,038	\$ 165,556
Bond Insurance	6,206	-	114	6,092
Loss 2016 Refunding Bonds	129,925	-	7,218	122,707
Bond Insurance	3,908	-	94	3,814
Loss 2020 Refunding Bonds	365,000	-	22,812	342,188
OPEB Related	826,570	166,299	291,806	701,063
Pension Related				
CalSTRS	2,473,387	2,621,562	1,770,083	3,324,866
CalPERS	1,878,556	1,240,833	1,637,603	1,481,786
Total Deferred Outflows of Resources	<u>\$ 5,860,146</u>	<u>\$ 4,028,694</u>	<u>\$ 3,740,768</u>	<u>\$ 6,148,072</u>

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30,	Refunding Losses	Pension Related	OPEB Related	Bond Insurance	Total
2022	\$ 41,068	\$ 2,804,153	\$ 188,609	\$ 220	\$ 3,034,050
2023	41,068	817,654	96,953	220	955,895
2024	41,068	851,871	96,953	220	990,112
2025	41,068	291,226	96,953	231	429,478
2026	41,068	20,874	96,953	231	159,126
Thereafter	425,111	20,874	124,642	8,784	579,411
Total	<u>\$ 630,451</u>	<u>\$ 4,806,652</u>	<u>\$ 701,063</u>	<u>\$ 9,906</u>	<u>\$ 6,148,072</u>

Holtville Unified School District
Notes to the Financial Statements, Continued
June 30, 2021

U. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, items as outlined in the GASB pronouncement have been recorded as deferred inflows of resources.

In accordance with GASB Statement No. 75, the District has recorded deferred inflows of resources for OPEB related items as prescribed by the statement.

A summary of the deferred inflows of resources as of June 30, 2021, is as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Pension Related				
CalSTRS	\$ 727,632	\$ 1,906,971	\$ 611,338	\$ 2,023,265
OPEB Related	21,359	-	6,192	15,167
Total Deferred Inflows of Resources	\$ 748,991	\$ 1,906,971	\$ 617,530	\$ 2,038,432

Future amortization of deferred inflows is as follows:

Year Ending June 30,	Pension Related	OPEB Related	Total
2022	\$ 564,806	\$ 3,096	\$ 567,902
2023	540,451	3,096	543,547
2024	418,149	3,096	421,245
2025	418,147	3,096	421,243
2026	62,176	2,783	64,959
Thereafter	19,536	-	19,536
Total	\$ 2,023,265	\$ 15,167	\$ 2,038,432

Holtville Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

V. Upcoming Accounting Guidance

The Governmental Accounting Standards Board (GASB) issues pronouncements and additional guidance for governmental agencies to establish consistent accounting across all governments in the United States. The following table represents items that have been issued by GASB that will become effective in future periods:

Description	Date Issued	Fiscal Year Effective
GASB Statement 87, Leases	06/2017	2021-22
GASB Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period	06/2018	2021-22
GASB Statement 91, Conduit Debt Obligations	05/2019	2022-23
GASB Statement 92, Omnibus 2020	01/2020	2021-22
GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements	03/2020	2022-23
GASB Statement 96, Subscription-Based Information Technology Arrangements	05/2020	2022-23
GASB Statement 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements 14, 84 and supersession of GASB Statement 32	06/2020	2021-22
GASB Statement 98, The Annual Comprehensive Financial Report	10/2021	2021-22
GASB Implementation Guide No. 2019-3, Leases	08/2019	2021-22
GASB Implementation Guide No. 2020-1, Implementation Guidance Update – 2020	04/2020	2021-22
GASB Implementation Guide No. 2021-1, Implementation Guidance Update – 2021	05/2021	2021-22 Thru 2023-24

The effects of the upcoming guidance and pronouncements on the District's financial statements has not yet been determined.

W. COVID-19 Considerations

In March 2020 the World Health Organization declared the outbreak of the novel coronavirus COVID-19 a global pandemic. The nature of the pandemic resulted in a mandatory school property closure affecting the Holtville Unified School District from March 16, 2020, and continuing into the Fall of the 2020-21 school year. California Governor Gavin Newsom issued a state-wide executive order mandating that schools remain closed until the county in which the school is located is off the COVID-19 watch list for fourteen consecutive days. The 2020-21 fiscal year opened in a fully distance learning model, until such time as campuses were re-opened.

In addition to school closures, new regulations and safety measures were required to be put in place by all schools in California as part of a re-opening plan. The Holtville Unified School District established and followed a re-opening plan that they believe is providing a safe environment for the students and teachers.

