

**HEBER ELEMENTARY SCHOOL DISTRICT
COUNTY OF IMPERIAL
HEBER, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2018

Introductory Section

Heber Elementary School District
Audit Report
For The Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
 FINANCIAL SECTION		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	Exhibit A-1
Statement of Activities.....	12	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	14	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	Exhibit A-6
Statement of Fiduciary Net Position - Fiduciary Funds.....	18	Exhibit A-7
Notes to the Financial Statements	19	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	48	Exhibit B-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California State Teachers Retirement System.....	49	Exhibit B-2
Schedule of District's Contributions - California State Teachers Retirement System.....	50	Exhibit B-3
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California Public Employees Retirement System.....	51	Exhibit B-4
Schedule of District's Contributions - California Public Employees Retirement System...	52	Exhibit B-5
Notes to Required Supplementary Information.....	53	
 <u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	56	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	57	Exhibit C-2
 Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	58	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	59	Exhibit C-4

Heber Elementary School District
Audit Report
For The Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
Debt Service Funds:		
Combining Balance Sheet - Nonmajor Debt Service Funds.....	60	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds.....	61	Exhibit C-6
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	62	Exhibit C-7
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	64	Exhibit C-8
OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	66	
Schedule of Average Daily Attendance.....	67	Table D-1
Schedule of Instructional Time.....	68	Table D-2
Schedule of Financial Trends and Analysis.....	69	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	70	Table D-4
Schedule of Charter Schools.....	71	Table D-5
Schedule of Expenditures of Federal Awards	72	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	73	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance).....	76	
Independent Auditor's Report on State Compliance.....	78	
Schedule of Findings and Questioned Costs	81	
Summary Schedule of Prior Audit Findings.....	83	

Financial Section

Independent Auditor's Report

To the Board of Trustees
Heber Elementary School District
Heber, 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 Heber Elementary 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 Heber Elementary 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.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018 on our consideration of Heber Elementary 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 Heber Elementary School District's internal control over financial reporting and compliance.

Wilkinson-Hadley King & Co LLP

El Cajon, California
December 17, 2018

HEBER ELEMENTARY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Unaudited)

The discussion and analysis of Heber Elementary School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements and notes to the basic financial statements.

The Management's Discussion and Analysis (MD & A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD & A.

FINANCIAL HIGHLIGHTS

- The increase in Local Control Funding Formula (LCFF) sources from 2016-17 to 2017-18 was \$340,682. The increase is due to the State of California funding some of the LCFF gap because of actual revenues outpacing all forecasts.
- The general fund expenditures increased by \$1.5 million or 11.2% over the previous year amount.
- General Fund revenues and other sources exceeded expenses and other uses by \$58,942.
- The General Fund ended the fiscal year with 55.6% reserves in unrestricted fund balance.

Overview of the Financial Statements

This annual report consists of the following parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, and findings and recommendations. These statements are organized so the reader can understand the Heber Elementary School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Basic Financial Statements

The first two statements are district-wide financial statements, the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column.

The financial statements also include notes that explain some of the supplementary information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the District's general fund budget is included.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2017-2018?"

The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many non-financial factors, such as the quality of education provided to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

Governmental Funds

Most of the School District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund and the Building Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Fiduciary Funds

The District is the trustee, or fiduciary, for the student activities funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

The School District as a Whole

The District's net position was \$20.4 million at June 30, 2018. Of this amount, unrestricted net position was (\$4.2) million, net investment in capital assets was \$19.8 million, and restricted net position was \$4.8 million. A Comparative analysis of government-wide statement of net position is presented in Table 1.

