

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

AUDIT REPORT

JUNE 30, 2018

Introductory Section

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

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Financial Section



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Independent Auditor's Report

To the Board of Trustees
Calipatria Unified School District
Calipatria, 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 Calipatria Unified School District ("the District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Calipatria Unified School District as of June 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Calipatria Unified School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of Calipatria Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calipatria Unified School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + LLP

El Cajon, California
December 14, 2018

Management Discussion and Analysis For the Calipatria Unified School District (Unaudited)

The following Management Discussion and Analysis (MD&A) highlights the significant factors that influenced the financial performance of the Calipatria Unified School District during the fiscal year ending June 30, 2018. The MD&A is a requirement of GASB 34 and should be read in conjunction with the district's financial statements for the fiscal year 2017-18.

Financial Highlights

The district's total net position was \$3,398,445 as of June 30, 2018.

Overview of the Financial Statements

The following are the components of the GASB 34 reporting model:

Management Discussion and Analysis

District Wide Statements

Statement of Activities

Statement of Net Position

Fund Statements

Budgetary Comparison

Notes to Financial Statements

The Management Discussion and Analysis (this section) is a narrative analysis of the district's financial performance over the course of the fiscal year. The District-wide financial statements report information about the district as a whole. All funds are included. There are two types of District-wide Statements; the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes all of the district's assets and liabilities and reports the changes that occurred during the fiscal year.

The Statement of Activities reports all of the district's revenues and expenditures accounted for in the current year, regardless of when the cash was paid.

The two district-wide statements report the district's net position and how they have changed. Net position, the difference between a districts assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is a common tool used by outside agencies to measure the district's fiscal health or determine it's financial position. Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating.

The district's activities are included in the district wide financial statements.. All of the district's activities are considered governmental activities for GASB reporting purposes.

Fund Financial Statements

Fund Financial Statements provide more detailed information about the district's specific funds, not the district as a whole. These are the familiar types of statements used for reporting purposes prior to the district's implementation of GASB 34. The purpose of Fund Financial Statements is to assist the district in keeping specific sources of funding separate due to State laws and restrictions on spending particular types of funds (i.e. Adult Education Fund is separate from the Deferred Maintenance Fund and the Cafeteria Fund, etc).

In Fund Accounting, there are three types of funds; 1) Governmental Funds 2) Proprietary Funds and 3) Fiduciary funds. The majority of the funds accounted for by Calipatria Unified School District are governmental funds. The district uses governmental funds to account for all of the activities in the general fund, including collection and disbursement of earmarked money (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Project Funds) and the servicing of general long term debt (Debt Service Funds).

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The two forms of proprietary funds are enterprise funds and internal service funds. The district does not currently operate any proprietary funds.

Fiduciary funds are used to account for and manage assets that belong to others, such as scholarship funds or student activities funds. Fiduciary activities are reported in separate fiduciary statements. Their activities and operations are excluded from the district wide financial statements because the district cannot use these assets to finance its operations. The district operates one fiduciary fund, which is the Bill E. Young Trust Fund in addition to the student body funds, which are agency funds.

Financial Analysis of the District as a Whole

The Statement of Net Position and the Statement of Activities report information on the district as a whole rather than on individual funds. The following is a summary of the districts financial position as of June 30, 2018.

Summary Statement of Net Position

	June 30, 2017	June 30, 2018	Change	% Change
Assets				
Current and other assets	\$ 7,137,603	\$ 4,791,658	(2,345,945)	-32.87%
Capital assets	38,351,349	39,059,792	708,443	1.85%
Total assets	<u>\$ 45,488,952</u>	<u>\$ 43,851,450</u>	<u>\$ (1,637,502)</u>	<u>-3.60%</u>
Deferred outflows of resources	<u>\$ 2,766,987</u>	<u>\$ 5,317,684</u>	<u>\$ 2,550,697</u>	<u>92.18%</u>
Liabilities				
Current and other liabilities	\$ 584,149	\$ 695,165	\$ 111,016	19.00%
Long-term debt outstanding	42,338,096	43,168,538	830,442	1.96%
Total liabilities	<u>\$ 42,922,245</u>	<u>\$ 43,863,703</u>	<u>\$ 941,458</u>	<u>2.19%</u>
Deferred inflows of resources	<u>\$ 708,069</u>	<u>\$ 1,906,986</u>	<u>\$ 1,198,917</u>	<u>169.32%</u>
Net Position				
Net investment in capital assets	\$ 9,299,520	\$ 11,405,112	\$ 2,105,592	22.64%
Restricted for:				
Capital projects	3,183	90,614	87,431	2746.81%
Debt service	-	2,348,519	2,348,519	-100.00%
Educational programs	170,769	82,966	(87,803)	-51.42%
Other purposes (expendable)	85,061	102,594	17,533	20.61%
Other purposes (nonexpendable)	173,332	60,323	(113,009)	-65.20%
Unrestricted	<u>(5,106,240)</u>	<u>(10,691,683)</u>	<u>(5,585,443)</u>	<u>109.38%</u>
Total Net Position	<u>\$ 4,625,625</u>	<u>\$ 3,398,445</u>	<u>\$ (1,227,180)</u>	<u>-26.53%</u>

Summary Statement of Activities

	<u>2016-17</u>	<u>2017-18</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Program revenues	\$ 5,657,771	\$ 2,978,241	\$ (2,679,530)	-47.36%
General revenues	15,138,890	14,409,061	(729,829)	-4.82%
Total Revenues	<u>\$ 20,796,661</u>	<u>\$ 17,387,302</u>	<u>\$ (3,409,359)</u>	<u>-16.39%</u>
Expenses				
Instruction and related services	\$ 11,992,425	\$ 11,425,306	\$ (567,119)	-4.73%
Pupil services	2,272,124	2,079,324	(192,800)	-8.49%
General administration	1,334,392	1,408,380	73,988	5.54%
Plant services	2,088,614	2,039,640	(48,974)	-2.34%
Ancillary services	108,888	113,750	4,862	4.47%
Community services	1,158	2,156	998	86.18%
Interest on long term debt	1,479,650	1,428,472	(51,178)	-3.46%
Other outgo	127,762	75,227	(52,535)	-41.12%
Total Expenses	<u>\$ 19,405,013</u>	<u>\$ 18,572,255</u>	<u>\$ (832,758)</u>	<u>-4.29%</u>
Change in Net Position	<u>\$ 1,391,648</u>	<u>\$ (1,184,953)</u>	<u>\$ (2,576,601)</u>	<u>-185.15%</u>

Financial Analysis of Balances of Individual Funds

Governmental Fund Types

The total combined governmental fund balances for the district was \$ 4,298,489.

All of the governmental funds operated by the district in 2017-18 reported positive ending fund balances as of June 30, 2018.

Proprietary and Fiduciary Fund Types

The district does not currently operate any proprietary funds (i.e. Self-Insurance Funds, etc).

Fiduciary Fund Types

All four school sites operated associated student body accounts and as a whole, they had an operating surplus. The district operates no other fiduciary funds.

Analysis of General Fund Budget

Over the course of the year, the district revised the annual operating budget several times.

The district closed the 2017-18 fiscal year with a variance in revenues of \$405,701 and a favorable variance in expenditures of \$370,590.

The favorable variance in expenditures of \$370,590 was predominately due to expenses that were budgeted for books and supplies that were not purchased.

Capital Assets and Long-Term Obligations Administration

Capital Assets

By the end of fiscal year 2017-18, the district had invested \$59,146,039 in land, school buildings, site improvements, vehicles, and equipment. Accumulated depreciation was \$20,254,052. Total book value of capital assets was \$38,891,987.