The federal and state government have established temporary funding to assist in the additional costs that resulted from the COVID-19 pandemic. All California school districts are eligible for these funds. Some funding provided as a result of COVID-19 is intended to be spent over multiple years. The District has taken all of the requirements of each funding source into consideration in preparation of budgets for upcoming years.

Required Supplementary Information

Holtville Unified School District

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2021

	Budgeted Amounts			Variance to Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
LCFF Sources				
State Apportionment	\$ 11,087,052	\$ 11,191,513	\$ 9,313,865	\$ (1,877,648)
Education Protection Account	1,919,194	3,028,990	4,888,369	1,859,379
Property Taxes	2,982,242	3,160,905	3,147,669	(13,236)
Federal Revenue	1,627,708	6,689,037	4,491,925	(2,197,112)
Other State Revenue	1,457,995	5,189,902	4,579,840	(610,062)
Interest Income	50,000	50,000	56,021	6,021
Fair Market Value Adjustment	-	-	45,901	45,901
Other Local Revenue	777,339	1,182,053	747,850	(434,203)
Total Revenues	<u>19,901,530</u>	<u>30,492,400</u>	<u>27,271,440</u>	<u>(3,220,960)</u>
Expenditures				
Current Expenditures:				
Certificated Salaries	9,811,815	10,328,154	10,224,021	104,133
Classified Salaries	2,966,135	3,243,338	3,003,756	239,582
Employee Benefits	5,476,608	5,701,846	5,439,517	262,329
Books and Supplies	944,269	3,354,666	2,617,631	737,035
Services and Other Operating	1,643,879	2,013,976	1,644,212	369,764
Other Outgo	90,663	98,516	98,334	182
Direct Support/Indirect Costs	(80,514)	(80,514)	(56,886)	(23,628)
Capital Outlay	17,694	4,277,873	301,733	3,976,140
Total Expenditures	<u>20,870,549</u>	<u>28,937,855</u>	<u>23,272,318</u>	<u>5,665,537</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(969,019)</u>	<u>1,554,545</u>	<u>3,999,122</u>	<u>2,444,577</u>
Other Financing Sources				
Transfers Out	<u>(415,000)</u>	<u>(420,000)</u>	<u>(418,924)</u>	<u>1,076</u>
Total Other Financing Sources	<u>(415,000)</u>	<u>(420,000)</u>	<u>(418,924)</u>	<u>1,076</u>
Net Change in Fund Balance	(1,384,019)	1,134,545	3,580,198	2,445,653
Fund Balance - Beginning of Year	5,921,634	5,921,634	5,921,634	-
Fund Balance - End of Year	<u>\$ 2,738,596</u>	<u>\$ 7,056,179</u>	<u>\$ 9,501,832</u>	<u>\$ 2,445,653</u>

See Accompanying Notes to Required Supplementary Information

Holtville Unified School District

Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset)	0.0142%	0.0162%	0.0154%	0.0161%	0.0162%	0.0166%	0.0151%	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 13,761,085	\$ 14,595,321	\$ 14,148,163	\$ 14,847,704	\$ 13,106,542	\$ 11,142,294	\$ 8,847,000	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	9,782,047	8,162,000	8,153,059	8,180,803	7,711,214	6,240,927	5,149,453	N/A	N/A	N/A
Total	<u>\$ 23,543,132</u>	<u>\$ 22,757,321</u>	<u>\$ 22,301,222</u>	<u>\$ 23,028,507</u>	<u>\$ 20,817,756</u>	<u>\$ 17,383,221</u>	<u>\$ 13,996,453</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's covered payroll**	8,741,538	8,175,045	8,488,895	8,488,895	8,051,064	7,648,187	6,708,388	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	157.42%	178.54%	166.67%	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.82%	72.56%	70.99%	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information

Holtville Unified School District

Schedule of the District's Contributions - CalSTRS

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,511,690	\$ 1,524,567	\$ 1,414,108	\$ 1,179,659	\$ 1,067,903	\$ 863,879	\$ 679,159	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(1,511,690)	(1,524,567)	(1,414,108)	(1,179,659)	(1,067,903)	(863,879)	(679,159)	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A
District's covered payroll**	\$ 9,360,310	\$ 8,915,596	\$ 8,686,167	\$ 8,175,405	\$ 8,488,895	\$ 8,051,064	\$ 7,648,187	N/A	N/A	N/A
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on the fiscal year.