The District's net position increased \$82,765 this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 76% of total expenses. The administrative activities of the District accounted for just 10% of total costs. The remaining 14% was spent in the areas of plant services and other expenses. (See Figure 2)

	Governmental Activities	
	June 30, 2018	June 30, 2017
Assets		
Cash	\$ 11,525,896	\$ 15,297,565
Accounts receivable	806,346	547,265
Stores inventory	36,482	24,781
Prepaid expenses	0	132,389
Capital assets, net	28,999,473	24,883,256
Total Assets	<u>\$ 41,368,197</u>	<u>\$ 40,885,256</u>
Deferred Outflows of Resources		
Deferred outflows of resources - pensions	\$ 4,619,479	\$ 2,377,780
Deferred outflows of resources - other	82,638	94,711
Total Deferred Outflows of Resources	<u>\$ 4,702,117</u>	<u>\$ 2,472,491</u>
Liabilities		
Accounts payable and other current liabilities	535,212	494,758
Long-term liabilities	22,968,534	21,906,355
Total Liabilities	<u>23,503,746</u>	<u>22,401,113</u>
Deferred Inflows of Resources		
Deferred inflows of resources - pensions	\$ 2,136,163	\$ 608,994
Total Deferred Inflows of Resources	<u>\$ 2,136,163</u>	<u>\$ 608,994</u>
Net Assets		
Net investment in capital assets	19,796,361	22,579,027
Restricted	4,802,282	621,612
Unrestricted	(4,168,238)	(2,852,999)
Total Net Position	<u>\$ 20,430,405</u>	<u>\$ 20,347,640</u>

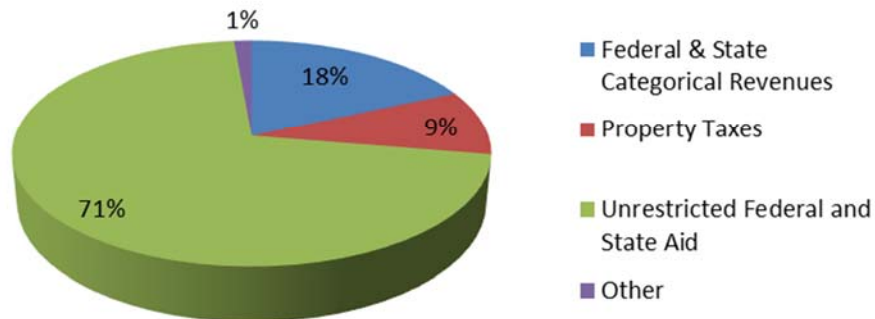
(Table 2)
Comparative Statement of Change in Net Position

	Governmental Activities	
	June 30, 2018	June 30, 2017
Revenues		
Program revenues		
Charges for services	\$ 12,615	\$ 9,801
Operating and capital grants	2,972,285	2,719,781
General revenues		
Taxes levied for general purposes	1,146,013	1,020,282
Taxes levied for debt service	372,766	615,338
Federal and state aid not restricted to specific purposes	11,528,335	11,367,824
Interest and investment earnings	132,029	88,774
Miscellaneous	79,861	60,573
Total Revenues	<u>16,243,904</u>	<u>15,882,373</u>
Expenses		
Instruction	9,050,720	9,471,039
Instruction related services	1,394,847	1,471,965
Pupil support services	1,867,835	1,805,857
General administration	1,634,008	1,440,482
Plant services	1,715,783	1,757,539
Other	497,946	685,991
Total Expenses	<u>16,161,139</u>	<u>16,632,873</u>
Increase (Decrease) in Net Position	82,765	(750,500)
Net Position - Beginning Balance	<u>20,347,640</u>	<u>21,098,140</u>
Net Position - Ending Balance	<u>\$ 20,430,405</u>	<u>\$ 20,347,640</u>