Governmental Activities		
Capital Assets	2017	2018
Land & Work in Progress	11,055,768	12,370,208
Building & Site Improvements	43,690,271	43,533,185
Equipment	3,010,923	3,242,646
Accumulated Depreciation	-19,405,613	-20,254,052
Total Capital Assets	38,351,349	38,891,987

Long-Term Obligations

At the end of the year, Calipatria Unified School District had \$43,168,539 in long-term obligations outstanding. This is an increase from the prior year of \$830,443.

- The district General Obligation Bonds Payable decreased by \$1,261,321.
- Compensated absences increased by \$932.

Governmental Activities		
Long-term Obligations	2017	2018
Total OPEB liability	\$ 73,780	\$ 51,941
Net pension liability	13,233,282	15,409,865
Capital Leases	1,543,621	1,407,793
General obligation bonds	27,508,208	26,246,887
Compensated absences	52,985	52,053
Total governmental activities	\$ 42,411,876	\$ 43,168,539

Factors Bearing on the District's Future

The most important factor influencing the district's financial future in 2018-19 is the continued implementation of the LCFF. This change should continue to bring slightly increased revenues to the district as we move forward.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, 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 Corey Caston, Business Manager, at (760) 348-2152 or at Calipatria Unified School District, 501 West Main St., Calipatria, CA 92233.

Basic Financial Statements

CALIPATRIA UNIFIED SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash	\$ 4,345,190
Receivables	389,145
Stores	57,323
Capital Assets:	
Land	61,702
Improvements	82,340
Buildings	43,450,845
Equipment	3,242,645
Work in Progress	12,497,482
Less Accumulated Depreciation	(20,275,222)
Total Assets	<u>43,851,450</u>
DEFERRED OUTFLOWS OF RESOURCES	5,317,684
LIABILITIES	
Accounts Payable and Other Current Liabilities	432,773
Unearned Revenue	262,392
Long-Term Liabilities:	
Due Within One Year	2,318,951
Due in More Than One Year	40,849,587
Total Liabilities	<u>43,863,703</u>
DEFERRED INFLOWS OF RESOURCES	1,906,986
NET POSITION	
Net Investment in Capital Assets	11,405,112
Restricted for:	
Capital Projects	90,614
Debt Service	2,348,519
Educational Programs	82,966
Other Purposes (Expendable)	102,594
Other Purposes (Nonexpendable)	60,323
Unrestricted	(10,691,683)
Total Net Position	<u>\$ 3,398,445</u>

The accompanying notes are an integral part of this statement.

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

Functions	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 10,058,721	\$ 316,243	\$ 1,406,632	\$ 29	\$ (8,335,817)
Instruction-Related Services:					
Instructional Supervision and Administration	145,154	-	79,955	-	(65,199)
Instructional Library, Media and Technology	18,123	-	596	-	(17,527)
School Site Administration	1,203,308	4,421	89,503	-	(1,109,384)
Pupil Services:					
Home-to-School Transportation	613,964	-	-	-	(613,964)
Food Services	500,186	890	485,728	-	(13,568)
All Other Pupil Services	965,174	-	305,428	-	(659,746)
General Administration:					
Centralized Data Processing	198,541	-	6,699	-	(191,842)
All Other General Administration	1,209,839	11,625	91,091	-	(1,107,123)
Plant Services	2,039,640	126	68,900	-	(1,970,614)
Ancillary Services	113,750	-	1,750	-	(112,000)
Community Services	2,156	-	-	-	(2,156)
Interest on Long-Term Debt	1,428,472	-	-	-	(1,428,472)
Other Outgo	75,227	-	108,625	-	33,398
Total Expenses	\$ 18,572,255	\$ 333,305	\$ 2,644,907	\$ 29	\$ (15,594,014)
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					
					3,146,903
Taxes Levied for Debt Service					
					1,832,733
Federal and State Aid Not Restricted to Specific Programs					
					9,206,703
Interest and Investment Earnings					
					32,617
Interagency Revenues					
					5,179
Miscellaneous					
					184,926
Total General Revenues					
					\$ 14,409,061
Change in Net Position					
					(1,184,953)
Net Position Beginning-Restated (Note P)					
					4,583,398
Net Position Ending					
					\$ 3,398,445

The accompanying notes are an integral part of this statement.

CALIPATRIA UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 1,858,607	\$ 2,073,763	\$ 409,819	\$ 4,342,189
Cash in Revolving Fund	3,000	-	-	3,000
Accounts Receivable	341,015	5,370	42,760	389,145
Due from Other Funds	6,580	-	-	6,580
Stores Inventories	-	-	57,323	57,323
Total Assets	<u>2,209,202</u>	<u>2,079,133</u>	<u>509,902</u>	<u>4,798,237</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 223,984	\$ -	\$ 6,792	\$ 230,776
Due to Other Funds	-	-	6,580	6,580
Unearned Revenue	262,392	-	-	262,392
Total Liabilities	<u>486,376</u>	<u>-</u>	<u>13,372</u>	<u>499,748</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	3,000	-	-	3,000
Stores Inventories	-	-	57,323	57,323
Restricted Fund Balances	102,566	-	86,210	188,776
Committed Fund Balances	-	2,079,133	-	2,079,133
Assigned Fund Balances	4,321	-	352,997	357,318
Unassigned:				
Reserve for Economic Uncertainty	459,431	-	-	459,431
Other Unassigned	1,153,508	-	-	1,153,508
Total Fund Balance	<u>1,722,826</u>	<u>2,079,133</u>	<u>496,530</u>	<u>4,298,489</u>
Total Liabilities and Fund Balances	<u>\$ 2,209,202</u>	<u>\$ 2,079,133</u>	<u>\$ 509,902</u>	<u>\$ 4,798,237</u>

The accompanying notes are an integral part of this statement.

CALIPATRIA UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2018

Total fund balances, governmental funds \$ 4,298,489

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:	59,335,014	
Accumulated depreciation:	<u>(20,275,222)</u>	
Net		39,059,792

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was: (201,996)

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	26,246,886	
Net pension liability (asset)	15,409,865	
Total OPEB liability	51,941	
Compensated absences payable	52,053	
Capital leases payable	<u>1,407,793</u>	
Total		(43,168,538)

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		5,317,684
Deferred inflows of resources relating to pensions		<u>(1,906,986)</u>

Total net position, governmental activities \$ 3,398,445

The accompanying notes are an integral part of this statement.

CALIPATRIA UNIFIED SCHOOL DISTRICT

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

	General Fund	Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 7,117,167	\$ -	\$ -	\$ 7,117,167
Education Protection Account Funds	1,646,403	-	-	1,646,403
Local Sources	3,142,412	-	-	3,142,412
Federal Revenue	1,286,876	-	532,674	1,819,550
Other State Revenue	1,181,454	6,420	87,318	1,275,192
Other Local Revenue	701,685	1,838,240	27,263	2,567,188
Total Revenues	<u>15,075,997</u>	<u>1,844,660</u>	<u>647,255</u>	<u>17,567,912</u>
Expenditures:				
Current:				
Instruction	8,896,398	-	16,816	8,913,214
Instruction - Related Services	1,305,711	-	-	1,305,711
Pupil Services	1,422,327	-	501,307	1,923,634
Ancillary Services	110,991	-	-	110,991
Community Services	2,156	-	-	2,156
General Administration	1,367,420	-	21,957	1,389,377
Plant Services	1,898,297	-	68,361	1,966,658
Other Outgo	72,906	-	-	72,906
Capital Outlay	42,746	-	1,503,416	1,546,162
Debt Service:				
Principal	135,828	1,357,984	-	1,493,812
Interest	59,577	1,255,738	-	1,315,315
Total Expenditures	<u>15,314,357</u>	<u>2,613,722</u>	<u>2,111,857</u>	<u>20,039,936</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(238,360)</u>	<u>(769,062)</u>	<u>(1,464,602)</u>	<u>(2,472,024)</u>
Net Change in Fund Balance	(238,360)	(769,062)	(1,464,602)	(2,472,024)
Fund Balance, July 1	1,961,186	2,848,195	1,961,132	6,770,513
Fund Balance, June 30	<u>\$ 1,722,826</u>	<u>\$ 2,079,133</u>	<u>\$ 496,530</u>	<u>\$ 4,298,489</u>

The accompanying notes are an integral part of this statement.