Holtville Unified School District

Schedule of the District's Proportionate Share of the Net Pension Liability – CalPERS

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset)	0.0233%	0.0232%	0.0230%	0.0221%	0.0219%	0.0213%	0.0194%	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 7,150,077	\$ 6,758,843	\$ 6,141,056	\$ 5,263,917	\$ 4,322,489	\$ 3,133,790	\$ 2,206,640	N/A	N/A	N/A
District's covered payroll**	\$ 3,386,781	\$ 3,245,515	\$ 3,070,929	\$ 2,832,042	\$ 2,650,317	\$ 2,364,285	\$ 2,043,769	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	211.12%	208.25%	199.97%	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.00%	70.05%	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information

Holtville Unified School District

Schedule of the District's Contributions - CalPERS

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 760,236	\$ 682,381	\$ 586,205	\$ 476,946	\$ 393,314	\$ 313,983	\$ 278,300	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(760,236)	(682,381)	(586,205)	(476,946)	(393,314)	(313,983)	(278,300)	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A
District's covered payroll**	\$ 3,672,638	\$ 3,460,174	\$ 3,245,515	\$ 3,070,929	\$ 2,832,042	\$ 2,650,317	\$ 2,364,285	N/A	N/A	N/A
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on the fiscal year.

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 Retiree Health Plan Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB liability:										
Service cost	\$ 31,052	\$ 25,417	\$ 27,474	\$ 26,674	N/A	N/A	N/A	N/A	N/A	N/A
Interest	35,959	21,123	25,057	30,752	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
Adjustments to balances	-	645,721	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	74,643	73,734	(24,455)	-	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(159,816)	(251,707)	(289,380)	(190,122)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	(18,162)	514,288	(261,304)	(132,696)	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning**	1,197,104	682,816	944,120	1,076,816	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>\$ 1,178,942</u>	<u>\$ 1,197,104</u>	<u>\$ 682,816</u>	<u>\$ 944,120</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	13,255,271	13,554,240	12,375,879	\$ 12,382,930	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a percentage of covered payroll	8.89%	8.83%	5.52%	7.62%	N/A	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of 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, 2021

Excess of Expenditures Over Appropriations

As of June 30, 2021, the District's expenditures which exceeded appropriations are in the following categories:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
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General Fund:

Direct Support/Indirect Costs	\$ 23,628	The District underestimated direct support costs from the county office and other agencies.
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Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

Holtville Unified School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2021

Schedule of District's Proportionate Share – CalSTRS

1. Benefit Changes: There were no changes to benefits during the periods being reported.
2. Changes in Assumptions: Assumptions used in determining the total pension liability of the CalSTRS Plan changed due to actuarial experience studies. Changes in assumptions effective in fiscal year 2020-21 (measured as of June 30, 2020) were to termination rates and service retirement rates based on the experience study for the period July 1, 2015, through June 30, 2018. Changes in assumptions effective in fiscal year 2017-18 (measured as of June 30, 2017) were to price inflation, wage growth, discount rate and mortality tables based on the experience study for the period July 1, 2010, through June 30, 2015.

Schedule of District's Contributions – CalSTRS

The total pension liability for California State Teachers' Retirement System (CalSTRS) for measurement date June 30, 2020, was determined with a valuation completed June 30, 2019 (released in May 2020). 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	June 30, 2018
Measurement Date	06/30/14	06/30/15	06/30/16	06/30/17
Valuation Date	06/30/13	06/30/14	06/30/15	06/30/16
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return ⁽¹⁾	7.60%	7.60%	7.60%	7.10%
Consumer Price Inflation	3.00%	3.00%	3.00%	2.75%
Wage Growth (Average)	3.75%	3.75%	3.75%	3.50%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2019	June 30, 2020	June 30, 2021
Measurement Date	06/30/18	06/30/19	06/30/20
Valuation Date	06/30/17	06/30/18	06/30/19
Experience Study	07/01/06 - 06/30/15	07/01/06 - 06/30/15	07/01/15 - 06/30/18
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return ⁽¹⁾	7.10%	7.10%	7.10%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.50%	3.50%	3.50%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

(1) – Net of investment expenses but gross of administrative expenses.

CalSTRS uses a generational mortality assumption, which involves the use of 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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on the CalSTRS website.

Holtville Unified School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2021

Schedule of District's Proportionate Share – CalPERS

1. Benefit Changes: There were no changes to benefits during the periods being reported.
2. Changes in Assumptions. On December 21, 2016, the CalPERS Board lowered the discount rate for funding purposes from 7.50% to 7.00% using a three-year phase-in beginning with the June 30, 2016, actuarial valuations and the June 30, 2017 valuations for the School Pool. The final scheduled decrease from 7.25% to 7.00% for the school pool valuation occurred in the June 30, 2019, valuation. The CalPERS Board adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases, and inflation assumption for the Plan. These new assumptions are incorporated into the June 30, 2018, actuarial valuations.

