HOLTVILLE UNIFIED SCHOOL DISTRICT
COUNTY OF IMPERIAL
HOLTVILLE, CALIFORNIA

AUDIT REPORT

JUNE 30, 2017

Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Avenue
El Cajon, California 92020

Introductory Section

Holtville Unified School District
Audit Report
For The Year Ended June 30, 2017

TABLE OF CONTENTS

	Page	Exhibit/Table
FINANCIAL SECTION		
Independent Auditor's Report	1	
Management's Discussion and Analysis (Required Supplementary Information)	3	
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	8	Exhibit A-1
Statement of Activities	9	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds	10	Exhibit A-3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13	Exhibit A-6
Statement of Fiduciary Net Position - Fiduciary Funds	15	Exhibit A-7
Notes to the Financial Statements	16	
Required Supplementary Information		
Budgetary Comparison Schedules:		
General Fund	51	Exhibit B-1
Schedule of Funding Progress for Other Post Employment Benefits Plan	52	Exhibit B-2
Schedule of the District's Proportionate Share of the Net Pension Liability - California State Teachers' Retirement System	53	Exhibit B-3
Schedule of District's Contributions - California State Teachers' Retirement System	54	Exhibit B-4
Schedule of the District's Proportionate Share of the Net Pension Liability - California Public Employees' Retirement System	55	Exhibit B-5
Schedule of District's Contributions - California Public Employees' Retirement System	56	Exhibit B-6
Notes to Required Supplementary Information	57	
Combining Statements as Supplementary Information:		
Combining Balance Sheet - All Nonmajor Governmental Funds	59	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds	60	Exhibit C-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds	61	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	62	Exhibit C-4

Holtville Unified School District
Audit Report
For The Year Ended June 30, 2017

TABLE OF CONTENTS

	Page	Exhibit/Table
Debt Service Funds:		
Combining Balance Sheet - Nonmajor Debt Service Funds	63	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	64	Exhibit C-6
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds	65	Exhibit C-7
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	66	Exhibit C-8
OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure	67	
Schedule of Average Daily Attendance	68	Table D-1
Schedule of Instructional Time	69	Table D-2
Schedule of Financial Trends and Analysis	70	Table D-3
Schedule of Charter Schools	71	Table D-4
Schedule of Expenditures of Federal Awards	72	Table D-5
Notes to the Schedule of Expenditures of Federal Awards	73	
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*	74	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance)	76	
Independent Auditor's Report on State Compliance	78	
Schedule of Findings and Questioned Costs	81	
Summary Schedule of Prior Audit Findings	83	

Financial Section

P. Robert Wilkinson, CPA
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WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Holtville Unified School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements**.** The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holtville Unified School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 14, 2017

HOLTVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017
(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, 2017, 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 2016-17 fiscal year. Note that this report should be read with the actual financial statements, which follow this section.

KEY FINANCIAL POINTS

* District-wide, total revenues increased between and 2015-16 and 2016-17 by approximately $613,000 (see Table A-1).

* Total Liabilities increased drastically in 2016-17 by approximately $3.5 million, due primarily to the increase in net pension liability. See Table A-2.

* Enrollment in 2016-17 increased compared to the 2016-17 school year by 13 students district-wide, bringing the total 2016-17 HUSD October enrollment to 1,598 students. Similarly, Average Daily Attendance (ADA) increased as well, totaling 1,552.

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 and liabilities. Also included is **The Statement of Activities**, which accounts for all revenues and expenses for the District's 2016-17 fiscal year, regardless of when cash is received or paid.

The purpose of the District-Wide Statements is to measure the overall financial stability (or position) of HUSD. By monitoring changes in net position, HUSD will have a strong indicator that helps measure whether its financial position is improving or deteriorating. In addition, the District will also need to take into account other factors, such as the condition of school buildings and facilities, 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 table below illustrates the District's Governmental Activities for the fiscal year 2016-17 compared to the prior year.

Table A-1
STATEMENT OF ACTIVITIES
June 30, 2017

REVENUES	**2015-16**	**2016-17**
Program Revenues		
Charges for Services	213,462	194,771
Operating Grants and Contributions	3,892,734	4,027,156
Capital Grants and Contributions	0	0
General Revenues		
Taxes and Subventions	2,954,938	3,052,238
Federal and State Aid, Not Restricted	13,056,316	13,471,043
Other General Revenues	234,671	219,773
Total Revenues	20,352,121	20,964,981
EXPENDITURES		
Instruction	11,470,471	13,254,439
Supervision of Instruction	514,086	736,059
Library, Media, and Technology	224,804	253,018
School Site Administration	1,418,971	1,421,056
Pupil Services	2,751,716	2,929,350
General Administration & Data Processing	1,403,363	1,984,403
Maintenance and Operations & Facility Acquisition	2,228,545	2,213,226
Debt Service	469,985	314,012
Other Outgo	256,221	220,841
Total Expenditures	20,738,162	23,326,404
Increase/Decrease in Net Position	-386,041	-2,361,423
Net Position Beginning	3,331,327	3,745,323
Prior Year Adjustment (in Notes)	800,037	52,373
Net Position Ending	3,745,323	1,436,273

The following graph illustrates the changes to net position from the prior year to the 2016-17 fiscal year.

Table A-2		
STATEMENT OF NET POSITION		
	June 30, 2016	June 30, 2017
ASSETS		
Cash & Current Assets (i.e. AR)	9,361,653	8,746,177
Capital Assets	20,398,945	21,302,185
Total Assets	29,760,598	30,048,362
Deferred Outflows of Resources	3,041,245	3,923,203
LIABILITIES		
Long-Term Debt	27,358,938	30,363,977
Other Liabilities	916,538	1,448,216
Total Liabilities	28,275,476	31,812,193
Deferred Inflows of Resources	781,044	723,099
TOTAL NET POSITION	3,745,323	1,436,273
DISTRIBUTION OF NET POSITION		
Net Investment in Capital Assets	7,442,513	8,395,624
Restricted for Capital Projects	3,453,964	1,633,450
Restricted for Debt Service	94,214	24,810
Restricted for Educational Programs	167,152	182,436
Other Purposes (Expendable)	366,936	189,341
Other Purposes (Nonexpendable)	24,722	24,492
Unrestricted	-7,804,178	-9,013,880
TOTAL NET POSITION	3,745,323	1,436,273

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-termed, 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 2016-17 school year. By looking at the following chart (Table A-3), one can view the performance of each of the District's funds.

Table A-3

CHANGES IN DISTRICT FUND BALANCES

FUND #	BEG BAL (7/1/2016)	END BAL (6/30/2017)	CHANGE IN FUND
General Fund (#010)	5,102,371	5,025,205	-77,167
Adult Education Fund (#110)	52,882	60,990	8,109
Cafeteria Fund (#130)	216,751	157,879	-58,872
Building Fund (#210)	3,104,006	1,658,260	-1,445,747
Capital Facilities Fund (#250)	117,863	218,785	100,922
Bond Interest and Redemption Fund (#510)	64,461	103,942	39,481
Debt Service Fund (#560)	29,753	249,687	219,934

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

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.
- Continued increases to school district contributions toward employee pensions (STRS and PERS) will continue to consume any funding increases. This must be offset by reductions in other areas in the budget.
- While the economy is showing signs of recovery, any recession would translate to large reductions in District revenues.