CALIPATRIA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total change in fund balances, governmental funds \$ (2,472,024)

Amounts reported for governmental activities in the statement of activities are different 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	1,578,052	
Depreciation Expense	<u>(869,609)</u>	
Net		708,443

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: 1,493,812

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 amortized for the period was:

Prepaid debt insurance incurred during the period	-	
Prepaid debt insurance amortized for the period	<u>(2,321)</u>	
Net		(2,321)

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: (177,840)

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: 21,839

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: 932

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: (822,482)

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: 64,688

Change in net position of governmental activities \$ (1,184,953)

The accompanying notes are an integral part of this statement.

CALIPATRIA UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

	Foundation Trust Fund	Agency Fund
	<u> </u>	<u> </u>
	Student Body Fund	<u> </u>
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ 12,182	\$ -
Cash on Hand and in Banks	-	156,043
Accounts Receivable	33	-
Total Assets	<u>12,215</u>	<u>156,043</u>
LIABILITIES:		
Accounts Payable	\$ 72	\$ -
Due to Student Groups	-	156,043
Total Liabilities	<u>72</u>	<u>156,043</u>
NET POSITION:		
Held in Trust	12,143	-
Total Net Position	<u>\$ 12,143</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CALIPATRIA UNIFIED SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Foundation Trust Fund
Additions:	
Investment Income	\$ 130
Total Additions	<u>130</u>
Deductions:	
Materials and Supplies	4,072
Total Deductions	<u>4,072</u>
Change in Net Position	(3,942)
Net Position-Beginning of the Year	16,085
Net Position-End of the Year	<u>\$ 12,143</u>

The accompanying notes are an integral part of this statement.

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

A. Summary of Significant Accounting Policies

Calipatria 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.

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

Bond Interest and Redemption Fund. This fund is used to account for the accumulation of resources for, and the repayment of District bonds, interest, and related costs.

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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds 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.

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

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.

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.

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

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 during the benefiting period.

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50
Building Improvements	20
Vehicles	5-15
Office Equipment	5-15
Computer Equipment	5-15

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

d. Compensated Absences

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

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

e. Unearned Revenue

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

f. Interfund Activity

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

g. Property Taxes

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

CALIPATRIA UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

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

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

i. Minimum Fund Balance

The District has adopted a policy to maintain a minimum economic uncertainty reserve of at least 3% of total general fund expenditures and other financing uses. The reserve may be increased from time to time in order to address specific anticipated revenue or cash flow shortfalls. It is the District's intent to continuously sustain a 4% economic uncertainty reserve. The primary purpose of this reserve is to avoid the need for services level reductions in the event of economic downturn. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

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) does not meet the requirements of a special revenue fund, and is therefore 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, 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.

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

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

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

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

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

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

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

GASB 81 - Irrevocable Split-Interest Agreements

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

The District does not receive resources pursuant to an irrevocable split-interest agreement, nor does the District have any beneficial interests in irrevocable split interest agreements as of June 30, 2018. The District has adopted the accounting policies in the event that the District obtains a beneficial interest in a future split-interest agreement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 81.

GASB 85 - Omnibus 2017

The primary objective of this statement is to address practice issues that were identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The statement was issued as a clarifying measure to previously issued statements.

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

GASB 86 - Certain Debt Extinguishment Issues

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

The District does not have any in-substance defeasance of debt as of June 30, 2018. The District has adopted the accounting policies in the event that the District extinguishes debt through use of a legal extinguishment or through an in-substance defeasance in a future period. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 86.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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 Imperial County Treasury as part of the common investment pool (\$4,354,371 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$4,354,371. 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 (\$156,043 as of June 30, 2018) and in the revolving fund (\$3,000) 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 Authorized by the California Government Code and the District's Investment Policy

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

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

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

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

As of June 30, 2018, the District's bank balances (including revolving cash) of \$156,043 was not exposed to custodial risk.

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

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.

5. 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 in conformity with GASB Statement No. 77 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.

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

D. Accounts Receivable

Accounts receivable at June 30, 2018 consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	<u>Major Governmental Funds</u>			
	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Federal Government: Federal Programs	\$ 287,968	\$ -	\$ 41,648	\$ 329,616
State Government: Lottery	48,718	-	-	48,718
Local Sources: Interest	<u>4,329</u>	<u>5,370</u>	<u>1,112</u>	<u>10,811</u>
Total	<u>\$ 341,015</u>	<u>\$ 5,370</u>	<u>\$ 42,760</u>	<u>\$ 389,145</u>
	<u>Foundation Trust Fund</u>			
Local Sources: Interest	<u>\$ 33</u>			
Total	<u>\$ 33</u>			

All accounts receivable are considered to be collectible in full and as such no allowance for doubtful accounts has been established.

E. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 61,702	\$ 1	\$ -	\$ 61,703
Work in progress	10,994,066	1,503,416	188,977	12,308,505
Total capital assets not being depreciated	<u>11,055,768</u>	<u>1,503,417</u>	<u>188,977</u>	<u>12,370,208</u>
Capital assets being depreciated:				
Buildings	43,607,931	-	157,086	43,450,845
Improvements	82,340	-	-	82,340
Equipment	3,010,923	231,723	-	3,242,646
Total capital assets being depreciated	<u>46,701,194</u>	<u>231,723</u>	<u>157,086</u>	<u>46,775,831</u>
Less accumulated depreciation for:				
Buildings	(16,894,207)	(753,139)	(21,171)	(17,626,175)
Improvements	(38,819)	(4,117)	-	(42,936)
Equipment	(2,472,587)	(112,354)	-	(2,584,941)
Total accumulated depreciation	<u>(19,405,613)</u>	<u>(869,610)</u>	<u>(21,171)</u>	<u>(20,254,052)</u>
Total capital assets being depreciated, net	<u>27,295,581</u>	<u>(637,887)</u>	<u>135,915</u>	<u>26,521,779</u>
Governmental activities capital assets, net	<u>\$ 38,351,349</u>	<u>\$ 865,530</u>	<u>\$ 324,892</u>	<u>\$ 38,891,987</u>

CALIPATRIA UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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Depreciation was charged to functions as follows:

Instruction	\$ 778,138
Pupil Services	77,219
General Administration	7,083
Plant Services	7,170
	<u>\$ 869,610</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

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

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Cafeteria Fund	\$ 6,580	AP and payroll contributions
	Total	<u>\$ 6,580</u>	

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

G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. During the year ended June 30, 2018 the District did not enter into any short-term agreements.

H. Accounts Payable

Accounts payable at June 30, 2018 consisted of:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Vendor payables	\$ 165,625	\$ 5,841	\$ 171,466
Payroll and related benefits	53,062	833	53,895
Pension related payables	<u>5,297</u>	<u>118</u>	<u>5,415</u>
Total	<u>\$ 223,984</u>	<u>\$ 6,792</u>	<u>\$ 230,776</u>
	<u>Foundation Trust Fund</u>		
Vendor payables	<u>\$ 72</u>		
Total	<u>\$ 72</u>		

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

I. Deferred Resources

On December 11, 2013 the District issued general obligation bonds in the amount of \$4,500,000. When the bonds were issued, the District prepaid bond insurance in the amount of \$21,210. 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 economic interest method.

On December 11, 2013 the District issued general obligation bonds in the amount of \$4,500,000. When the bonds were issued, the District prepaid bond insurance in the amount of \$7,645. 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 economic interest method.

On April 22, 2014 the District issued general obligation bonds in the amount of \$4,760,000. When the bonds were issued, the District prepaid bond insurance in the amount of \$8,461. 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 economic interest method.