Schedule of District's Contributions – CalPERS

The total pension liability for California Public Employees Retirement System – School Pool (CalPERS) for measurement date June 30, 2020, was determined with a valuation completed June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Measurement Date	06/30/14	06/30/15	06/30/16	06/30/17
Valuation Date	06/30/13	06/30/14	06/30/15	06/30/16
Experience Study	07/01/97 - 06/30/11	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	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%	7.15%
Consumer Price Inflation	2.75%	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Measurement Date	06/30/18	06/30/19	06/30/20
Valuation Date	06/30/17	06/30/18	06/30/19
Experience Study	07/01/97 - 06/30/15	07/01/97 - 06/30/15	07/01/97 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.15%
Consumer Price Inflation	2.50%	2.50%	2.50%
Wage Growth (Average)	3.00%	3.00%	2.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the December 2017 experience study report (based on demographic data from 1997 to 2015) available on the CalPERS website.

Holtville Unified School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2021

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

1. Benefit Changes: There were no benefit changes during the 2020-21 fiscal year
2. Changes in Assumptions: There was an adjustment in discount rate from 3.13% to 2.45% during the 2020-21 fiscal year.
3. No assets are accumulated in a trust that meets the criteria in GASB No. 75 Paragraph 4.
4. The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.13%
2019	3.62%
2020	3.13%
2021	2.45%

Combining Statements as Supplementary Information

Holtville Unified School District

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2021

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Capital Facilities Fund	Total Nonmajor Governmental Funds
Assets					
Cash in County Treasury	\$ 693,962	\$ 1,371,356	\$ 78,100		\$ 2,143,418
Cash on Hand and in Banks	187,566	-	-		187,566
Accounts Receivable	268,807	2,259	198		271,264
Stores Inventories	31,576	-	-		31,576
Total Assets	<u>\$ 1,181,911</u>	<u>\$ 1,373,615</u>	<u>\$ 78,298</u>		<u>\$ 2,633,824</u>
Liabilities and Fund Balance:					
Liabilities:					
Accounts Payable	\$ 14,943	\$ -	\$ -		\$ 14,943
Total Liabilities	<u>14,943</u>	<u>-</u>	<u>-</u>		<u>14,943</u>
Fund Balance:					
Nonspendable	31,576	-	-		31,576
Restricted	1,135,392	1,040,899	78,298		2,254,589
Assigned	-	332,716	-		332,716
Total Fund Balance	<u>1,166,968</u>	<u>1,373,615</u>	<u>78,298</u>		<u>2,618,881</u>
Total Liabilities and Fund Balances	<u>\$ 1,181,911</u>	<u>\$ 1,373,615</u>	<u>\$ 78,298</u>		<u>\$ 2,633,824</u>

Holtville Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
 Nonmajor Governmental Funds
 June 30, 2021

	Special Revenue Funds	Debt Service Funds	Capital Project Fund	Total Nonmajor Governmental Funds
Revenues				
Federal Revenue	\$ 1,296,629	\$ -	\$ -	\$ 1,296,629
Other State Revenue	378,698	2,324	-	381,022
Property Taxes	-	476,207	-	476,207
Interest	4,984	6,394	2,126	13,504
Fair Market Value Adjustment	5,418	2,597	610	8,625
Other Local Revenue	65,892	-	15,510	81,402
Total Revenues	<u>\$ 1,751,621</u>	<u>\$ 487,522</u>	<u>\$ 18,246</u>	<u>\$ 2,257,389</u>
Expenditures				
Current Expenditures:				
Instruction	96,014	-	-	96,014
Instruction - Related Services	35,710	-	-	35,710
Pupil Services	1,164,872	-	-	1,164,872
Ancillary Services	80,213	-	-	80,213
General Administration	56,886	-	-	56,886
Capital Outlay	-	-	303,934	303,934
Debt Service:				
Principal	-	695,752	-	695,752
Interest	-	468,102	-	468,102
Total Expenditures	<u>1,433,695</u>	<u>1,163,854</u>	<u>303,934</u>	<u>2,901,483</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>317,926</u>	<u>(676,332)</u>	<u>(285,688)</u>	<u>(644,094)</u>
Other Financing Sources (Uses)				
Transfers In	-	418,924	-	418,924
Other Sources	-	486,803	-	486,803
Total Other Financing Sources (Uses)	-	905,727	-	905,727
Net Change in Fund Balance	317,926	229,395	(285,688)	261,633
Fund Balance, Beginning of Year	849,042	1,144,220	363,986	2,357,248
Fund Balance, End of Year	<u>\$ 1,166,968</u>	<u>\$ 1,373,615</u>	<u>\$ 78,298</u>	<u>\$ 2,618,881</u>