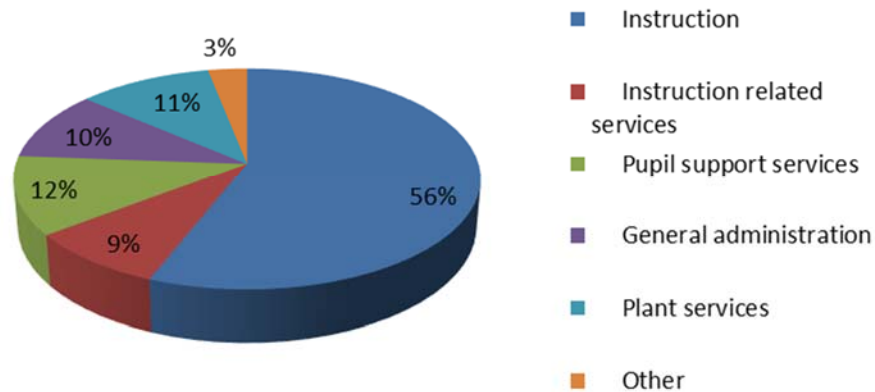
GOVERNMENTAL ACTIVITIES

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$16.1 million. The amount that our local taxpayers financed for these activities through property taxes was \$1.5 million. Federal and State aid not restricted to specific purposes totaled \$11.5 million covering 71.4% of district expenses. Operating grants and contributions revenue was \$3 million (See Figure 1).

**Sources of Revenue for the 2017-18
Fiscal Year - Figure 1**



Expenses for the 2017-18 Fiscal Year - Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$11.9 million, a decrease of \$3.7 million from the previous fiscal year's combined ending balance of \$15.6 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget regularly. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$2 million.

The District ended the year with a \$55,432 increase to the general fund ending balance. The State recommends available reserves of 3% of District expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has a broad range of capital assets, including school buildings, administrative buildings, site improvements, vehicles, and equipment. Table 3 demonstrates a comparative Schedule of Capital Assets.

(Table 3)
Comparative Schedule of Capital Assets
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 6,575,827	\$ 657,527	\$ 5,918,300	900.1%
Work in Progress	121,227	799,315	(678,088)	-84.8%
Land Improvements	2,248,069	1,442,254	805,815	55.9%
Buildings & Improvements	31,694,623	27,068,250	4,626,373	17.1%
Equipment	1,006,226	959,941	46,285	4.8%
Less Accumulated Depreciation for				
Land Improvements	(389,332)	(329,444)	(59,888)	18.2%
Buildings & Improvements	(5,651,809)	(5,082,537)	(569,272)	11.2%
Equipment	<u>(687,058)</u>	<u>(632,050)</u>	<u>(55,008)</u>	<u>8.7%</u>
Total	<u>\$ 34,917,773</u>	<u>\$ 24,883,256</u>	<u>\$ 10,034,517</u>	<u>40.3%</u>

Long-Term Debt

At June 30, 2018 the District had \$9.2 million in long-term debt outstanding. Table 4 shows a comparative schedule of long-term debt items.

(Table 4)
Comparative Schedule of Long-Term Debt
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
General Obligation Bonds	\$ 6,833,112	\$ 7,108,179	\$ (275,067)	-3.9%
Certificates of Participation	<u>2,370,000</u>	<u>2,445,000</u>	<u>(75,000)</u>	<u>-3.1%</u>
Total Long-Term Debt	<u>\$ 9,203,112</u>	<u>\$ 9,553,179</u>	<u>\$ (350,067)</u>	<u>-3.7%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State's economic downturns and surpluses impact the District's future dramatically. The financial well-being of the District is tied in large measure to the state funding formula which is currently not funding the District at 100%.

The latest enrollment projections indicate a downward trend for the next two school years. Student enrollment and attendance are primary factors in the computation of most funding formulae for public schools in the State of California. While ADA growth is not budgeted until realized in the fall, future growth potential is there, but attendance remains the focal point of every budget report.

Predicting the future requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District currently maximizes restricted funds prior to utilizing unrestricted revenues in the budget development process. In addition, personnel practices will evidence early and effective intervention in identifying appropriate personnel actions that need to occur early in future school years experiencing State economic fallout. The District has an excellent track record in meeting this challenge in what has proven to be a long cycle of lean years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the business office, at Heber Elementary School District, 1052 Heber Ave., Heber, California 92249.