The April 22, 2014 general obligation bonds issued were refunding bonds which refunded a portion of bonds issued in 2004. The refunding resulted in a loss on refunding of \$220,862 which is recorded as a deferred outflow of resources and amortized over the life of the refunding bonds using the straight line method.

In addition, in accordance with GASB Statement No. 68 & 71, payments made subsequent to the net pension liability measurement date are recorded as deferred outflows of resources.

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

Description	Issue Date	Balance July 1, 2017	Current Additions	Current Year Amortization	Balance June 30, 2018
2013 Bond Insurance - Series A	12/11/2013	\$ 19,655	\$ -	\$ 943	\$ 18,712
2013 Bond Insurance - Series B	12/11/2013	7,645	-	-	7,645
2014 Bond Insurance	04/22/2014	5,750	-	1,378	4,372
2014 Loss on Refunding	04/22/2014	157,758	-	31,552	126,206
Pension Related	06/30/2015	2,607,731	4,822,427	2,269,409	5,160,749
Total Deferred Outflows of Resources		\$ 2,798,539	\$ 4,822,427	\$ 2,303,282	\$ 5,317,684

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Prepaid Bond Insurance	2014 Loss On Refunding	Pension Related	Total
2019	\$ 1,722	\$ 31,552	\$ 2,427,659	\$ 2,460,933
2020	1,818	31,552	1,139,059	1,172,429
2021	1,918	31,551	887,267	920,736
2022	481	31,551	706,764	738,796
2023	545	-	-	545
2024-2028	3,929	-	-	3,929
2029-2033	6,389	-	-	6,389
2034-2038	9,918	-	-	9,918
2039-2043	4,009	-	-	4,009
Total	\$ 30,729	\$ 126,206	\$ 5,160,749	\$ 5,317,684

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

J. Deferred Inflows of Resources

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

Description	Balance July 1, 2017	Current Additions	Current Year Amortization	Balance June 30, 2018
Pension Related	\$ 708,069	\$ 1,841,480	\$ 642,563	\$ 1,906,986
Totals	\$ <u>708,069</u>	\$ <u>1,841,480</u>	\$ <u>642,563</u>	\$ <u>1,906,986</u>

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2019	\$ 642,561
2020	470,414
2021	425,719
2022	368,292
Total	\$ <u>1,906,986</u>

K. Unearned Revenue

Unearned revenue at June 30, 2018 consisted of:

	General Fund
Federal Government:	
Federal Grants	\$ 17,155
State Government:	
Career & Technical Education Grant	<u>245,237</u>
Total	\$ <u>262,392</u>

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

L. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds					
Principal balance	\$ 16,525,694	\$ -	\$ 1,357,983	\$ 15,167,711	\$ 1,250,443
Bond premium	1,145,884	-	96,240	1,049,644	91,993
Bond accreted interest	9,836,630	969,722	776,820	10,029,532	832,246
Total GO Bonds	<u>27,508,208</u>	<u>969,722</u>	<u>2,231,043</u>	<u>26,246,887</u>	<u>2,174,682</u>
Capital leases	1,543,621	-	135,828	1,407,793	92,216
Total OPEB liability	73,780	-	21,839	51,941	-
Net pension liability	13,233,282	2,176,583	-	15,409,865	-
Compensated absences *	52,985	-	932	52,053	52,053
Total governmental activities	<u>\$ 42,411,876</u>	<u>\$ 3,146,305</u>	<u>\$ 2,389,642</u>	<u>\$ 43,168,539</u>	<u>\$ 2,318,951</u>

* 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. General Obligation Bonds

General obligation bonds at June 30, 2018 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
1995 Election Series B	11/29/2000	4.60-6.50%	8/1/2025	\$ 2,713,489
1995 Election Series C	11/22/2002	2.38-7.47%	8/1/2027	8,985,468
2013 Election Series A	12/11/2013	3.00-4.72%	8/1/2038	4,500,000
2014 GO Refunding	4/22/2014	2.00-4.00%	8/1/2020	4,760,000
2013 Election Series B	8/5/2014	2.00-5.00%	8/1/2039	4,500,000
Total GO Bonds				<u>\$ 25,458,957</u>

CALIPATRIA UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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	Beginning Balance	Increases	Decreases	Ending Balance
1995 Election Series B	\$ 1,292,081	\$ -	\$ 56,003	\$ 1,236,078
1995-B Bond Premium	193,270	-	8,377	184,893
1995-B Accreted Interest	3,522,987	305,435	153,800	3,674,622
1995 Election Series C	3,328,613	-	326,980	3,001,633
1995-C Bond Premium	362,754	-	35,634	327,120
1995-C Accreted Interest	6,313,643	664,287	623,020	6,354,910
2013 Election Series A	4,170,000	-	200,000	3,970,000
2013-A Bond Premium	157,968	-	7,576	150,392
2014 Refunding	3,235,000	-	775,000	2,460,000
2014 Bond Premium	186,388	-	44,653	141,735
2013 Election Series B	4,500,000	-	-	4,500,000
2013-B Bond Premium	245,505	-	-	245,505
Total GO Bonds	<u>\$ 27,508,209</u>	<u>\$ 969,722</u>	<u>\$ 2,231,043</u>	<u>\$ 26,246,888</u>

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

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2019	\$ 1,250,443	\$ 832,246	\$ 439,120	\$ 2,521,809
2020	1,292,486	886,890	411,019	2,590,395
2021	1,318,628	939,726	388,282	2,646,636
2022	670,874	1,743,540	372,819	2,787,233
2023	666,757	1,808,300	367,219	2,842,276
2024-2028	3,353,523	9,735,643	1,713,824	14,802,990
2029-2033	1,960,000	-	1,411,854	3,371,854
2034-2038	3,025,000	-	855,765	3,880,765
2039-2043	1,630,000	-	84,788	1,714,788
Totals	<u>\$ 15,167,711</u>	<u>\$ 15,946,345</u>	<u>\$ 6,044,690</u>	<u>\$ 37,158,746</u>

3. Capital Leases

On April 1, 2009 the District entered into a capital lease agreement with California School Boards Association Finance Corporation to finance capital improvements to District property. The term of the lease commenced on April 8, 2009 and ends on February 1, 2024. The lease calls for annual principal payments along with semi-annual interest payments at an interest rate that varies from 3.04% to 5.40%. Title to the capital improvements transfers to the District upon final payment of the lease.

On November 12, 2015, the District entered into a capital lease agreement with Holman Capital Corporation to fund a Proposition 39 Energy Project. The term of the lease commenced on November 12, 2015 and ends November 12, 2030. The lease calls for semi-annual principal and interest payments at an interest rate of 3.56%. Title to the capital improvements transfers to the District upon final payment of the lease.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2018, as follows:

Year Ending June 30:	Principal	Interest	Total
2019	\$ 92,216	\$ 55,006	\$ 147,222
2020	103,475	50,831	154,306
2021	110,864	46,292	157,156
2022	119,578	41,450	161,028
2023	128,633	36,237	164,870
2024-2028	541,194	108,880	650,074
2029-2033	311,833	16,856	328,689
Total Minimum Rentals	<u>\$ 1,407,793</u>	<u>\$ 355,552</u>	<u>\$ 1,763,345</u>

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

4. Bond Premium

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

The following bonds were issued at a premium resulting in effective interest as follows:

	1995 Series B	1995 Series C	2004 Ref.	2014 Ref.
Total Interest	6,430,026	13,708,926	3,817,515	528,432
Less Bond Premium	(405,885)	(979,240)	(56,536)	(274,253)
Net Interest	6,024,141	12,729,686	3,760,979	254,179
Par Amount of Bonds	2,713,489	8,985,468	10,840,000	4,760,000
Periods	25	25	16	7
Effective Interest Rate	8.88%	5.67%	2.17%	0.76%
	2013 Series A	2013 Ref.	2013 Series B	
Total Interest	3,657,768	47,493	3,714,509	
Less Bond Premium	(170,469)	(40,370)	(245,505)	
Net Interest	3,487,299	7,123	3,469,004	
Par Amount of Bonds	4,500,000	1,520,000	4,500,000	
Periods	25	2	25	
Effective Interest Rate	3.10%	0.23%	3.08%	

5. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$52,053. This amount is included as part of long-term liabilities in the government-wide financial statements.