Holtville Unified School District

Combining Balance Sheet – Nonmajor Special Revenue Funds

June 30, 2021

	Associated Student Body Fund	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds
Assets				
Cash in County Treasury	\$ -	\$ 77,313	\$ 616,649	\$ 693,962
Cash on Hand and in Banks	187,566	-	-	187,566
Accounts Receivable	-	156	268,651	268,807
Stores Inventories	-	-	31,576	31,576
Total Assets	<u>\$ 187,566</u>	<u>\$ 77,469</u>	<u>\$ 916,876</u>	<u>\$ 1,181,911</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts Payable	\$ -	\$ 30	\$ 14,913	\$ 14,943
Total Liabilities	<u>-</u>	<u>30</u>	<u>14,913</u>	<u>14,943</u>
Fund Balance:				
Nonspendable	-	-	31,576	31,576
Restricted	187,566	77,439	870,387	1,135,392
Total Fund Balance	<u>187,566</u>	<u>77,439</u>	<u>901,963</u>	<u>1,166,968</u>
Total Liabilities and Fund Balances	<u>\$ 187,566</u>	<u>\$ 77,469</u>	<u>\$ 916,876</u>	<u>\$ 1,181,911</u>

Holtville Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
 Nonmajor Special Revenue Funds
 June 30, 2021

	Associated Student Body Fund	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds
Revenues				
Federal Revenue	\$ -	\$ -	\$ 1,296,629	\$ 1,296,629
Other State Revenue	-	198,808	179,890	378,698
Interest	-	479	4,505	4,984
Fair Market Value Adjustment	-	604	4,814	5,418
Other Local Revenue	55,516	-	10,376	65,892
Total Revenues	<u>\$ 55,516</u>	<u>\$ 199,891</u>	<u>\$ 1,496,214</u>	<u>\$ 1,751,621</u>
Expenditures				
Current Expenditures:				
Instruction	-	96,014	-	96,014
Instruction - Related Services	-	35,710	-	35,710
Pupil Services	-	54,862	1,110,010	1,164,872
Ancillary Services	80,213	-	-	80,213
General Administration	-	11,295	45,591	56,886
Total Expenditures	<u>80,213</u>	<u>197,881</u>	<u>1,155,601</u>	<u>1,433,695</u>
Net Change in Fund Balance	(24,697)	2,010	340,613	317,926
Fund Balance, Beginning of Year	212,263	75,429	561,350	849,042
Fund Balance, End of Year	<u>\$ 187,566</u>	<u>\$ 77,439</u>	<u>\$ 901,963</u>	<u>\$ 1,166,968</u>

Holtville Unified School District

Combining Balance Sheet – Nonmajor Debt Service Funds

June 30, 2021

	Bond Interest and Redemption Fund	Debt Service Fund	Total Nonmajor Debt Service Funds
Assets			
Cash in County Treasury	\$ 1,038,734	\$ 332,622	\$ 1,371,356
Accounts Receivable	2,165	94	2,259
Total Assets	<u>\$ 1,040,899</u>	<u>\$ 332,716</u>	<u>\$ 1,373,615</u>
Liabilities and Fund Balance:			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Restricted	1,040,899	-	1,040,899
Assigned	-	332,716	332,716
Total Fund Balance	<u>1,040,899</u>	<u>332,716</u>	<u>1,373,615</u>
Total Liabilities and Fund Balances	<u>\$ 1,040,899</u>	<u>\$ 332,716</u>	<u>\$ 1,373,615</u>

Holtville Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Debt Service Funds
June 30, 2021

	Bond Interest and Redemption Fund	Debt Service Fund	Total Nonmajor Debt Service Funds
Revenues			
Other State Revenue	\$ 2,324	\$ -	\$ 2,324
Property Taxes	476,207	-	476,207
Interest	5,173	1,221	6,394
Fair Market Value Adjustment	-	2,597	2,597
Total Revenues	<u>\$ 483,704</u>	<u>\$ 3,818</u>	<u>\$ 487,522</u>
Expenditures			
Debt Service:			
Principal	363,198	332,554	695,752
Interest	333,692	134,410	468,102
Total Expenditures	<u>696,890</u>	<u>466,964</u>	<u>1,163,854</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(213,186)</u>	<u>(463,146)</u>	<u>(676,332)</u>
Other Financing Sources (Uses):			
Transfers In	-	418,924	418,924
Other Financing Sources	486,803	-	486,803
Total Other Financing Sources (Uses)	<u>486,803</u>	<u>418,924</u>	<u>905,727</u>
Net Change in Fund Balance	273,617	(44,222)	229,395
Fund Balance, Beginning of Year	<u>767,282</u>	<u>376,938</u>	<u>1,144,220</u>
Fund Balance, End of Year	<u>\$ 1,040,899</u>	<u>\$ 332,716</u>	<u>\$ 1,373,615</u>