Basic Financial Statements

HEBER ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
ASSETS:	
Cash	\$ 11,525,896
Receivables	806,346
Stores	36,482
Capital Assets:	
Land	657,527
Land Improvements	2,248,069
Buildings	31,694,623
Equipment	1,006,226
Work in Process	121,227
Less Accumulated Depreciation	(6,728,199)
Total Assets	<u>41,368,197</u>
DEFERRED OUTFLOWS OF RESOURCES	4,702,117
LIABILITIES:	
Accounts Payable	535,212
Long-Term Liabilities:	
Due Within One Year	368,637
Due in More Than One Year	22,599,897
Total Liabilities	<u>23,503,746</u>
DEFERRED INFLOWS OF RESOURCES	2,136,163
NET POSITION:	
Net Investment in Capital Assets	19,796,361
Restricted for:	
Capital projects	3,660,951
Debt service	511,187
Educational programs	75,151
Other purposes (expendable)	517,511
Other purposes (nonexpendable)	37,482
Unrestricted	(4,168,238)
Total Net Position	<u>\$ 20,430,405</u>

The accompanying notes are an integral part of this statement.

HEBER ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 9,050,720	\$ -	\$ 921,230	\$ -	\$ (8,129,490)
Instruction-Related Services:					
Instructional Supervision and Administration	120,875	-	65,089	-	(55,786)
Instructional Library, Media and Technology	153,634	-	81,158	-	(72,476)
School Site Administration	1,120,338	-	79,365	-	(1,040,973)
Pupil Services:					
Home-to-School Transportation	297,265	-	-	-	(297,265)
Food Services	991,617	12,480	1,065,328	-	86,191
All Other Pupil Services	578,953	-	194,967	-	(383,986)
General Administration:					
Centralized Data Processing	337,271	-	-	-	(337,271)
All Other General Administration	1,296,737	-	17,439	-	(1,279,298)
Plant Services	1,715,783	135	481,029	-	(1,234,619)
Ancillary Services	86,642	-	66,680	-	(19,962)
Other Outgo - Tuition	99,665	-	-	-	(99,665)
Other Outgo - Debt Issue Costs	600	-	-	-	(600)
Interest on Long-Term Debt	311,039	-	-	-	(311,039)
Total Expenses	\$ 16,161,139	\$ 12,615	\$ 2,972,285	\$ -	\$ (13,176,239)
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					1,146,013
Taxes Levied for Debt Service					372,766
Federal and State Aid Not Restricted to Specific Programs					11,528,335
Interest and Investment Earnings					132,029
Miscellaneous					79,861
Total General Revenues					\$ 13,259,004
Change in Net Position					82,765
Net Position Beginning					20,347,640
Net Position Ending					\$ 20,430,405

The accompanying notes are an integral part of this statement.

HEBER ELEMENTARY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 6,606,133	\$ 3,816,019	\$ 1,102,745	\$ 11,524,897
Cash in Revolving Fund	1,000	-	-	1,000
Accounts Receivable	377,763	14,392	414,189	806,344
Due from Other Funds	-	-	35	35
Stores Inventories	-	-	36,482	36,482
Total Assets	<u>6,984,896</u>	<u>3,830,411</u>	<u>1,553,451</u>	<u>12,368,758</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 201,578	\$ 277,678	\$ 12,746	\$ 492,002
Due to Other Funds	35	-	-	35
Total Liabilities	<u>201,613</u>	<u>277,678</u>	<u>12,746</u>	<u>492,037</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	1,000	-	-	1,000
Stores Inventories	-	-	36,482	36,482
Restricted Fund Balances	151,694	3,436,270	1,176,835	4,764,799
Committed Fund Balances	-	-	318,713	318,713
Assigned Fund Balances	2,856,402	116,463	8,675	2,981,540
Unassigned:				
Reserve for Economic Uncertainty	382,971	-	-	382,971
Other Unassigned	3,391,216	-	-	3,391,216
Total Fund Balance	<u>6,783,283</u>	<u>3,552,733</u>	<u>1,540,705</u>	<u>11,876,721</u>
Total Liabilities and Fund Balances	<u>\$ 6,984,896</u>	<u>\$ 3,830,411</u>	<u>\$ 1,553,451</u>	<u>\$ 12,368,758</u>

The accompanying notes are an integral part of this statement.