NOTES TO THE FINANCIAL STATEMENTS

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGERS

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

Basic Financial Statements

HOLTVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash	$ 7,934,764
Receivables	792,242
Stores	19,171
Capital Assets:	
Land	153,012
Land Improvements	2,733,699
Buildings	26,528,302
Equipment	1,881,357
Work in Progress	1,394,302
Less Accumulated Depreciation	(11,388,487)
Total Assets	30,048,362
DEFERRED OUTFLOWS OF RESOURCES	3,923,203
LIABILITIES	
Accounts Payable	1,023,616
Due to other funds	9
Unearned Revenue	424,591
Long-Term Liabilities:	
Due Within One Year	429,906
Due in More Than One Year	29,934,071
Total Liabilities	31,812,193
DEFERRED INFLOWS OF RESOURCES	723,099
NET POSITION	
Net Investment in Capital Assets	8,395,624
Restricted for:	
Capital Projects	1,633,450
Debt Service	24,810
Educational Programs	182,436
Other Purposes (Expendable)	189,341
Other Purposes (Nonexpendable)	24,492
Unrestricted	(9,013,880)
Total Net Position	$ 1,436,273

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 13,254,439	$ 175,853	$ 2,105,947	$ (10,972,639)
Instruction-Related Services:				
Instructional Supervision and Administration	736,059	6,347	358,071	(371,641)
Instructional Library, Media and Technology	253,018	-	-	(253,018)
School Site Administration	1,421,056	5,686	149,994	(1,265,376)
Pupil Services:				
Home-to-School Transportation	527,994	-	-	(527,994)
Food Services	1,033,985	-	908,943	(125,042)
All Other Pupil Services	1,367,371	-	267,213	(1,100,158)
General Administration				
Centralized Data Processing	305,224	-	4,256	(300,968)
Other General Administration	1,679,179	6,885	91,165	(1,581,129)
Plant Services	1,830,538	-	135,347	(1,695,191)
Ancillary Services	382,688	-	6,220	(376,468)
Interest on Long-Term Debt	314,012	-	-	(314,012)
Other Outgo - Transfers Between Agencies	220,841	-	-	(220,841)
Total Expenses	$ 23,326,404	$ 194,771	$ 4,027,156	$ (19,104,477)

General Revenues:	
Taxes and Subventions:	
Taxes Levied for General Purposes	2,498,380
Taxes Levied for Debt Service	423,081
Taxes Levied for Other Specific Purposes	130,777
Federal and State Aid, Not Restricted	13,471,043
Interest and Investment Earnings	54,807
Miscellaneous	162,576
Special and Extraordinary Items	2,390
Total General Revenues	16,743,054
Change in Net Position	(2,361,423)
Net Position Beginning - As Restated (See Note R)	3,797,696
Net Position Ending	$ 1,436,273

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	$ 5,215,198	$ 458,938	$ 766,235	$ 6,440,371
Cash in Revolving Fund	2,500	-	2,821	5,321
Cash with a Fiscal Agent/Trustee	-	1,489,072	-	1,489,072
Accounts Receivable	705,745	-	86,498	792,243
Due from Other Funds	61,246	-	-	61,246
Stores Inventories	-	-	19,171	19,171
Total Assets	5,984,689	1,948,010	874,725	8,807,424
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 534,893	$ 289,750	$ 22,196	$ 846,839
Due to Other Funds	-	-	61,246	61,246
Unearned Revenue	424,591	-	-	424,591
Total Liabilities	959,484	289,750	83,442	1,332,676
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	2,500	-	2,821	5,321
Stores Inventories	-	-	19,170	19,170
Restricted Fund Balances	225,395	1,658,260	149,383	2,033,038
Assigned Fund Balances	-	-	619,909	619,909
Unassigned:				
Reserve for Economic Uncertainty	4,797,310	-	-	4,797,310
Total Fund Balance	5,025,205	1,658,260	791,283	7,474,748
Total Liabilities and Fund Balances	$ 5,984,689	$ 1,948,010	$ 874,725	$ 8,807,424

The accompanying notes 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, 2017

Total fund balances - governmental funds balance sheet		$ 7,474,748
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	32,690,672	
Accumulated depreciation	(11,388,487)	
Net		21,302,185
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 unmatured interest owing at the end of the period was:		(176,787)
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. Unamortized debt insurance costs included in Deferred Outflows of Resources on the statement of net position are:		19,382
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		3,477,767
Deferred inflows of resources relating to pensions		(723,099)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds payable	7,896,399	
Net pension liability	17,429,033	
Net OPEB obligation	24,028	
Compensated absences payable	4,355	
Certificates of participation payable	4,793,411	
Capital leases payable	216,751	
Total		(30,363,977)
Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was:		426,054
Net position of governmental activities - statement of net position		$ 1,436,273

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 10,733,572	$ -	$ -	$ 10,733,572
Education Protection Account Funds	2,031,370	-	-	2,031,370
Local Sources	2,498,344	-	-	2,498,344
Federal Revenue	1,393,615	24,781	979,559	2,397,955
Other State Revenue	1,804,657	-	243,316	2,047,973
Other Local Revenue	726,823	17,842	587,159	1,331,824
Total Revenues	19,188,381	42,623	1,810,034	21,041,038
Expenditures:				
Current:				
Instruction	11,163,789	-	153,173	11,316,962
Instruction - Related Services	2,032,805	-	75,734	2,108,539
Pupil Services	1,663,591	-	1,046,263	2,709,854
Ancillary Services	272,137	-	-	272,137
General Administration	1,456,937	-	9,969	1,466,906
Plant Services	1,690,911	31,495	-	1,722,406
Other Outgo	79,928	114,750	-	194,678
Capital Outlay	499,000	1,361,288	-	1,860,288
Debt Service:				
Principal	11,474	890,000	269,817	1,171,291
Interest	903	164,736	342,324	507,963
Total Expenditures	18,871,475	2,566,346	1,897,280	23,335,101
DOES NOT FOOT BY THIS AMOUNT--->	-	(4,077)	-	(4,077)
Excess (Deficiency) of Revenues Over (Under) Expenditures	316,906	(2,523,723)	(87,246)	(2,294,063)
Other Financing Sources (Uses):				
Transfers In	357	-	394,429	394,786
Transfers Out	(394,429)	-	(357)	(394,786)
Proceeds From Sale of Bonds	-	1,090,000	-	1,090,000
Other Sources	-	-	2,390	2,390
Other Uses	-	(19,508)	-	(19,508)
Total Other Financing Sources (Uses)	(394,072)	1,070,492	396,462	1,072,882
Net Change in Fund Balance	(77,166)	(1,453,231)	309,216	(1,221,181)
Fund Balance, July 1	5,102,371	3,111,491	482,067	8,695,929
Fund Balance, June 30	$ 5,025,205	$ 1,658,260	$ 791,283	$ 7,474,748

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

EXHIBIT A-6

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

Net change in fund balances - total governmental funds		$ (1,221,181)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	1,891,784	
Depreciation expense:	(607,788)	
Net:		1,283,996
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:		1,171,291
Debt issue costs for prepaid debt insurance: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. The difference between debt issue costs for prepaid insurance incurred in the current period and prepaid insurance costs amortized for the period is:		
Prepaid debt insurance incurred during the period:	4,077	
Prepaid debt insurance amortized for the period:	(26,163)	
Net:		(22,086)
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:		(1,070,492)
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(2,331,984)
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:		11,372
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:		8,621
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year the difference between OPEB costs and actual employer contributions was:		7,217
Cost write-off for canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as Work in Progress must be written off to expense. Costs written off for canceled projects were:		(380,756)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or a discount, the premium or discount is recognized as an Other Financing Source or as an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding for the period is:	182,579
Change in net position of governmental activities - statement of activities	$ (2,361,423)

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Fund Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 170,043
Total Assets	170,043
LIABILITIES:	
Due to Student Groups	$ 170,043
Total Liabilities	170,043
NET POSITION:	
Total Net Position	$ -

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Component Units

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

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

In addition, the District reports the following fund types:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds. These funds account for the acquisition and/or construction of all major governmental fixed assets.