6. Net Pension Liability

The District's beginning net pension liability was \$13,233,583 and increased by \$2,176,583 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$15,409,865. See Note N for additional information regarding the net pension liability.

7. Total OPEB Liability

The District's beginning total OPEB liability was \$73,780 and decreased during the year ended June 30, 2018 by \$21,839. The ending total OPEB liability at June 30, 2018 was \$51,941. See Note O for additional information regarding the total OPEB liability.

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

M. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA's) entities, the Imperial Valley Property and Liability (IVPL) and the Self Insurance Program of Imperial County (SIPIC). The relationship between the District and the JPA's is such that the JPA's are not considered component units of the District for financial reporting purposes.

The JPA's arrange for and provide workers' compensation, health, and property and liability insurance for its members. The JPA's are each governed by a board consisting of a representative from each member entity. The board controls the operations of the JPA's, including selection of management and approval of operating budgets, independent of any influence by the member entities beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

Financial information for IVPL for the year ended June 30, 2018 was not available when this audit report was issued. Complete financial information for IVPL can be obtained by contacting the JPA at 1225 Main Street, El Centro, California, 92244.

Financial information for SIPIC for the year ended June 30, 2018 was not available when this audit report was issued. Complete financial information for SIPIC can be obtained from the Imperial County Office of Education at 1398 Sperber Road, El Centro, California 92243.

N. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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

b. Benefits 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.

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

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly Benefits as a % of Eligible Compensation	1.1-2.4%	1.0-2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	7.513%	7.513%

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

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

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

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

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

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid in 6.00%, and the employer contribution rate was 13.888% of covered payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2017 (measurement date) the State contributed 7.513% of salaries creditable to CalSTRS. In accordance with GASB 85 the District recorded these contributions as revenue and expense in the fund financial statements based on contributions made for the measurement period (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the District's proportionate share of the States contribution for the measurement period.

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

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.560%	\$ 267,413
2017	5.850%	360,246
2018	7.513%	460,363

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

Year Ended June 30,	On Behalf Pension Expense
2016	\$ 266,717
2017	360,246
2018	460,363

d. Contributions Recognized

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

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 775,232	\$ 346,046	\$ 1,121,278
Contributions - State On Behalf Payments	460,364	-	460,364
Total Contributions	\$ 1,235,596	\$ 346,046	\$ 1,581,642

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

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

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

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Proportionate Share of Net Pension Liability - Governmental	\$ 10,778,573	\$ 4,631,292	\$ 15,409,865

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to measurement date June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	<u>CalSTRS</u>		
	<u>District's Proportionate Share</u>	<u>State's Proportionate Share</u>	<u>Total For District Employees</u>
Proportion June 30, 2017	0.0118%	0.0068%	0.0186%
Proportion June 30, 2018	0.0117%	0.0069%	0.0186%
Change in Proportion	<u>-0.0001%</u>	<u>0.0001%</u>	<u>-</u>
	<u>CalPERS</u>		
	<u>District's Proportionate Share</u>		
Proportion June 30, 2017	0.0186%		
Proportion June 30, 2018	0.0194%		
Change in Proportion	<u>0.0008%</u>		

a. Pension Expense

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

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Change in Net Pension Liability (Asset)	\$ 1,224,221	\$ 952,362	\$ 2,176,583
State On Behalf Pension Expense	279,748	-	279,748
Employer Contributions to Pension Expense	884,187	404,409	1,288,596
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(102,524)	(55,723)	(158,247)
Differences between actual and expected experiences	(37,202)	(26,680)	(63,882)
Changes in assumptions	(1,863,681)	(721,571)	(2,585,252)
Changes in proportionate share	90,428	(95,241)	(4,813)
Net difference between projected and actual earnings	782	258,394	259,176
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(1,137)	-	(1,137)
Changes in assumptions	-	(44,035)	(44,035)
Changes in proportionate share	44,760	-	44,760
Net difference between projected and actual earnings	1,020,139	179,190	1,199,329
Total Pension Expense	<u>\$ 1,539,721</u>	<u>\$ 851,105</u>	<u>\$ 2,390,826</u>

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

b. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 884,187	\$ 404,409	\$ 1,288,596
Differences between actual and expected experience	37,202	209,181	246,383
Changes in assumptions	1,863,681	721,571	2,585,252
Changes in employer's proportionate share	180,856	191,940	372,796
Net difference between projected and actual earnings	1,945	665,777	667,722
Total Deferred Outflows of Resources	<u>\$ 2,967,871</u>	<u>\$ 2,192,878</u>	<u>\$ 5,160,749</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (1,926)	\$ -	\$ (1,926)
Changes in assumptions	-	(88,069)	(88,069)
Changes in employer's proportionate share	(274,191)	-	(274,191)
Net difference between projected and actual earnings	(1,020,139)	(522,661)	(1,542,800)
Total Deferred Inflows of Resources	<u>\$ (1,296,256)</u>	<u>\$ (610,730)</u>	<u>\$ (1,906,986)</u>

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30,	Governmental Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2019	\$ 1,450,618	\$ 977,041	\$ (339,059)	\$ (303,502)	\$ 1,785,098
2020	566,430	572,629	(338,648)	(131,766)	668,645
2021	475,603	411,664	(337,987)	(87,732)	461,548
2022	475,220	231,544	(280,562)	(87,730)	338,472
Total	<u>\$ 2,967,871</u>	<u>\$ 2,192,878</u>	<u>\$ (1,296,256)</u>	<u>\$ (610,730)</u>	<u>\$ 3,253,763</u>

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

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

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from CalPERS and CalSTRS websites.

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

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

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

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

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

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

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

CalSTRS		
Asset Class	Assumed Allocation 06/30/2017	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

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

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

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

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

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

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

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

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 15,826,367	\$ 6,814,115
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 10,778,573	\$ 4,631,292
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 6,681,946	\$ 2,820,458

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

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	\$ 50,140,231	\$ 35,119,928	\$ 15,020,303	\$ 5,465,952	\$ 9,554,351
Changes for the year:					
Change in proportionate share	13,982	9,794	4,188	131,836	(127,648)
Service cost	1,126,449	-	1,126,449	419,689	706,760
Interest	3,757,368	-	3,757,368	1,399,911	2,357,457
Differences between expected and actual experience	74,118	-	74,118	27,615	46,503
Change in assumptions	3,712,971	-	3,712,971	1,383,369	2,329,602
Contributions:					
Employer	-	775,220	(775,220)	(288,830)	(486,390)
Employee	-	639,178	(639,178)	(238,144)	(401,034)
State On Behalf	-	460,356	(460,356)	(171,518)	(288,838)
Net investment income	-	4,574,684	(4,574,684)	(1,741,682)	(2,833,002)
Other income	-	13,376	(13,376)	(4,983)	(8,393)
Benefit payments, including refunds of employee contributions	(2,582,537)	(2,582,537)	-	-	-
Administrative expenses	-	(33,876)	33,876	12,622	21,254
Borrowing costs	-	(10,766)	10,766	4,011	6,755
Other expenses	-	(1,904)	1,904	709	1,195
Net Changes	6,102,351	3,843,525	2,258,826	934,605	1,324,221
Balance at June 30, 2018	\$ 56,242,582	\$ 38,963,453	\$ 17,279,129	\$ 6,400,557	\$ 10,878,572

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

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	\$ 14,094,079	\$ 10,415,150	\$ 3,678,929
Changes for the year:			
Adjustment for change in proportionate share	584,548	431,965	152,583
Service cost	394,191	-	394,191
Interest	1,109,648	-	1,109,648
Differences between expected and actual experience	103,181	-	103,181
Changes in assumptions	901,964	-	901,964
Contributions - Employer	-	346,045	(346,045)
Contributions - Employee	-	174,103	(174,103)
Net plan to plan resource movement	-	(26)	26
Net investment income	-	1,205,086	(1,205,086)
Benefit payments, including refunds of employee contributions	(722,632)	(722,632)	-
Administrative expenses	-	(16,003)	16,003
Net Changes	<u>2,370,900</u>	<u>1,418,538</u>	<u>952,362</u>
Balance at June 30, 2018	<u>\$ 16,464,979</u>	<u>\$ 11,833,688</u>	<u>\$ 4,631,291</u>

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

O. Postemployment Benefits Other Than Pension Benefits

1 Plan Description

The Calipatria Unified School District (District) offers health care benefits, as established by board policy, to two employee who retired from the District. The healthcare benefits will end when the retiree reaches age 65.