Other Supplementary Information

Holtville Unified School District

Local Education Agency Organization Structure

June 30, 2021

The Holtville Unified School District was established in 1968 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, one high school, and one continuation high school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Ben Abatti Jr.	President	Four Year Term Expires December 2022
Matt Hester	Clerk	Four Year Term Expires December 2024
Kevin Grizzle	Member	Four Year Term Expires December 2022
Jared Garewal	Member	Four Year Term Expires December 2024
Robin Cartee	Member	Four Year Term Expires December 2022

ADMINISTRATION

Celso Ruiz
Superintendent

John Paul Wells
Assistant Superintendent

Mitchell Drye
Director of
Special Projects

Margie Stacey
Director of
Special Education

Holtville Unified School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Minimum Daily Minutes Offered	Instructional Days Offered Traditional Calendar	J-13A Credited Days	Status
Transitional Kindergarten	180	180	N/A	Complied
Kindergarten	180	180	N/A	Complied
1st Grade	230	180	N/A	Complied
2nd Grade	230	180	N/A	Complied
3rd Grade	230	180	N/A	Complied
4th Grade	240	180	N/A	Complied
5th Grade	240	180	N/A	Complied
6th Grade	240	180	N/A	Complied
7th Grade	240	180	N/A	Complied
8th Grade	240	180	N/A	Complied
9th Grade	240	180	N/A	Complied
10th Grade	240	180	N/A	Complied
11th Grade	240	180	N/A	Complied
12th Grade	240	180	N/A	Complied

This schedule provides the information necessary to determine if the District has complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code. The requirements are as follows:

- 1) EC §46207: As a condition of apportionment the following annual instructional minutes must be offered:
 - To pupils in Kindergarten 36,000 minutes
 - To pupils in grades 1 to 3 50,400 minutes
 - To pupils in grades 4 to 8 54,000 minutes
 - To pupils in grades 9 to 12 64,800 minutes

- 2) EC §46208: As a condition of apportionment 180 school days must be offered for traditional calendars. In order to qualify as a school day the following minimum daily minutes must be met:
 - EC §46112: Grades 1 to 3 230 minutes
 - EC §46113: Grades 4 to 8 240 minutes
 - EC §46114: Kindergarten 180 minutes
 - EC §46141: Grades 9 to 12 240 minutes

Holtville Unified School District

Schedule of Instructional Time, Continued

Year Ended June 30, 2021

Under Senate Bill 98 and Senate Bill 820, annual instructional minutes requirements were waived for the 2020-21 school year. For school districts and classroom-based charter schools, in order for a day to count as a day of instruction towards meeting the annual instructional day requirement, students must be scheduled to attend for the school day established by the local governing board and the school day must be equivalent to at least a minimum day of instruction as follows:

- 180 instructional minutes in TK/Kindergarten, continuation high schools, opportunity schools, and students concurrently enrolled in a community college.
- 230 instructional minutes in grades 1 to 3
- 240 minutes in grades 4 to 12

As a result of the COVID-19 pandemic, the District operated a portion of the year under distance learning and a portion of the year under in person classroom instruction.

Instructional time for distance learning is calculated based on the time value of synchronous and/or asynchronous instruction and assignments made by and certified by a certificated employee of the LEA. Instructional time for in-person instruction is calculated based on time scheduled under the immediate physical supervision and control of a certificated employee of the LEA.