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

4. Encumbrances

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

5. Budgets and Budgetary Accounting

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

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

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

6. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, property taxes, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

7. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

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

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

e. Compensated Absences

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

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

f. Unearned Revenue

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

g. 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.

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is 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.

j. Minimum Fund Balance

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

8. Deferred Inflows and Deferred Outflows of Resources

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

9. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

10. Pensions

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

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

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

11. Use of Estimates

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

12. Fair Value Measurements

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

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

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

13. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

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

The scope of this Statement includes OPEB plans—defined benefit and defined contribution - administered through trusts that meet the following criteria:

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 77 - Tax Abatement Disclosures

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

This Statement requires governments that enter into tax abatement agreements to disclose the following:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

2. The gross dollar amount of taxes abated during the period.

3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

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

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 82.

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.

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool ($6,440,371 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was 6,440,371. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

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

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

Cash balances on hand and in banks ($170,043 as of June 30, 2017) and in the revolving fund ($5,321) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2017 are shown below.

Investment or Investment Type	Average Days to Maturity	Amount Reported	Fair Value
Dreyfus Treasury Obligations	<30 days	$ 1,489,072	$ 1,489,072
Total Investments		$ 1,489,072	$ 1,489,072

4. General Authorizations

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

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

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk - Deposits

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

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

California Government Code requires that a financial institution secure deposits made by State or Local Governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2017, the District's bank balances (including revolving cash) were not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

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

6. Investment Accounting Policy

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

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

D. Accounts Receivable

Accounts receivables as of June 30, 2017, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal Government:			
Federal Programs	$ 525,866	$ 56,731	582,597
State Government:			
LCFF Sources	76,301	-	76,301
Lottery Revenue	66,347	-	66,347
Other State Programs	9,640	3,717	13,357
Local Sources:			
Interest	10,829	1,233	12,062
Other Local Sources	16,762	24,817	41,579
Totals	$ 705,745	$ 86,498	792,243

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

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 153,012	$ -	$ -	$ 153,012
Work in progress	379,497	1,395,560	380,755	1,394,302
Total capital assets not being depreciated	532,509	1,395,560	380,755	1,547,314
Capital assets being depreciated:				
Buildings	26,528,302	-	-	26,528,302
Improvements	2,273,863	459,836	-	2,733,699
Equipment	1,844,970	36,387	-	1,881,357
Total capital assets being depreciated	30,647,135	496,223	-	31,143,358
Less accumulated depreciation for:				
Buildings	(8,572,795)	(479,007)	-	(9,051,802)
Improvements	(600,287)	(107,245)	-	(707,532)
Equipment	(1,607,617)	(21,536)	-	(1,629,153)
Total accumulated depreciation	(10,780,699)	(607,788)	-	(11,388,487)
Total capital assets being depreciated, net	19,866,436	(111,565)	-	19,754,871
Governmental activities capital assets, net	$ 20,398,945	$ 1,283,995	$ 380,755	$ 21,302,185

Depreciation was charged to functions as follows:

Instruction	$ 487,870
Instruction-Related Services	3,730
Pupil Services	8,152
Ancillary Services	95,017
Plant Services	13,019
	$ 607,788

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Nonmajor Governmental Funds	$ 61,246	Reimbursement of expenses
	Total	$ 61,246	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Nonmajor Governmental Funds	$ 394,429	Debt service payments
Nonmajor Governmental Funds	General fund	357	Reimbursement of expenses
	Total	$ 394,786	

G. Accounts Payable

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

	Major Funds		Nonmajor Governmental Funds	Total
	General Fund	Building Fund		
Vendor payables	$ 164,398	$ 289,750	$ 4,272	$ 458,420
Payroll and related benefits	357,646	-	15,954	373,600
Pension related libilities	12,849	-	1,970	14,819
Totals	$ 534,893	$ 289,750	$ 22,196	$ 846,839

H. Unearned Revenue

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

	General Fund
State Programs	$ 424,591
Total	$ 424,591

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

J. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds					
Principal balance	$ 7,211,408	$ 1,090,000	$ 1,015,000	$ 7,286,408	165,000
Bond premium	391,180	-	56,802	334,378	20,672
Accreted interest	239,949	55,172	-	295,121	-
Total Bonds	7,842,537	1,125,664	1,071,802	7,896,399	185,314
Certificates of participation					
Principal balance	4,923,722	-	144,817	4,778,905	239,817
COPs premium	14,506	-	-	14,506	420
Total COPs	4,938,228	-	144,817	4,793,411	240,237
Capital leases	228,225	-	11,474	216,751	11,917
Net Pension Liability	14,276,085	3,152,948	-	17,429,033	-
Net OPEB obligation	31,245	77,633	84,850	24,028	-
Compensated absences *	12,976	-	8,621	4,355	4,355
Total governmental activities	$ 27,329,296	$ 4,356,245	$ 1,321,564	$ 30,363,977	$ 441,823

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, excluding net pension liability, bond premium, OPEB obligation, and compensated absences as of June 30, 2017, are as follows:

	Governmental Activities			
Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2018	$ 416,734	$ -	$ 437,798	$ 854,532
2019	414,817	-	422,333	837,150
2020	439,817	-	410,183	850,000
2021	463,015	1,802	396,846	861,663
2022	572,554	-	382,184	954,738
2023-2027	2,705,251	16,666	1,604,157	4,326,074
2028-2032	2,931,234	228,766	983,979	4,143,979
2033-2037	3,094,542	655,458	439,075	4,189,075
2038-2042	1,249,100	1,990,900	81,850	3,321,850
2043-2047	-	-	-	-
Totals	$ 12,287,064	$ 2,893,592	$ 5,158,405	$ 20,339,061

Note: Amounts represented in the repayment schedule for accreted interest are reflective of 100% of amounts to be paid. Amounts represented as acreted interest in the debt summary are reflective of amounts that have accrued as of June 30, 2017.

Accreted interest is the process of systematically increasing the carrying amount of capital appreciation bonds to their estimated value at 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 vaue of the debt at the end of the period.