HEBER ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds: \$ 11,876,721

Amounts reported for governmental activities in the statement of net position are different 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:	35,727,672	
Accumulated depreciation:	(6,728,199)	
Net:		28,999,473

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 unamatured interest owing at the end of the period was: (43,209)

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. Unamortized debt insurance costs included in prepaid expense on the statement of net position are: 25,273

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was: 57,365

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

Deferred outflows of resources relating to pensions	4,619,479
Deferred inflows of resources relating to pensions	(2,136,163)

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	6,833,112	
Net pension liability	13,589,652	
Certificates of participation payable	2,370,000	
Retirement incentive payable	157,439	
Compensated absences payable	18,331	
Total:		(22,968,534)

Total net position, governmental activities \$ 20,430,405

The accompanying notes are an integral part of this statement.

HEBER ELEMENTARY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 9,559,810	\$ -	\$ -	\$ 9,559,810
Education Protection Account Funds	1,566,096	-	-	1,566,096
Local Sources	1,149,371	-	-	1,149,371
Federal Revenue	765,660	-	967,909	1,733,569
Other State Revenue	1,510,591	-	108,733	1,619,324
Other Local Revenue	306,781	80,459	395,788	783,028
Total Revenues	<u>14,858,309</u>	<u>80,459</u>	<u>1,472,430</u>	<u>16,411,198</u>
Expenditures:				
Current:				
Instruction	8,270,096	-	-	8,270,096
Instruction - Related Services	1,342,207	-	-	1,342,207
Pupil Services	833,888	-	955,849	1,789,737
Ancillary Services	86,004	-	-	86,004
General Administration	1,412,462	-	-	1,412,462
Plant Services	1,728,031	47,148	27,906	1,803,085
Other Outgo	99,665	-	-	99,665
Capital Outlay	848,421	3,771,789	11,799	4,632,009
Debt Service:				
Principal	75,000	-	270,000	345,000
Interest	103,558	-	206,182	309,740
Total Expenditures	<u>14,799,332</u>	<u>3,818,937</u>	<u>1,471,736</u>	<u>20,090,005</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>58,977</u>	<u>(3,738,478)</u>	<u>694</u>	<u>(3,678,807)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	35	35
Transfers Out	(35)	-	-	(35)
Total Other Financing Sources (Uses)	<u>(35)</u>	<u>-</u>	<u>35</u>	<u>-</u>
Net Change in Fund Balance	58,942	(3,738,478)	729	(3,678,807)
Fund Balance, July 1	6,724,341	7,291,211	1,539,976	15,555,528
Fund Balance, June 30	<u>\$ 6,783,283</u>	<u>\$ 3,552,733</u>	<u>\$ 1,540,705</u>	<u>\$ 11,876,721</u>

The accompanying notes are an integral part of this statement.

HEBER ELEMENTARY 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

Net change in fund balances - total governmental funds \$ (3,678,807)

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	4,800,385	
Depreciation expense	(684,168)	
Net:		4,116,217

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:

345,000

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

(6,407)

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

Prepaid debt insurance amortized for the period:	(600)	
Net:		(600)

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:

5,078

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:

(157,439)

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:

(542,335)

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

2,058

Change in net position of governmental activities - statement of activities

\$ 82,765

The accompanying notes are an integral part of this statement.

HEBER ELEMENTARY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 37,201
Total Assets	<u>37,201</u>
LIABILITIES:	
Due to Student Groups	\$ 37,201
Total Liabilities	<u>37,201</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

HEBER ELEMENTARY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

A. Summary of Significant Accounting Policies

Heber Elementary 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 Statements 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 the different business-type activities of the District and 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.

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purpose other than those for which the bonds were issued.

In addition, the District reports the following fund types:

Special Revenue Funds. Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the funds. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

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

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

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

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

HEBER ELEMENTARY 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.

HEBER ELEMENTARY 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 designation, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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

HEBER ELEMENTARY 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.

HEBER ELEMENTARY 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 6% 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 #54, Fund 17 (Special Reserve Fund for Other than Capital Outlay) does not meet the definition 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.

HEBER ELEMENTARY 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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

11. Use of Estimates

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

12. Fair Value Measurements

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

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

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

13. Change in Accounting Policies

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

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

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

The District does not provide a defined benefit OPEB plan and as a result, the implementation of this GASB pronouncement did not have a fiscal impact on the District.