Benefits Provided

Employees may retire and receive District-paid contributions towards healthcxare upon attainment of age 55 and completion of 12 years of District service. The District pays the single premium for medical, dental, vision, and other coverage for a retiree until age 65, at which time benefits cease.

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	2
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	-
Total number of participants	<u><u>2</u></u>

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

2. Total OPEB Liability

The District's total OPEB liability of \$19,682,911 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% per annum
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.62% per annum
Healthcare Cost Trend Rates	6.00% decreasing to 5.00%
Retiree's Share of Costs	0.00% of projected premiums

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ <u>73,780</u>
Changes for the year:	
Service cost	-
Interest	1,952
Benefit payments	<u>(23,016)</u>
Net changes	<u>(21,839)</u>
Balance at June 30, 2018	\$ <u><u>51,941</u></u>

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

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

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.40%) or 1-percentage-point-higher (4.40%) than the current discount rate:

	<u>1% Decrease</u> <u>(2.62%)</u>	<u>Discount Rate</u> <u>(3.62%)</u>	<u>1% Increase</u> <u>(4.62%)</u>
Total OPEB Liability	\$ 53,541	\$ 51,941	\$ 50,404

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

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

	<u>1% Decrease</u> <u>5.00%</u> <u>decreasing to</u> <u>4.00%</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rate</u> <u>6.00%</u> <u>decreasing to</u> <u>5.00%</u>	<u>1% Increase</u> <u>7.00%</u> <u>decreasing to</u> <u>6.00%</u>
Total OPEB Liability	\$ 50,174	\$ 51,941	\$ 53,752

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

For the year ended June 30, 2018 the District did not have any deferred outflows or deferred inflows relating to OPEB.

P. Adjustments to Beginning Net Position

During the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. In addition, the District determined that OPEB would fully be accounted for in the government-wide financial statements. The result of applying the change in accounting policy is an adjustment to beginning net position on the government wide financial statements. In addition, a review of capital assets an adjustment was necessary to update the capital asset inventory. The required adjustment is noted below.

A summary of adjustments to beginning balance are as follows:

	<u>Government</u> <u>Wide</u> <u>Financial</u> <u>Statements</u>
Beginning Net Position - Originally Stated	\$ 4,625,625
Adjustments for Accounting Policy Change:	
Total OPEB Liability	(73,780)
Adjustments for Capital Assets	31,553
Total Adjustments	<u>(42,227)</u>
Beginning Net Position - As Restated	<u>\$ 4,583,398</u>

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

Q. Components of Ending Fund Balance

Ending fund balance for the year ended June 30, 2018, consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Bond Interest & Redemption Fund		
Nonspendable Fund Balances				
Revolving Cash	\$ 3,000	\$ -	\$ -	\$ 3,000
Stores Inventory	-	-	57,323	57,323
Total Nonspendable	<u>3,000</u>	<u>-</u>	<u>57,323</u>	<u>60,323</u>
Restricted Fund Balances				
Capital Projects	-	-	3,212	3,212
Child Nutrition Program	-	-	29,737	29,737
Adult Education Program	-	-	48,941	48,941
Mental Health	6,009	-	-	6,009
Lottery: Instructional Materials	55,983	-	-	55,983
College Readiness	40,574	-	-	40,574
Total Restricted	<u>102,566</u>	<u>-</u>	<u>81,890</u>	<u>184,456</u>
Committed Fund Balances				
Debt Service	-	2,079,133	-	2,079,133
Total Assigned	<u>-</u>	<u>2,079,133</u>	<u>-</u>	<u>2,079,133</u>
Assigned Fund Balances				
Capital Projects	-	-	87,402	87,402
Debt Service	-	-	269,386	269,386
Other Assigned	4,321	-	-	4,321
Total Assigned	<u>4,321</u>	<u>-</u>	<u>356,788</u>	<u>361,109</u>
Unassigned Fund Balances				
For Economic Uncertainty	459,431	-	-	459,431
Other Unassigned	1,153,508	-	529	1,154,037
Total Unassigned	<u>1,612,939</u>	<u>-</u>	<u>529</u>	<u>1,613,468</u>
Total Fund Balance	<u>\$ 1,722,826</u>	<u>\$ 2,079,133</u>	<u>\$ 496,530</u>	<u>\$ 4,298,489</u>

R. Risk Management

The District is exposed to risk of losses due to:

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

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

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

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

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

S. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

T. Subsequent Events

Implementation of New Accounting Guidance

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

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

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

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

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

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

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

Required Supplementary Information

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

CALIPATRIA UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 6,912,170	\$ 7,335,662	\$ 7,117,167	\$ (218,495)
Education Protection Account Funds	1,503,341	1,526,183	1,646,403	120,220
Local Sources	3,464,002	3,073,703	3,142,412	68,709
Federal Revenue	1,052,195	1,469,348	1,286,876	(182,472)
Other State Revenue	973,628	1,429,315	1,181,454	(247,861)
Other Local Revenue	242,441	647,448	701,646	54,198
Total Revenues	<u>14,147,777</u>	<u>15,481,659</u>	<u>15,075,958</u>	<u>(405,701)</u>
Expenditures:				
Current:				
Certificated Salaries	6,374,463	6,443,826	6,418,414	25,412
Classified Salaries	2,467,142	2,616,439	2,592,805	23,634
Employee Benefits	3,008,204	3,551,938	3,548,487	3,451
Books And Supplies	1,108,612	1,505,731	1,184,687	321,044
Services And Other Operating Expenditures	1,246,996	1,222,496	1,280,863	(58,367)
Other Outgo	118,308	84,815	72,906	11,909
Direct Support/Indirect Costs	-	(2,245)	(21,956)	19,711
Capital Outlay	50,000	66,542	42,746	23,796
Debt Service:				
Principal	134,828	135,828	135,828	-
Interest	61,504	59,577	59,577	-
Total Expenditures	<u>14,570,057</u>	<u>15,684,947</u>	<u>15,314,357</u>	<u>370,590</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(422,280)</u>	<u>(203,288)</u>	<u>(238,399)</u>	<u>(35,111)</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(422,280)	(203,288)	(238,399)	(35,111)
Fund Balance, July 1	1,956,905	1,956,905	1,956,905	-
Fund Balance, June 30	<u>\$ 1,534,625</u>	<u>\$ 1,753,617</u>	<u>\$ 1,718,506</u>	<u>\$ (35,111)</u>