Holtville Unified School District
 Schedule of Financial Trends and Analysis
 Year Ended June 30, 2021

General Fund	Budget 2022 (See Note 1)	2021	2020	2019
Revenues and Other Financing Sources	\$ 31,459,214	\$ 27,271,440	\$ 22,002,222	\$ 21,883,812
Expenditures and Other Financing Uses	<u>33,900,578</u>	<u>23,691,242</u>	<u>21,575,858</u>	<u>21,325,042</u>
Net Change in Fund Balance	<u>(2,441,364)</u>	<u>3,580,198</u>	<u>426,364</u>	<u>558,770</u>
Ending Fund Balance	<u>\$ 7,060,468</u>	<u>\$ 9,501,832</u>	<u>\$ 5,921,634</u>	<u>\$ 5,495,270</u>
Available Reserves (See Note 2)	<u>\$ 6,852,893</u>	<u>\$ 7,139,579</u>	<u>\$ 5,350,442</u>	<u>\$ 4,943,796</u>
Available Reserves as a Percentage of Total Outgo	<u>20.21%</u>	<u>30.14%</u>	<u>24.80%</u>	<u>23.70%</u>
Long Term Debt	<u>\$ 19,859,920</u>	<u>\$ 20,539,360</u>	<u>\$ 16,385,089</u>	<u>\$ 16,668,161</u>
Average Daily Attendance at P2	<u>1,519</u>	<u>N/A</u>	<u>1,519</u>	<u>1,512</u>

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 general fund balance has increased by \$4,006,562 over the past two years. The fiscal year 2021-22 budget projects a decrease of \$2,441,364. For a district of this size, the State recommends available reserves of 3% of total general fund expenditures and other financing uses (total outgo).

Total long-term debt has increased by \$3,871,199 over the past two years.

As a result of the COVID-19 pandemic there was no attendance reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

Notes:

1. Budget 2022 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all unassigned fund balances contained within the general fund.

Holtville Unified School District

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements Year Ended June 30, 2021

	General Fund (Fund 01)
June 30, 2021, annual financial and budget report fund balances	<u>\$ 10,036,652</u>
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Overstatement of accounts receivable	<u>(534,820)</u>
Net adjustments and reclassifications	<u>(534,820)</u>
June 30, 2021, audited financial statement fund balances	<u><u>\$ 9,501,832</u></u>

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS Annual Financial and Budget Report with the audited financial statements. Funds that required no adjustment are not presented.

Holtville Unified School District

Schedule of Charter Schools

Year Ended June 30, 2021

As of June 30, 2021, the District is not a sponsoring local educational agency for any charter schools.

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

Holtville Unified School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Total Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U.S. Department of Agriculture</u>				
Passed through California Department of Education				
Food Service Program	10.559	13006	\$ -	\$ 1,166,297
Food Service Program - Noncash Commodities	10.559	13396	-	121,615
Total Child Nutrition Cluster			-	1,287,912
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U.S. Department of Education</u>				
Passed through California Department of Education				
IDEA Basic Local Assistance	84.027	13379	-	215,472
IDEA Local Assistance Private Schools	84.027	13682	-	1,482
Total Special Education (IDEA) Cluster			-	216,954
OTHER PROGRAMS:				
<u>U.S. Department of Education</u>				
Passed through California Department of Education				
Title I	84.010	14329	-	773,108
Migrant Education	84.011	14838	-	349,601
CARES Act - Supplemental Meal Reimbursement	84.425	15535	-	8,720
CARES Act - Elementary and Secondary School Relief	84.425D	15536	-	4,335
CARES Act - Elementary and Secondary School Relief II	84.425D	15547	-	558,897
Governor's Emergency Education Relief Fund	84.425C	15517	-	72,682
Vocational Education	84.048	14894	-	18,804
Title III English Learner	84.365	14346	-	74,892
Title IV Student Support	84.424	15396	-	105,261
Title II Supporting Effective Instruction	84.367	14341	-	56,136
Total U.S. Department of Education			-	2,022,436
<u>U.S. Department of Agriculture</u>				
Direct Program				
Rural Development Facilities Grant	10.766	-	-	170,925
Total U.S. Department of Agriculture			-	170,925
<u>U.S. Department of the Treasury</u>				
Passed through California Department of Education				
CARES Act - Learning Loss Mitigation	21.019	10149	-	1,125,653
Total Other Programs			-	3,319,014
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 4,823,880

See accompanying notes to schedule of expenditures of federal awards.

Holtville Unified School District

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Summary of Significant Accounting Policies

The expenditures reported on the schedule 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.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The District used an indirect cost rate of 6.25% 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 District 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	5.96%
Title III English Learner	84.365	2.00%
Child Nutrition Cluster	10.555	4.99%

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 its schoolwide programs:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I	84.010	\$ 773,108

Holtville Unified School District

Notes to the Schedule of Expenditures of Federal Awards, Continued

Year Ended June 30, 2021

Personal Protective Equipment (PPE) (Unaudited)

As a result of the COVID-19 Pandemic the District received personal protective equipment (PPE) valued at \$7,783 from the federal government.