HEBER ELEMENTARY 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.

Violation	Action Taken
None reported	Not applicable

HEBER ELEMENTARY 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 (\$11,524,897 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 \$11,524,897. 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 (\$37,201 as of June 30, 2018) and in the revolving fund (\$1,000) 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.

HEBER ELEMENTARY 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.

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

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, 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. At year end, the District was not exposed to interest rate risk.

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

D. Accounts Receivable

Accounts receivable balances as of June 30, 2018 consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Federal Government:				
Special education	\$ 194,000	\$ -	\$ -	\$ 194,000
Migrant education	62,982	-	-	62,982
Title I	35,127	-	-	35,127
Child nutrition	-	-	379,097	379,097
Other federal programs	20,196	-	-	20,196
State Government:				
Lottery	43,312	-	-	43,312
Child nutrition	-	-	31,175	31,175
Local Sources:				
Interest	19,438	14,392	2,585	36,415
Other local sources	2,708	-	1,332	4,040
Totals	<u>\$ 377,763</u>	<u>\$ 14,392</u>	<u>\$ 414,189</u>	<u>\$ 806,344</u>

All accounts receivable is expected to be collected within one year and as a result no allowance for doubtful accounts has been set up.

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 657,527	\$ -	\$ -	\$ 657,527
Work in progress	799,315	121,227	799,315	121,227
Total capital assets not being depreciated	<u>1,456,842</u>	<u>121,227</u>	<u>799,315</u>	<u>778,754</u>
Capital assets being depreciated:				
Buildings	27,068,250	4,626,373	-	31,694,623
Improvements	1,442,254	805,815	-	2,248,069
Equipment	959,941	46,285	-	1,006,226
Total capital assets being depreciated	<u>29,470,445</u>	<u>5,478,473</u>	<u>-</u>	<u>34,948,918</u>
Less accumulated depreciation for:				
Buildings	(5,082,537)	(569,272)	-	(5,651,809)
Improvements	(329,444)	(59,888)	-	(389,332)
Equipment	(632,050)	(55,008)	-	(687,058)
Total accumulated depreciation	<u>(6,044,031)</u>	<u>(684,168)</u>	<u>-</u>	<u>(6,728,199)</u>
Total capital assets being depreciated, net	<u>23,426,414</u>	<u>4,794,305</u>	<u>-</u>	<u>28,220,719</u>
Governmental activities capital assets, net	<u>\$ 24,883,256</u>	<u>\$ 4,915,532</u>	<u>\$ 799,315</u>	<u>\$ 28,999,473</u>

Depreciation was charged to functions as follows:

Instruction	\$ 547,334
Instruction-Related Services	11,210
Pupil Services	41,050
General Administration	34,208
Plant Services	50,366
	<u>\$ 684,168</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
Nonmajor Govt. Funds	General Fund	\$ 35	Cover expenses for fund
	Total	<u>\$ 35</u>	

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

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
General Fund	Nonmajor Govt. Funds	\$ 35	Cover expenses for fund
	Total	<u>\$ 35</u>	

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

G. Accounts Payable

Accounts payable at June 30, 2018 consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Vendor payables	\$ 82,726	\$ 277,678	\$ 3,305	\$ 363,709
Pension related	12,640	-	1,171	13,811
Payroll and benefits	98,638	-	8,270	106,908
LCFF state aid	7,574	-	-	7,574
Total	<u>\$ 201,578</u>	<u>\$ 277,678</u>	<u>\$ 12,746</u>	<u>\$ 492,002</u>