3. General Obligation Bonds

General obligation bonds as of June 30, 2017, consisted of the following:

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

	Beginning Balance	Increases	Decreases	Ending Balance
2002 Election Series C	$ 910,000	$ -	$ 900,000	$ 10,000
2002-C Bond Premium	37,188	-	36,659	529
2002 Election Series D	536,408	-	-	536,408
2002-D Bond Premium	64,043	-	2,562	61,481
2002-D Accreted Interest	239,949	55,172	-	295,121
2002 Election Series E	980,000	-	-	980,000
2002-E Premium	76,952	-	3,498	73,454
2012 General Obligation	1,915,000	-	65,000	1,850,000
2012 Premium	157,368	-	13,114	144,254
2014 General Obligation	2,870,000	-	50,000	2,820,000
2014 Premium	55,629	-	969	54,660
2016 General Obligation	-	1,090,000	-	1,090,000
2016 Discount	-	(19,508)	-	(19,508)
Total GO Bonds	$ 7,842,537	$ 1,125,664	$ 1,071,802	$ 7,896,399

The annual requirements to amortize the bonds outstanding at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2018	$ 165,000	$ -	$ 258,493	$ 423,493
2019	175,000	-	253,838	428,838
2020	200,000	-	248,988	448,988
2021	213,198	1,802	243,151	458,151
2022	240,000	-	236,189	476,189
2023-2027	1,493,334	16,666	1,022,400	2,532,400
2028-2032	2,086,234	228,766	639,403	2,954,403
2033-2037	2,344,542	655,458	221,972	3,221,972
2038-2042	369,100	1,990,900	2,750	2,362,750
Totals	$ 7,286,408	$ 2,893,592	$ 3,127,184	$ 13,307,184

2016 General Obligation Refunding Bonds

On November 10, 2016 the District issued general obligation refunding bonds for $1,090,000 as authorized by the board voters of the District held on September 19, 2016. The bonds were issued to refund the District's general obligation bonds, election of 2002, series 2007. The Bonds are general obligation bonds of the District payable solely from ad valorem property taxes levied on taxable property within the District. The Board of Supervisors of Imperial County is empowered and obligated to levy ad valorem taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal and interest on the Bonds when due. The Bonds of $1,090,000 plus premium of $19,508 were deposited into the Building Fund and Bond Interest and Redemption fund after costs of issuance payments of $119,574 were made. The Bonds bear interest rates ranging from 2.00% to 3.00% with interest payments due semi-annually on February 1 and August 1 annually. Principal payments are made annually on August 1 annually through August 1, 2036.

4. Unamortized Bond Premium

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

Premiums resulted in effective interest rates as follows:

	2002-B	2002-C	2002-D
Total Interest	$ 3,201,046	$ 1,262,021	$ 2,893,592
Less Bond Premium	(88,516)	(51,356)	(78,269)
Plus Bond Discount	-	-	-
Net Interest	$ 3,112,530	$ 1,210,665	$ 2,815,323
Par Amount of Bonds	$ 3,000,000	$ 970,000	$ 536,408
Periods	30	30	30
Effective Interest Rate	3.46%	4.16%	17.49%

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

5. Accreted Interest

Accreted interest in the Long-Term Obligation Activity chart represents amounts that have compounded as of June 30, 2017 for the bonds which were issued as capital appreciation bonds. Accreted interest in the repayment schedule represents the entire amount that will be repaid in the years the accreted interest becomes due.

6. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2017, as follows:

Year Ending June 30:	
2018	$ 18,409
2019	2,315
2020	2,315
2021	2,315
2022	85,051
2023-2027	122,787
Total Minimum Rentals	233,192
Less Amount Representing Interest	(16,441)
Net Present Value of Minimum Lease Payments	$ 216,751

7. Certificates of Participation

On August 1, 2007, the District issued $1,000,000 in Certificates of Participation as Qualified Zone Academy Bonds (QZABs) to provide funds to finance certain capital improvements, equipment and other educational development programs of the District. The District is required to make a scheduled deposit of $54,817 each year through the maturity date of August 16, 2022. Accumulated interest earned on the account provides the additional funding required to pay the bonds in full upon maturity. The escrow account accrues interest at a fixed rate of 2.74%. As of June 30, 2017 the escrow account carried an accrued balance of $503,559. The District does not have a legal right to claim cash in the escrow account and is not obligated to make payments in excess of the scheduled deposit amounts. Scheduled deposit and escrow balances are as follows:

Year Ending June 30,	Required Deposit	Scheduled Escrow Balance
2018	$ 54,817	$ 558,376
2019	54,817	629,214
2020	54,817	718,233
2021	54,817	807,252
2022	54,817	903,626
2023-2027	54,820	1,000,000
Totals	$ 328,905	

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

Remaining payments on the 2011 COPs as of June 30, 2017 were:

Year Ending June 30,	Principal	Interest	Less Subsidy Payments	Total
2018	$ 90,000	$ 71,494	$ (51,187)	$ 110,307
2019	90,000	66,712	(47,093)	109,619
2020	90,000	61,312	(43,027)	108,285
2021	95,000	55,762	(38,980)	111,782
2022	95,000	50,062	(34,890)	110,172
2023-2027	495,000	157,424	(113,263)	539,161
2028-2032	215,000	14,682	(2,347)	227,335
2033-2037	-	-	-	-
Totals	$ 1,170,000	$ 477,448	$ (330,787)	$ 1,316,661

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

The annual requirements to amortize the COPs outstanding as of June 30, 2017 were:

Year Ending June 30,	Principal	Interest	Total
2018	$ 90,000	$ 101,319	$ 191,319
2019	95,000	99,469	194,469
2020	95,000	97,569	192,569
2021	100,000	95,619	195,619
2022	100,000	93,619	193,619
2023-2027	540,000	423,644	963,644
2028-2032	630,000	329,894	959,894
2033-2037	750,000	217,103	967,103
2038-2042	880,000	79,100	959,100
2043-2047	-	-	-
Totals	$ 3,280,000	$ 1,537,336	$ 4,817,336

8. Unamortized COPs Premium

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

Premiums resulted in effective interest rates as follows:

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

K. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the Imperial Valley Property and Liability (IVPL). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

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

Complete financial information for IVPL can be obtained by contacting the JPA at 1225 Main Street, El Centro, California, 92244.

L. 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 Provided

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

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

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
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	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2017)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	7.050%	7.050%

*Amounts are limited to 120% of Social Security Wage Base.
**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	-12	-15
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability**.** The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2016 (measurement date) the State contributed 8.580% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2015	5.679%	$ 375,656
2016	7.126%	478,032
2017	8.580%	676,203

d. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	$ 863,879	$ 313,983	$ 1,177,862
Contributions - State On Behalf Payments (Fiscal Year)	676,203	-	676,203
Total Contributions	$ 1,540,082	$ 313,983	$ 1,854,065

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	$ 13,106,543
CalPERS	4,322,490
Total Net Pension Liability	$ 17,429,033

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 and June 30,2017 were as follows:

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	CalPERS
Proportion June 30, 2016	0.0166%	0.0092%	0.0258%	0.0213%
Proportion June 30, 2017	0.0162%	0.0090%	0.0252%	0.0219%
Change in Proportion	-0.0003%	-0.0002%	-0.0005%	0.0006%