See Accompanying Notes to Required Supplementary Information

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0117%	0.0118%	0.0122%	0.0114%	N/A	N/A	N/A	N/A	N/A	N/A
Districts proportionate share of the net pension liability (asset)	\$ 10,778,573	\$ 9,554,352	\$ 8,239,643	\$ 6,681,232	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 2018	6,400,769	5,465,560	4,387,176	4,324,325	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$ 17,179,342</u>	<u>\$ 15,019,912</u>	<u>\$ 12,626,819</u>	<u>\$ 11,005,557</u>	N/A	N/A	N/A	N/A	N/A	N/A
Districts covered-employee payroll	\$ 6,162,417	\$ 5,869,030	\$ 5,655,777	\$ 5,066,158	N/A	N/A	N/A	N/A	N/A	N/A
Districts proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

CALIPATRIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM (CALSTRS)
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 884,187	\$ 775,232	\$ 629,747	\$ 502,233	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(884,187)	(775,232)	(629,747)	(502,233)	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
CSD's covered-employee payroll	\$ 6,127,422	\$ 6,162,417	\$ 5,869,031	\$ 5,655,777	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.430%	12.580%	10.730%	8.880%	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0194%	0.0186%	0.0181%	0.0176%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 4,631,292	\$ 3,678,930	\$ 2,664,577	\$ 1,999,185	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 2,491,691	\$ 2,255,720	\$ 2,010,288	\$ 1,851,626	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of pension liability (asset) as a percentage of its covered-employee payroll	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 404,409	\$ 346,046	\$ 267,235	\$ 236,631	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(404,409)	(346,046)	(267,235)	(236,631)	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
June 30's covered-employee payroll	\$ 2,603,883	\$ 2,491,691	\$ 2,255,719	\$ 2,010,288	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information.

CALIPATRIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN THE DISTRICT'S
 TOTAL OPEB LIABILITY AND RELATED RATIOS
 CUSD RETIREE HEALTH PLAN
 LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	1,952	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	(775)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	(23,016)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(21,839)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	73,780	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	51,941	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 2,491,691	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered-employee payroll										
District OPEB liability as a percentage of covered-employee payroll	0.02%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

CALIPATRIA UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) was included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$	1,722,826
Less Fund 17 Fund Balance		(4,320)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	\$	<u>1,718,506</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$	(238,360)
Change in Fund Balance attributed to Fund 17		(39)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	\$	<u>(238,399)</u>

Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Serviced and Other	\$	
Operating Expenses	58,367	Underestimation of costs

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

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

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

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

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple
<u>Reporting Period</u>	<u>June 30, 2018</u>		
Measurement Date	06/30/17		

Valuation Date	06/30/16
Experience Study	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.50%
Post-retirement Benefit Increases	2.00% Simple

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

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

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

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%.

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

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

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

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

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

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

- 1) Benefit Changes: In 2018 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions.
- 3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 Paragraph 4.
- 4) The following are the discount rates used for each period:

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

Combining Statements and Budget Comparisons 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.

CALIPATRIA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
ASSETS:			
Cash in County Treasury	\$ 49,339	\$ 360,480	\$ 409,819
Accounts Receivable	41,780	980	42,760
Stores Inventories	57,323	-	57,323
Total Assets	<u>148,442</u>	<u>361,460</u>	<u>509,902</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 1,012	\$ 5,780	\$ 6,792
Due to Other Funds	6,580	-	6,580
Total Liabilities	<u>7,592</u>	<u>5,780</u>	<u>13,372</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	57,323	-	57,323
Restricted Fund Balances	82,998	3,212	86,210
Assigned Fund Balances	529	352,468	352,997
Total Fund Balance	<u>140,850</u>	<u>355,680</u>	<u>496,530</u>
Total Liabilities and Fund Balances	<u>\$ 148,442</u>	<u>\$ 361,460</u>	<u>\$ 509,902</u>

CALIPATRIA UNIFIED SCHOOL DISTRICT

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

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 532,674	\$ -	\$ 532,674
Other State Revenue	87,318	-	87,318
Other Local Revenue	1,871	25,392	27,263
Total Revenues	<u>621,863</u>	<u>25,392</u>	<u>647,255</u>
Expenditures:			
Current:			
Instruction	16,816	-	16,816
Pupil Services	501,307	-	501,307
General Administration	21,957	-	21,957
Plant Services	68,361	-	68,361
Capital Outlay	-	1,503,416	1,503,416
Total Expenditures	<u>608,441</u>	<u>1,503,416</u>	<u>2,111,857</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,422</u>	<u>(1,478,024)</u>	<u>(1,464,602)</u>
Net Change in Fund Balance	13,422	(1,478,024)	(1,464,602)
Fund Balance, July 1	127,428	1,833,704	1,961,132
Fund Balance, June 30	<u>\$ 140,850</u>	<u>\$ 355,680</u>	<u>\$ 496,530</u>

CALIPATRIA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 49,339	\$ -	\$ 49,339
Accounts Receivable	132	41,648	41,780
Stores Inventories	-	57,323	57,323
Total Assets	<u>49,471</u>	<u>98,971</u>	<u>148,442</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ -	\$ 1,012	\$ 1,012
Due to Other Funds	-	6,580	6,580
Total Liabilities	<u>-</u>	<u>7,592</u>	<u>7,592</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	57,323	57,323
Restricted Fund Balances	48,942	34,056	82,998
Assigned Fund Balances	529	-	529
Total Fund Balance	<u>49,471</u>	<u>91,379</u>	<u>140,850</u>
Total Liabilities and Fund Balances	<u>\$ 49,471</u>	<u>\$ 98,971</u>	<u>\$ 148,442</u>

CALIPATRIA UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ -	\$ 532,674	\$ 532,674
Other State Revenue	46,157	41,161	87,318
Other Local Revenue	406	1,465	1,871
Total Revenues	<u>46,563</u>	<u>575,300</u>	<u>621,863</u>
Expenditures:			
Current:			
Instruction	16,816	-	16,816
Pupil Services	14,801	486,506	501,307
General Administration	1,656	20,301	21,957
Plant Services	-	68,361	68,361
Total Expenditures	<u>33,273</u>	<u>575,168</u>	<u>608,441</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,290</u>	<u>132</u>	<u>13,422</u>
Net Change in Fund Balance	13,290	132	13,422
Fund Balance, July 1	36,181	91,247	127,428
Fund Balance, June 30	<u>\$ 49,471</u>	<u>\$ 91,379</u>	<u>\$ 140,850</u>

CALIPATRIA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 274,415	\$ 82,862	\$ 3,203	\$ 360,480
Accounts Receivable	752	219	9	980
Total Assets	<u>275,167</u>	<u>83,081</u>	<u>3,212</u>	<u>361,460</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 5,780	\$ -	\$ -	\$ 5,780
Total Liabilities	<u>5,780</u>	<u>-</u>	<u>-</u>	<u>5,780</u>
Fund Balance:				
Restricted Fund Balances	-	-	3,212	3,212
Assigned Fund Balances	269,386	83,082	-	352,468
Total Fund Balance	<u>269,387</u>	<u>83,081</u>	<u>3,212</u>	<u>355,680</u>
Total Liabilities and Fund Balances	<u>\$ 275,167</u>	<u>\$ 83,081</u>	<u>\$ 3,212</u>	<u>\$ 361,460</u>

CALIPATRIA UNIFIED SCHOOL DISTRICT

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

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 6,145	\$ 19,218	\$ 29	\$ 25,392
Total Revenues	<u>6,145</u>	<u>19,218</u>	<u>29</u>	<u>25,392</u>
Expenditures:				
Current:				
Capital Outlay	1,503,416	-	-	1,503,416
Total Expenditures	<u>1,503,416</u>	<u>-</u>	<u>-</u>	<u>1,503,416</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,497,271)</u>	<u>19,218</u>	<u>29</u>	<u>(1,478,024)</u>
Net Change in Fund Balance	(1,497,271)	19,218	29	(1,478,024)
Fund Balance, July 1	1,766,658	63,863	3,183	1,833,704
Fund Balance, June 30	<u>\$ 269,387</u>	<u>\$ 83,081</u>	<u>\$ 3,212</u>	<u>\$ 355,680</u>