Reconciliation of Revenues

The District is permitted to bill for Medi-Cal administrative activities and services provided as a Provider Type 55 (LEA Provider) which under the provisions of 2CFR §200.330 distinguishes the District as a contractor rather than a subrecipient of the federal funds. As such, the program has not been included in the schedule of expenditures of federal awards.

Under grant provisions for Coronavirus Relief Learning Loss Mitigation (CFDA #21.019) expenditures for the program could begin March 2020; however, revenue was not apportioned until the 2020-21 fiscal year. As a result, the revenue is recognized for expenditures occurring from the start of the grant through June 30, 2021, while the schedule of expenditures of federal awards recognizes only expenditures incurred during the 2020-21 fiscal year.

Under grant provisions for CARES Act – Elementary & Secondary School Emergency Relief (CFDA #84.425D) expenditures for the program could begin March 2020; however, revenue was not apportioned until the 2020-21 fiscal year. As a result, the revenue is recognized for expenditures occurring from the start of the grant through June 30, 2021, while the schedule of expenditures of federal awards recognizes only expenditures incurred during the 2020-21 fiscal year.

The District has received a federal interest subsidy under the Build America Bonds Program through the Department of the Treasury. The Build America Bonds Program is reported consistent with the requirements of the program and is not included on the schedule of expenditures of federal awards.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards:

Total Federal Revenues on Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 5,825,176
Less: Amounts expended in 2019-20 for Coronavirus Relief Learning Loss Mitigation	(311,304)
Less: Amounts expended in 2019-20 for Elementary and Secondary School Emergency Relief	(644,560)
Less: Amounts representing QSCB Interest Subsidy/Rebate of federal funds	(36,622)
Less: Amounts representing Medi-Cal	<u>(8,810)</u>
Total Federal Expenditures on Schedule of Expenditures of Federal Awards	<u>\$ 4,823,880</u>

Other Independent Auditors' Reports

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Holtville Unified School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Holtville Unified School District's basic financial statements, and have issued our report thereon dated January 31, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Holtville Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Holtville Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Wilkinson Hadley King & Co LLP

El Cajon, California
January 31, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited 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 Holtville Unified School District's major federal programs for the year ended June 30, 2021. 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 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 Holtville Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2021.

Report on Internal Control Over Compliance

Management of 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 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 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Wilkinson Hadley King & Co LLP

El Cajon, California
January 31, 2022

Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited the Holtville Unified School District's compliance with the types of compliance requirements described in the *2020-21 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, 2021.

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 *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, 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 *2020-21 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. An audit includes examining, on a test basis, evidence about each school'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 state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools	
A. Attendance and Distance Learning	Yes
B. Teacher Certification and Misassignments.....	Yes
C. Kindergarten Continuance.....	Yes
F. Instructional Time.....	Yes
G. Instructional Materials.....	Yes
H. Ratio of Administrative Employees to Teachers.....	Yes
I. Classroom Teacher Salaries.....	Yes
J. Early Retirement Incentive.....	N/A
K. Gann Limit Calculation.....	Yes
L. School Accountability Report Card.....	Yes
O. K-3 Grade Span Adjustment.....	Yes
Q. Apprenticeship: Related and Supplemental Instruction.....	N/A
R. Comprehensive School Safety Plan.....	Yes
S. District of Choice.....	N/A
School Districts, County Offices of Education, and Charter Schools	
T. California Clean Energy Jobs Act.....	Yes
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
Charter Schools	
Y. Independent Study - Course Based.....	N/A
AA. Attendance.....	N/A
BB. Mode of Instruction.....	N/A
CC. Nonclassroom Based Instruction/Independent Study.....	N/A
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A
EE. Annual Instructional Minutes - Classroom Based.....	N/A
FF. 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, 2021.

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. This report is an integral part of an audit performed in accordance with *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co LLP

El Cajon, California
January 31, 2022

Auditor's Results, Findings & Recommendations

Holtville Unified School District

Schedule of Auditor's Results

Year Ended June 30, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

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

Compliance supplement utilized for single audit July 2021 with December 2021 Addendum

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	CVRF Learning Loss Mitigation
84.027	Special Education Cluster

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

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

Any audit findings disclosed that are required to be reported in accordance with *2020-21 Guide for Annual Audits of California K-12 Local Education Agencies?* 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

Year Ended June 30, 2021

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

A. Financial Statement Findings

None

B. Federal Awards

None

C. State Award Findings

None

Holtville Unified School District
Schedule of Prior Year Audit Findings
Year Ended June 30, 2021

Finding/Recommendation	Status	Explanation if Not Implemented
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There were no findings reported in the prior year audit.