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ 1,964,248	$ 1,188,700	$ 3,152,948
Contributions - State On Behalf Payments	676,203		676,203
Increase/(Decrease) resulting from changes in Deferred Outflows and Deferred Inflows of Resources for:			
Contributions - Employer made subsequent to measurement date	(215,949)	(86,842)	(302,791)
Difference Between Actual & Expected Experience	(503)	(21,881)	(22,384)
Change in Assumptions	-	(51,789)	(51,789)
Change in Proportionate Shares	351,026	(32,393)	318,633
Net Difference Between Projected & Actual Earnings	(1,550)	(761,083)	(762,633)
Total Pension Expense	$ 2,773,475	$ 234,712	$ 3,008,187

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ 1,079,828	$ 400,825	$ 1,480,653
Differences between actual and expected experience	-	214,569	214,569
Changes in assumptions	-	-	-
Change in employer's proportion share	494,675	197,931	692,606
Net difference between projected and actual earnings	3,721	1,086,218	1,089,939
Total Deferred Outflows of Resources	$ 1,578,224	$ 1,899,543	$ 3,477,767

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ -	$ -	$ -
Differences between actual and expected experience	(2,484)	-	(2,484)
Changes in assumptions	-	(155,367)	(155,367)
Change in employer's proportionate share	(186,135)	-	(186,135)
Net difference between projected and actual earnings	-	(379,113)	(379,113)
Total Deferred Inflows of Resources	$ (188,619)	$ (534,480)	$ (723,099)

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. 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	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect
June 30	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
2018	$ 1,245,786	$ 830,061	$ (47,478)	$ (241,346)	$ 1,787,023
2019	165,958	429,236	(47,477)	(241,345)	306,372
2020	165,956	429,237	(47,042)	(51,789)	496,362
2021	524	211,009	(46,622)	-	164,911
Total	$ 1,578,224	$ 1,899,543	$ (188,619)	$ (534,480)	$ 2,754,668

c. Actuarial Assumptions

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

	CalSTRS		CalPERS	
Valuation Date	June 30, 2015		June 30, 2015	
Measurement Date	June 30, 2016		June 30, 2016	
Actuarial Cost Method	Entry Age - Normal		Entry Age - Normal	
Actuarial Assumptions:				
Discount Rate	7.60%		7.65%	
Inflation	3.0%		2.75%	
Payroll Growth	3.75%		3.00%	
Projected Salary Increase	0.05%-5.6%	(1)	3.20%-10.80%	(1)
Investment Rate of Return	7.60%	(2)	7.65%	(2)
Mortality	.013%-0.435%	(3)	0.00125-0.45905%	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Industry standard published by the Society of Actuaries

d. Discount Rate

The discount rate used to measure the total pension liability was 7.6000% for CalSTRS and 7.6500% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

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

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

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

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

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

CalSTRS		
Asset Class	Assumed Allocation 06/30/2016	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

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

CalPERS			
Asset Class	Assumed Allocation 06/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

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

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	$ 18,863,268	$ 6,449,180
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 13,106,543	$ 4,322,490
1% Increase	8.60%	8.65%
Net Pension Liability	$ 8,325,338	$ 2,551,603

f. 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, 2016 (Previously Reported)	$ 66,730,878	$ 49,394,783	$ 17,336,095	$ 6,193,800	$ 11,142,295
Changes for the year:					
Change in Proportionate share	(1,413,892)	(1,046,576)	(367,316)	(134,648)	(232,668)
Service Cost	1,480,523	-	1,480,523	528,660	951,863
Interest	4,872,569	-	4,872,569	1,739,880	3,132,689
Differences between expected and actual experience	(304,725)	-	(304,725)	(108,810)	(195,915)
Contributions:					
Employer	-	854,727	(854,727)	(305,203)	(549,524)
Employee	-	745,422	(745,422)	(266,173)	(479,249)
State On Behalf Payments	-	488,946	(488,946)	(174,591)	(314,355)
Net Investment Income	-	580,957	(580,957)	(207,446)	(373,511)
Other Income	-	10,465	(10,465)	(3,737)	(6,728)
Benefit Payments, including refunds of employee contributions	(3,314,052)	(3,314,052)	-	-	-
Administrative expenses	-	(45,383)	45,383	16,205	29,178
Other Expenses	-	(3,839)	3,839	1,371	2,468
Net Changes	1,320,423	(1,729,333)	3,049,756	1,085,508	1,964,247
Balance at June 30, 2017	$ 68,051,301	$ 47,665,450	$ 20,385,851	$ 7,279,308	$ 13,106,543

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)	$ 15,233,256	$ 12,099,466	$ 3,133,790
Changes for the year:			
Adjustment for Change in Proportionate Share	448,288	356,066	92,222
Service Cost	375,711	-	375,711
Interest	1,191,016	-	1,191,016
Differences between expected and actual experience	87,566	-	87,566
Changes in Assumptions	-	-	-
Contributions - Employer	-	313,983	(313,983)
Contributions - Employee	-	186,279	(186,279)
Net Plan to Plan Resource Movement	-	2	(2)
Net Investment Income	-	65,114	(65,114)
Benefit Payments, including refunds of employee contributions	(776,259)	(776,259)	-
Administrative expenses	-	(7,563)	7,563
Net Changes	1,326,322	137,622	1,188,700
Balance at June 30, 2017	$ 16,559,578	$ 12,237,088	$ 4,322,490

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

M. Postemployment Benefits Other Than Pension Benefits

The Holtville Unified School District (District) administers a single-employer healthcare plan (Plan). The plan provides medical benefits to eligible retirees and their eligible dependents to age 65. Eligibility for retiree health benefits requires retirement from the District after attaining age 60 with at least 5 years of eligible service The District's contribution for medical coverage is $300 per month towards healthcare premiums for an eligible retiree, spouse, and dependents. District-paid benefits continue for the earlier of 2 years or until age 65. Confidential employees who retire after age 55 with at least 20 years of District service receive benefits equal to those provided to active Confidential employees until age 65. Membership of the plan consists of approximately 93 eligible active employees and 7 eligible retirees.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Teachers Association (CTA) and the local California School Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-17, the District contributed $84,850 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$	74,576
Interest on net OPEB obligation		1,250
Adjustment to annual required contribution		1,807
Annual OPEB Cost		77,633
Contribution made		(84,850)
Change in net OPEB obligation		(7,217)
Net OPEB obligation, beginning of year		31,245
Net OPEB obligation, end of year	$	24,028

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015, 2016 and 2017 were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	$ 73,989	95.03%	$ 36,626
2016	78,159	106.88%	31,245
2017	77,633	109.30%	24,028

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates ranged from an initial rate of 8.0% reduced to a rate of 5.0% after five years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2014 of 24 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

N. Deferred Outlfows of Resources

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

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

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

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

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

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

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

A summary of the deferred outflows of resources as of June 30, 2017, are as follows:

Description	Issue Date	Amortization Term	Beginning Balance	Additions	Current Year Amortization	Ending Balance
Bond insurance	06/21/2007	30 Years	$ 8,443	$ -	$ 8,350	$ 93
Bond insurance	11/08/2012	25 Years	8,766	-	-	8,766
Refunding Loss	11/08/2012	15 Years	90,569	-	7,547	83,022
Bond insurance	12/23/2014	20 Years	6,559	-	113	6,446
Refunding Loss	12/23/2014	20 Years	209,708	-	11,038	198,670
COPs insurance	01/14/2016	25 Years	17,700	-	17,700	-
Bond Insurance	11/10/2016	20 Years	-	4,077	-	4,077
Refunding Loss	11/10/2016	20 Years	-	144,362	-	144,362
Pension Related		Varies	2,712,517	2,538,306	1,773,056	3,477,767
Total Deferred Outflows of Resources			$ 3,054,262	$ 2,686,745	$ 1,817,804	$ 3,923,203