Other Supplementary Information

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

Supplementary Information Section

CALIPATRIA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2018

The Calipatria Unified School District was established on July 1, 1948 and encompasses approximately 480 square miles in Imperial County. There were no changes in the boundaries of the district during the current year. The district serves approximately 1,200 students and operates four school facilities: one high school, one middle school, and two elementary schools.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Holly Widmann	President	Four year term Expires December 2020
Jane Mata	Clerk	Four year term Expires December 2020
Carlos Estrada	Member	Four year term Expires December 2020
Patty Dockstader	Member	Four year term Expires December 2022
Raul Navarro	Member	Four year term Expires December 2022
Frank C Perez	Member	Four year term Expires December 2020
Michael Fong	Member	Four year term Expires December 2022

Administration

Douglas T. Kline
Superintendent

Angelita V. Ortiz
Associate Superintendent
Instructional Services

Corey Caston
Chief Business Official

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

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	338.14	N/A	339.83	N/A
Grades 4-6:				
Regular ADA	254.11	N/A	253.47	N/A
Grades 7-8:				
Regular ADA	175.41	N/A	174.87	N/A
Grades 9-12:				
Regular ADA	350.70	N/A	350.68	N/A
ADA Totals	<u>1,118.36</u>	<u>N/A</u>	<u>1,118.85</u>	<u>N/A</u>

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

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs. The District neither met nor exceeded its LCFF funding target.

CALIPATRIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2018

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	49,140	180	-	Complied
Kindergarten	36,000	49,140	180	-	Complied
Grade 1	50,400	56,300	180	-	Complied
Grade 2	50,400	56,300	180	-	Complied
Grade 3	50,400	58,100	180	-	Complied
Grade 4	54,000	63,300	180	-	Complied
Grade 5	54,000	63,300	180	-	Complied
Grade 6	54,000	63,300	180	-	Complied
Grade 7	54,000	63,300	180	-	Complied
Grade 8	54,000	63,300	180	-	Complied
Grade 9	64,800	64,860	180	-	Complied
Grade 10	64,800	64,860	180	-	Complied
Grade 11	64,800	64,860	180	-	Complied
Grade 12	64,800	64,860	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 neither met nor exceeded its target funding.

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

TABLE D-3

General Fund	Budget 2019 (Note 1)	2018	2017	2016
Revenues and other financial sources	\$ 16,162,493	\$ 15,075,962	\$ 17,096,286	\$ 14,239,684
Expenditures, other uses and transfers out (total outgo)	16,322,182	15,314,357	17,837,510	13,620,123
Change in fund balance (deficit)	(159,689)	(238,395)	(741,224)	619,561
Ending fund balance	\$ <u>1,558,821</u>	\$ <u>1,718,510</u>	\$ <u>1,956,905</u>	\$ <u>2,698,129</u>
Available reserves (Note 2)	\$ <u>1,535,965</u>	\$ <u>1,612,945</u>	\$ <u>1,655,048</u>	\$ <u>2,201,403</u>
Available reserves as a percentage of total outgo (Note 3)	<u>9.6%</u>	<u>10.9%</u>	<u>9.5%</u>	<u>16.6%</u>
Total long-term debt	\$ <u>40,797,648</u>	\$ <u>43,116,599</u>	\$ <u>42,338,096</u>	\$ <u>41,346,522</u>
Average daily attendance at P-2	<u>1,118</u>	<u>1,118</u>	<u>1,110</u>	<u>1,105</u>

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

The fund balance of the general fund has decreased by \$979,619 over the past two years. The fiscal year 2018-19 budget projects a decrease of \$159,689. 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 \$1,770,077 over the past two years.

Average daily attendance has increased by 13 over the past two years.

Notes:

- 1 Budget 2019 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all assigned fund balances, all unassigned fund balances, and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$460,363, \$474,008, and \$361,009 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2018, 2017, and 2016.
- 4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund, Fund 17, was included with the general fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

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

TABLE D-4

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2018, annual financial and budget report fund balances	\$ <u>1,718,510</u>	\$ <u>4,316</u>
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB 54 presentation of Fund 17 included with general fund	<u>4,316</u>	<u>(4,316)</u>
June 30, 2018 audited financial statement fund balances	\$ <u><u>1,722,826</u></u>	\$ <u><u>-</u></u>

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

No charter schools are chartered by Calipatria Unified School District.

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

CALIPATRIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ -	\$ 101,665
National School Lunch Program - Noncash Commodities	10.555	13396	-	71,345
National School Lunch Program - Section 11	10.555	13396	-	368,211
National School Lunch Program - Section 4	10.555	13523	-	59,254
Total Passed Through State Department of Education			-	600,475
Total U. S. Department of Agriculture			-	600,475
Total Child Nutrition Cluster			-	600,475
MEDICAID CLUSTER:				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Medi-Cal Billing Option	93.778	10013	-	18,323
Medi-Cal MAA	93.778	10013	-	57,197
Total Passed Through State Department of Education			-	75,520
Total U. S. Department of Health and Human Services			-	75,520
Total Medicaid Cluster			-	75,520
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Special Education: IDEA Basic Local Assistance	84.027	13379	-	177,480
Total U. S. Department of Education			-	177,480
Total Special Education (IDEA) Cluster			-	177,480
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Title I	84.010	14329	-	650,974
Migrant Education - Summer	84.011	10005	-	38,196
Migrant Education	84.011	14838	-	199,854
Carl D. Perkins Career & Technical Education	84.048	14894	-	13,024
Advanced Placement Test Fee Reimbursement Program	84.330	14831	-	4,246
Rural & Low Income Schools	84.358	14356	-	11,459
Title III	84.365	14346	-	48,431
Title II Teacher Quality	84.367	14341	-	67,692
Total Passed Through State Department of Education			-	1,033,876
Total U. S. Department of Education			-	1,033,876
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Fresh Fruit and Vegetable Program	10.582	10044	-	3,545
Total U. S. Department of Agriculture			-	3,545
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,890,896

The accompanying notes are an integral part of this schedule.

CALIPATRIA UNIFIED SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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 6.23% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Title III	84.365	2.00%
School Breakfast Program	10.553	3.68%
National School Lunch Program - Section 4	10.555	3.68%
National School Lunch Program - Section 11	10.555	3.68%
Fresh Fruit & Vegetable Assistance	10.582	.53%

Schoolwide Program

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

Program	CFDA #	Amount Expended
Title I	84.010	\$650,974

Other Independent Auditor's Reports



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

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

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

Board of Trustees
Calipatria Unified School District
Calipatria, 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 Calipatria Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Calipatria Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

Wilkinson Hadley King + LLP

El Cajon, California
December 14, 2018



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

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

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

Board of Trustees
Calipatria Unified School District
Calipatria, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Calipatria 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 Calipatria Unified School District's major federal programs for the year ended June 30, 2018. Calipatria 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 Calipatria 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 Calipatria 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 Calipatria Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Calipatria Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Calipatria 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 Calipatria 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 Calipatria Unified School District's internal control over compliance.

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

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

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

Wilkinson Hadley King + Collier

El Cajon, California
December 14, 2018



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

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

Independent Auditor's Report on State Compliance

Board of Trustees
Calipatria Unified School District
Calipatria, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
--------------------------------	---

**LOCAL EDUCATION AGENCIES
OTHER THAN CHARTER SCHOOLS:**

Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction.....	N/A

**SCHOOL DISTRICTS, COUNTY OFFICES OF
EDUCATION, AND CHARTER SCHOOLS:**

Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	N/A
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A

CHARTER SCHOOLS:

Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study.....	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

Opinion on State Compliance

In our opinion, Calipatria Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 14, 2018

Findings and Recommendations Section

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.011	Migrant Education

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

Auditee qualified as low-risk auditee? X Yes No

3. State Awards

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

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

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

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

CALIPATRIA UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings reported in the June 30, 2017 audit.		