H. Short-Term Debt Activity

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

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

I. Components of Ending Fund Balance

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

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Nonspendable Fund Balances				
Revolving Cash	\$ 1,000	\$ -	\$ -	\$ 1,000
Stores Inventories	-	-	36,482	36,482
Prepaid Items	-	-	-	-
Total Nonspendable	1,000	-	36,482	37,482
Restricted Fund Balances				
Capital Projects	-	3,436,270	224,681	3,660,951
Child Nutrition Program	-	-	440,967	440,967
Debt Service	-	-	511,187	511,187
Educational Programs	75,151	-	-	75,151
Other Restricted	76,543	-	-	76,543
Total Restricted	151,694	3,436,270	1,176,835	4,764,799
Committed Fund Balances				
Deferred Maintenance	-	-	318,713	318,713
Total Committed	-	-	318,713	318,713
Assigned Fund Balances				
Capital Projects	2,000,000	116,463	8,675	2,125,138
Educational Programs	856,402	-	-	856,402
Total Assigned	2,856,402	116,463	8,675	2,981,540
Unassigned Fund Balances				
For Economic Uncertainty	382,971	-	-	382,971
Other Unassigned	3,391,216	-	-	3,391,216
Total Unassigned	3,774,187	-	-	3,774,187
Total Fund Balance	\$ 6,783,283	\$ 3,552,733	\$ 1,540,705	\$ 11,876,721

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

J. Long-Term Obligations

1. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds					
Principal balance	\$ 6,935,000	\$ -	\$ 270,000	\$ 6,665,000	\$ 230,000
Bond premium	173,179	-	5,066	168,113	3,818
Total GO Bonds	7,108,179	-	275,066	6,833,113	233,818
Net pension liability	12,332,787	1,256,865	-	13,589,652	-
Certificates of participation	2,445,000	-	75,000	2,370,000	85,000
Retirement incentive	-	157,439	-	157,439	31,488
Compensated absences *	20,389	-	2,058	18,331	18,331
Total governmental activities	\$ 21,906,355	\$ 1,414,304	\$ 352,124	\$ 22,968,535	\$ 368,637

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements for GO bonds and certificates of participation at June 30, 2018, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 315,000	\$ 175,833	\$ 490,833
2020	335,000	171,024	506,024
2021	350,000	167,180	517,180
2022	360,000	163,176	523,176
2023	420,000	158,738	578,738
2024-2028	1,455,000	802,361	2,257,361
2029-2033	2,095,000	738,860	2,833,860
2034-2038	2,680,000	376,004	3,056,004
2039-2041	1,025,000	31,275	1,056,275
Totals	\$ 9,035,000	\$ 2,784,451	\$ 11,819,451

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

3. General Obligation Bonds

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

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2010 Refunding Bonds	11/08/2010	2.0 - 4.0%	08/01/2022	\$ 1,755,000
2015 Election, Series A	07/27/2016	2.0 - 4.0%	08/01/2039	6,000,000
Total general obligation bonds				<u>7,755,000</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2010 Refunding Principal	\$ 935,000	\$ -	\$ 140,000	\$ 795,000
2010 Refunding Premium	10,259	-	1,536	8,723
2015-A Principal	6,000,000	-	130,000	5,870,000
2015-A Premium	162,920	-	3,530	159,390
Total	<u>\$ 7,108,179</u>	<u>\$ -</u>	<u>\$ 275,066</u>	<u>\$ 6,833,113</u>

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 230,000	\$ 84,113	\$ 314,113
2020	245,000	82,594	327,594
2021	255,000	82,234	337,234
2022	265,000	81,906	346,906
2023	320,000	81,144	401,144
2024-2028	885,000	476,119	1,361,119
2029-2033	1,410,000	531,816	1,941,816
2034-2038	2,030,000	313,825	2,343,825
2039-2041	1,025,000	31,275	1,056,275
Totals	<u>\$ 6,665,000</u>	<u>\$ 1,765,026</u>	<u>\$ 8,430,026</u>

Bond Premiums

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

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

	2010 Refunding	2015 Series A
Total Interest Payments on Bonds	\$ 379,200	\$ 2,710,871
Less Bond Premium	(19,257)	(162,920)
Net Interest Payments	<u>\$ 359,943</u>	<u>\$ 2,547,951</u>
Par Amount of Bonds	\$ 1,755,000	\$ 6,000,000
Periods	12	23
Effective Interest Rate	1.709%	1.846%