Year Ended	Debt Insurance	Refunding Loss	Pension Related	Total
2018	$ 282	$ 25,804	$ 2,075,848	$ 2,101,934
2019	208	25,804	595,195	621,207
2020	220	25,803	595,194	621,217
2021	208	25,803	211,530	237,541
2022	220	25,802	-	26,022
2023-2027	1,726	129,014	-	130,740
2028-2032	6,467	98,823	-	105,290
2033-2037	9,067	69,201	-	78,268
2038-2042	984	-	-	984
	$ 19,382	$ 426,054	$ 3,477,767	$ 3,923,203

O. Deferred Inflows of Resources

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

A summary of activity of deferred inflows of resources for the year ended June 30, 2017 is as follows:

Description	Amortization Term	Beginning Balance	Additions	Current Year Amortization	Ending Balance
Pension Related	Varies	$ 778,813	$ 233,110	$ 288,824	$ 723,099
Total Deferred Inflows of Resources		$ 778,813	$ 233,110	$ 288,824	$ 723,099

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2018	$ 288,824
2019	288,822
2020	98,831
2021	46,622
Total	$ 723,099

P. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

Q. Components of Ending Fund Balance

As of June 30, 2017 ending fund balance in governmental funds consisted of the following:

	Major Funds		Nonmajor	
	General Fund	Building Fund	Governmental Funds	Total
Nonspendable Fund Balances				
Revolving Cash	$ 2,500	$ -	$ 2,821	$ 5,321
Stores Inventory	-	-	19,171	19,171
Total Nonspendable	2,500	-	21,992	24,492
Restricted Fund Balances				
Educational Programs	168,941	-	13,495	182,436
Child Nutrition Program	-	-	135,888	135,888
Medi-Cal Program	50,002	-	-	50,002
Capital Projects	-	1,633,451	-	1,633,451
Debt Service	-	24,809	-	24,809
Other Restricted	6,451	-	-	6,451
Total Restricted	225,394	1,658,260	149,383	2,033,037
Assigned Fund Balances				
Capital Projects	-	-	218,785	218,785
Debt Service	-	-	353,629	353,629
Educational Programs	-	-	47,495	47,495
Total Assigned	-	-	619,909	619,909
Unassigned Fund Balances				
For Economic Uncertainty	4,797,310	-	-	4,797,310
Total Fund Balance	$ 5,025,204	$ 1,658,260	$ 791,284	$ 7,474,748

R. Adjustments to Beginning Fund Balance

With the implementation of GASB Statement No 68 & 71 the District relied upon information provided by CalSTRS and CalPERS in order to calculate their proportion of the net pension liability, deferred outflows of resources - pension related, and deferred inflows of resources - pension related. Proportionate share was determined based on the calculated proportionate share provided by CalSTRS and CalPERS. During the current year the district calculated proportionate share by taking contributions to the CalSTRS and CalPERS plans and dividing by plan total contributions. The result was a small change to proportionate share based on rounding variances in the proportionate share. Additionally, CalSTRS auditors made audit adjustments to CalSTRS records which affected beginning net position for the District and is also being adjusted.

In addition, the District made corrections to clerical errors in recording of general obligation bonds payable.

Beginning net position was adjusted as follows:

Net Position, Beginning (As Originally Stated)	$	3,745,323
Adjustments for:		
Net Pension Liability Corrections		29,642
Deferred Outflows of Resources - Pension Related Corrections		13,017
Deferred Inflows of Resources - Pension Related Corrections		2,231
Net Position, Beginning (As Restated)	$	3,797,696

S. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts --- or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements --- in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

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

As of the date this audit report is issued, the District does not have any split interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.

2. Reporting amounts previously reported as goodwill and “negative” goodwill.

3. Classifying real estate held by insurance entities.

4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.

5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.

6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.

7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.

8. Classifying employer-paid member contributions for OPEB.

9. Simplifying certain aspects of the alternative measurement method for OPEB.

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

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

GASB Statement No. 86 - Certain Debt Extinguishment Issues

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

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt.
However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.

Required Supplementary Information

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

HOLTVILLE UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 10,753,335	$ 10,587,452	$ 10,733,572	$ 146,120
Education Protection Account Funds	2,038,249	2,084,125	2,031,370	(52,755)
Local Sources	2,346,374	2,574,686	2,498,344	(76,342)
Federal Revenue	1,264,995	1,459,833	1,393,615	(66,218)
Other State Revenue	565,140	2,294,655	1,804,657	(489,998)
Other Local Revenue	618,052	825,966	726,823	(99,143)
Total Revenues	17,586,145	19,826,717	19,188,381	(638,336)
Expenditures:				
Current:				
Certificated Salaries	8,755,006	9,053,221	9,105,790	(52,569)
Classified Salaries	2,679,068	2,800,630	2,712,028	88,602
Employee Benefits	34,918,244	4,266,936	4,119,984	146,952
Books And Supplies	910,811	1,202,257	892,827	309,430
Services And Other Operating Expenditures	1,584,633	1,749,322	1,459,510	289,812
Other Outgo	80,457	80,524	79,928	596
Direct Support/Indirect Costs	(7,933)	(7,933)	(9,969)	2,036
Capital Outlay	30,000	964,923	499,000	465,923
Debt Service:				
Principal	11,474	11,474	11,474	-
Interest	903	903	903	-
Total Expenditures	48,962,663	20,122,257	18,871,475	1,250,782
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,376,518)	(295,540)	316,906	612,446
Other Financing Sources (Uses):				
Transfers In	-	357	357	-
Transfers Out	(370,000)	(394,429)	(394,429)	-
Total Other Financing Sources (Uses)	(370,000)	(394,072)	(394,072)	-
Net Change in Fund Balance	(31,746,518)	(689,612)	(77,166)	612,446
Fund Balance, July 1	-	-	5,102,371	5,102,371
Fund Balance, June 30	$ (31,746,518)	$ (689,612)	$ 5,025,205	$ 5,714,817

HOLTVILLE UNIFIED SCHOOL DISTRICT

Exhibit B-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
RETIREE HEALTHCARE PLAN
YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/08	$ -	$ 578,928	$ 578,928	-	$ 10,419,463	5.6%
07/01/11	-	775,617	775,617	-	9,129,937	8.5%
07/01/14	-	890,427	890,427	-	10,416,487	8.5%

HOLTVILLE UNIFIED SCHOOL DISTRICT

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0162%	0.0166%	0.0151%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's prportionate share of the net pension liability (asset) associated with the District	0.0090%	0.0092%	0.0104%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 13,106,543	$ 11,142,294	8,847,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	$ 7,279,308	$ 6,193,800	6,077,430	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total share of net pension liability (asset) associated with the District	$ 20,385,851	$ 17,336,094	14,924,430	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 8,583,688	8,051,062	7,648,187	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	152.69%	138.40%	115.67%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	74.02%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

See accompanying Notes to Required Supplementary Information

HOLTVILLE UNIFIED SCHOOL DISTRICT

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 1,079,828	863,879	679,159	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Contractually Required Contributions	1,079,828	863,879	679,159	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Contributions in relation to the contractually required contribution	(1,079,828)	(863,879)	(679,159)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 8,583,688	8,051,062	7,648,187	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

See accompanying Notes to Required Supplementary Information

HOLTVILLE UNIFIED SCHOOL DISTRICT

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0219%	0.0213%	0.0194%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 4,322,490	3,133,790	2,206,640	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 2,886,125	2,650,317	2,364,285	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	149.77%	118.24%	93.33%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

See accompanying Notes to Required Supplementary Information

HOLTVILLE UNIFIED SCHOOL DISTRICT

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 400,825	313,983	278,300	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(400,825)	(313,983)	(278,300)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 2,886,125	2,650,317	2,364,285	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

See accompanying Notes to Required Supplementary Information

Excess of Expenditures Over Appropriations

As of June 30, 2017, expenditures exceeded appropriations in individual budgeted funds as follows:

Appropriations Category	Excess Expenditures	Reason for Excess Expenditures
General Fund:		
Certificated Salaries	$ 52,569	Unanticipated costs for increases in salaries

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

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

2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions

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

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

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/06 - 06/30/10	07/01/07 - 06/30/11	07/01/08 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increase	2.00% Simple	2.00% Simple	2.00% Simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its RP2000 series tables adjusted to fit CalSTRS experience. RP 2000 series tables are an industry standard of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010, July 1, 2007 - June 30, 2011 and July 1, 2008 - June 30, 2012 Experience Analysis for more information.

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

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

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.

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

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

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/96 - 06/30/10	07/01/97 - 06/30/11	07/01/98 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.50%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increase	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 the Society of Actuaries Scale BB. For more details on this table, please refer to the April 2013 experience study (based on demographic data from 1996 through 2010), the April 2014 experience study (based on demographic data from 1997 to 2011) and the April 2015 experience study (based on demographic data from 1998 to 2012) available on the CalPERS website.

Combining Statements
as Supplementary Information

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

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 219,375	$ 328,502	$ 218,358	$ 766,235
Cash in Revolving Fund	2,821	-	-	2,821
Accounts Receivable	60,935	25,136	427	86,498
Stores Inventories	19,171	-	-	19,171
Total Assets	302,302	353,638	218,785	874,725
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 22,187	$ 9	$ -	$ 22,196
Due to Other Funds	61,246	-	-	61,246
Total Liabilities	83,433	9	-	83,442
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	2,821	-	-	2,821
Stores Inventories	19,170	-	-	19,170
Restricted Fund Balances	149,383	-	-	149,383
Assigned Fund Balances	47,495	353,629	218,785	619,909
Total Fund Balance	218,869	353,629	218,785	791,283
Total Liabilities and Fund Balances	$ 302,302	$ 353,638	$ 218,785	$ 874,725

HOLTVILLE UNIFIED SCHOOL DISTRICT

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

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	$ 928,026	$ 51,533	$ -	$ 979,559
Other State Revenue	240,511	2,805	-	243,316
Other Local Revenue	65,838	420,399	100,922	587,159
Total Revenues	1,234,375	474,737	100,922	1,810,034
Expenditures:				
Current:				
Instruction	153,173	-	-	153,173
Instruction - Related Services	75,734	-	-	75,734
Pupil Services	1,046,263	-	-	1,046,263
General Administration	9,969	-	-	9,969
Debt Service:				
Principal	-	269,817	-	269,817
Interest	-	342,324	-	342,324
Total Expenditures	1,285,139	612,141	-	1,897,280
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,764)	(137,404)	100,922	(87,246)
Other Financing Sources (Uses):				
Transfers In	-	394,429	-	394,429
Transfers Out	-	-	(357)	(357)
Other Sources	-	2,390	-	2,390
Total Other Financing Sources (Uses)	-	396,819	(357)	396,462
Net Change in Fund Balance	(50,764)	259,415	100,565	309,216
Fund Balance, July 1	269,633	94,214	118,220	482,067
Fund Balance, June 30	$ 218,869	$ 353,629	$ 218,785	$ 791,283

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 78,270	$ 141,105	$ 219,375
Cash in Revolving Fund	-	2,821	2,821
Accounts Receivable	4,793	56,142	60,935
Stores Inventories	-	19,171	19,171
Total Assets	83,063	219,239	302,302
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 11,962	$ 10,225	$ 22,187
Due to Other Funds	10,111	51,135	61,246
Total Liabilities	22,073	61,360	83,433
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	-	2,821	2,821
Stores Inventories	-	19,170	19,170
Restricted Fund Balances	13,495	135,888	149,383
Assigned Fund Balances	47,495	-	47,495
Total Fund Balance	60,990	157,879	218,869
Total Liabilities and Fund Balances	$ 83,063	$ 219,239	$ 302,302

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	$ 18,518	$ 909,508	$ 928,026
Other State Revenue	185,188	55,323	240,511
Other Local Revenue	43,278	22,560	65,838
Total Revenues	246,984	987,391	1,234,375
Expenditures:			
Current:			
Instruction	153,173	-	153,173
Instruction - Related Services	75,734	-	75,734
Pupil Services	-	1,046,263	1,046,263
General Administration	9,969	-	9,969
Total Expenditures	238,876	1,046,263	1,285,139
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,108	(58,872)	(50,764)
Net Change in Fund Balance	8,108	(58,872)	(50,764)
Fund Balance, July 1	52,882	216,751	269,633
Fund Balance, June 30	$ 60,990	$ 157,879	$ 218,869

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2017

	Bond Interest & Redemption Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 103,784	$ 224,718	$ 328,502
Accounts Receivable	167	24,969	25,136
Total Assets	103,951	249,687	353,638
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 9	$ -	$ 9
Total Liabilities	9	-	9
Fund Balance:			
Assigned Fund Balances	103,942	249,687	353,629
Total Fund Balance	103,942	249,687	353,629
Total Liabilities and Fund Balances	$ 103,951	$ 249,687	$ 353,638

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Bond Interest & Redemption Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	$ -	$ 51,533	$ 51,533
Other State Revenue	2,805	-	2,805
Other Local Revenue	419,921	478	420,399
Total Revenues	422,726	52,011	474,737
Expenditures:			
Current:			
Debt Service:			
Principal	125,000	144,817	269,817
Interest	260,635	81,689	342,324
Total Expenditures	385,635	226,506	612,141
Excess (Deficiency) of Revenues Over (Under) Expenditures	37,091	(174,495)	(137,404)
Other Financing Sources (Uses):			
Transfers In	-	394,429	394,429
Other Sources	2,390	-	2,390
Total Other Financing Sources (Uses)	2,390	394,429	396,819
Net Change in Fund Balance	39,481	219,934	259,415
Fund Balance, July 1	64,461	29,753	94,214
Fund Balance, June 30	$ 103,942	$ 249,687	$ 353,629

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 218,358	$ -	$ 218,358
Accounts Receivable	427	-	427
Total Assets	218,785	-	218,785
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	-	-	-
Fund Balance:			
Assigned Fund Balances	$ 218,785	$ -	$ 218,785
Total Fund Balance	218,785	-	218,785
Total Liabilities and Fund Balances	$ 218,785	$ -	$ 218,785

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	$ 100,922	$ -	$ 100,922
Total Revenues	100,922	-	100,922
Expenditures:			
Current:			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	100,922	-	100,922
Other Financing Sources (Uses):			
Transfers Out	-	(357)	(357)
Total Other Financing Sources (Uses)	-	(357)	(357)
Net Change in Fund Balance	100,922	(357)	100,565
Fund Balance, July 1	117,863	357	118,220
Fund Balance, June 30	$ 218,785	$ -	$ 218,785

Other Supplementary Information

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

Supplementary Information Section

HOLTVILLE UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2017

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

Governing Board

Name	Office	Term and Term Expiration
Ben Abatti, Jr.	President	Four year term Expires December 2017
Matt Hester	Clerk	Four year term Expires December 2019
John Hawk	Member	Four year term Expires December 2017
Kevin Grizzle	Member	Four year term Expires December 2017
Jared Garewal	Member	Four year term Expires December 2019

Administration

Celso Ruiz
Superintendent

John Paul Wells
Assistant Superintendent

Samantha Williams
Director of Special
Projects/Special Education

HOLTVILLE UNIFIED SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2017

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	428.14	N/A	426.79	N/A
Grades 4-6:				
Regular ADA	333.08	N/A	330.99	N/A
Grades 7 and 8:				
Regular ADA	234.59	N/A	234.88	N/A
Grades 9-12:				
Regular ADA	556.15	N/A	553.93	N/A
ADA Totals	1,551.96	N/A	1,546.59	N/A

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

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

HOLTVILLE UNIFIED SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2017

Grade Level	Ed. Code 46207 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
Transitional Kindergarten	36,000	57,330	180	Complied
Kindergarten	36,000	52,890	180	Complied
Grade 1	50,400	53,760	180	Complied
Grade 2	50,400	53,480	180	Complied
Grade 3	50,400	54,350	180	Complied
Grade 4	54,000	55,220	180	Complied
Grade 5	54,000	59,960	180	Complied
Grade 6	54,000	59,960	180	Complied
Grade 7	54,000	59,960	180	Complied
Grade 8	54,000	68,596	180	Complied
Grade 9	64,800	68,596	180	Complied
Grade 10	64,800	68,596	180	Complied
Grade 11	64,800	68,596	180	Complied
Grade 12	64,800	68,596	180	Complied

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

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

The District has neither met nor exceeded its target funding.

HOLTVILLE UNIFIED SCHOOL DISTRICT

TABLE D-3

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

General Fund	Budget 2018 (see note 1)	2017	2016	2016
Revenues and other financial sources	$ 20,062,770	$ 19,188,737	$ 18,770,514	$ 15,786,561
Expenditures, other uses and transfers out	20,493,153	19,265,903	17,005,696	15,620,777
Change in fund balance (deficit)	(430,383)	(77,166)	1,764,818	165,784
Ending fund balance	$ 4,594,823	$ 5,025,206	$ 5,102,372	$ 3,337,554
Available reserves (see note 2)	$ 4,594,822	$ 4,797,310	$ 4,528,319	$ 2,952,276
Available reserves as a percentage of total outgo (see note 3)	22.4%	25.5%	27.4%	19.4%
Total long-term debt	$ 29,922,154	$ 30,363,977	$ 27,358,938	$ 21,156,479
Average daily attendance at P-2	1,552	1,552	1,542	1,545

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

The fund balance of the general fund has increased by $1,687,651 (51%) over the past two years. The fiscal year 2017-18 budget projects a decrease of $430,383 (8.6%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by $9,207,498 over the past two years (see note 4).

Average daily attendance has increased by 7 (.5%) over the past two years.

Notes:

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

2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

3 On behalf payments of $676,203, $478,032, and $375,656, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2017, 2016, and 2015.

HOLTVILLE UNIFIED SCHOOL DISTRICT

TABLE D-4

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2017

No charter schools are chartered by Holtville Unified School District.

Charter Schools	Included In Audit?
None	N/A

HOLTVILLE UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	$ -	$ 285,598
National School Lunch Program Meal Supplements	10.555	13396	-	34,951
National School Lunch Program Section 11	10.555	13396	-	425,431
Noncash Commodities	10.555	13396	-	78,448
National School Lunch Program	10.555	13523	-	85,080
Total Passed Through State Department of Education			-	909,508
Total U. S. Department of Agriculture			-	909,508
Total Child Nutrition Cluster			-	909,508
MEDICAID CLUSTER:				
U. S. Department of Health and Human Services				
Passed Through State Department of Education:				
Medi-Cal	93.778	10013	-	22,719
Total U. S. Department of Health and Human Services			-	22,719
Total Medicaid Cluster			-	22,719
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	213,955
Total U. S. Department of Education			-	213,955
Total Special Education (IDEA) Cluster			-	213,955
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through State Department of Education:				
Adult Education Secondary	84.002	13978	-	11,464
Adult Education Basic	84.002	14508	-	7,054
Title I	84.010	14329	-	491,023
Migrant Education Summer	84.011	10005	-	121,825
Migrant Education	84.011	14838	-	305,501
Carl D. Perkins Career & Technical Education	84.048	14894	-	19,863
Title III Limited English Proficiency (LEP)	84.365	14346	-	65,510
Title III Immigrant Education	84.365	15146	-	6,066
Title II Supporting Effective Instruction	84.367	14341	-	113,915
Total Passed Through State Department of Education			-	1,142,221
Total U. S. Department of Education			-	1,142,221
U. S. Department of Agriculture				
Direct Program:				
Distance Learning & Telemedicine	10.855	-	-	42,607
Total U. S. Department of Agriculture			-	42,607
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 2,331,010

The accompanying notes are an integral part of this schedule.

HOLTVILLE UNIFIED SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Bay Union School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR Section 200.502, Basis for Determining, Federal Awards Expended, and 2 CFR Section 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 general purpose financial statements.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 6.49% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Migrant Education - Summer Program	84.011	6.28%
School Breakfast Program	10.553	0.00%
National School Lunch Program	10.555	0.00%
Title III Limited English Proficiency	84.365	2.00%
Title III Immigrant Education	84.365	1.73%

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 School in it's schoolwide program:

Program	CFDA #	Amount Expended
Title I Part A	84.010	$491,023

Summary of Significant Accounting Policies

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

Other Independent Auditor's Reports

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

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

Board of Trustees
Holtville Unified School District
Holtville, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holtville Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Holtville Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wilkinson Hadley King & Co LLP

El Cajon, California
December 14, 2017

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

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

Board of Trustees
Holtville Unified School District
Holtville, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Holtville Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Holtville Unified School District's major federal programs for the year ended June 30, 2017. Holtville Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Holtville Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Wilkinson Hadley King & CoLLP

El Cajon, California
December 14, 2017

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

Independent Auditor's Report on State Compliance

Board of Trustees
Holtville Unified School District
Holtville, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2016-17 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, 2017.

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, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810**.** We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States; and the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

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

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

Opinion on State Compliance

In our opinion, Holtville Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2017.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 14, 2017

Findings and Recommendations Section

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.011	Migrant Education
10.553	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes	____	No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?	____	Yes	X	No
Type of auditor's report issued on compliance for state programs:	Unmodified			

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

HOLTVILLE UNIFIED SCHOOL DISTRICT

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

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