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

4. Certificates of Participation (COPs)

On April 27, 2017 the District entered into an agreement with the Local Facilities Finance Corporation (Corporation) to lease the Heber Elementary School for an up front lease payment of \$2,445,000. The District then leased back the property through a lease/purchase agreement with the corporation for annual payments of principal and semi-annual interest payments at a rate of 3.87% through February 1, 2037. The purpose of the lease/lease-back is to finance the costs of acquiring, constructing, installing and equipping certain improvements to sites and facilities owned by the District. It has been determined that the Lease/Purchase agreement is a qualified tax exempt obligation pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. The lease has been executed in the form of Certificates of Participation as identified below:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2017 COPs	04/27/17	3.87%	02/01/37	\$ 2,445,000
	Beginning Balance	Increases	Decreases	Ending Balance
2017 COPs	\$ 2,445,000	\$ -	\$ 75,000	\$ 2,370,000

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 85,000	\$ 91,720	\$ 176,720
2020	90,000	88,430	178,430
2021	95,000	84,946	179,946
2022	95,000	81,270	176,270
2023	100,000	77,594	177,594
2024-2028	570,000	326,242	896,242
2029-2033	685,000	207,044	892,044
2034-2038	650,000	62,179	712,179
Totals	\$ 2,370,000	\$ 1,019,425	\$ 3,389,425

5. Retirement Incentive

During the 2017-18 fiscal year the District offered a retirement incentive to eligible employees. The incentive calls for lump sum payments to retirement accounts for employees who took advantage of the offer equal to 75% of their final pay. 2 retirees took advantage of the incentive for a total cost to the District of \$157,439. The payments for the retirement incentive are made over a five year period.

K. 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 JPA's is such that the JPA's are not component units of the District.

The JPA's arrange for and provide workers' compensation, health, and property and liability insurance for its members. Each JPA is governed by a board consisting of a representative from each member district. 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 districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

HEBER ELEMENTARY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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.

L. 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.

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.

M. 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.

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

b. Benefits Paid

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

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

	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	50-62
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)	6.824%	6.824%

*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.

HEBER ELEMENTARY 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 6.824% 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	4.570%	\$ 263,848
2017	6.210%	354,427
2018	6.824%	426,420

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	\$ 503,972
2017	874,719
2018	259,122

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	\$ 718,074	\$ 269,394	\$ 987,468
Contributions - State On Behalf Payments	426,420	-	426,420
Total Contributions	<u>\$ 1,144,494</u>	<u>\$ 269,394</u>	<u>\$ 1,413,888</u>

HEBER ELEMENTARY 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:

	CalSTRS	CalPERS	Total
Proportionate Share of Net Pension Liability - Governmental	\$ 9,984,167	\$ 3,605,485	\$ 13,589,652

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:

	CalSTRS		
	District's Proportionate Share	State's Proportionate Share	Total For District Employees
Proportion June 30, 2017	0.0116%	0.0066%	0.0182%
Proportion June 30, 2018	0.0108%	0.0064%	0.0172%
Change in Proportion	-0.0008%	-0.0002%	-0.0010%

	CalPERS District's Proportionate Share
Proportion June 30, 2017	0.0148%
Proportion June 30, 2018	0.0151%
Change in Proportion	0.0003%

a. Pension Expense

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

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 584,138	\$ 672,725	\$ 1,256,863
State On Behalf Pension Expense	259,122	-	259,122
Employer Contributions to Pension Expense	901,667	321,246	1,222,913
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(177,138)	(50,807)	(227,945)
Differences between actual and expected experiences	(34,461)	(19,690)	(54,151)
Changes in assumptions	(1,726,323)	(561,747)	(2,288,070)
Changes in proportionate share	119,952	1,657	121,609
Net difference between projected and actual earnings	771	206,087	206,858
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(1,112)	-	(1,112)
Changes in assumptions	-	(35,144)	(35,144)
Changes in proportionate share	473,392	-	473,392
Net difference between projected and actual earnings	944,952	145,081	1,090,033
Total Pension Expense	\$ 1,344,960	\$ 679,408	\$ 2,024,368

HEBER ELEMENTARY 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	\$ 901,667	\$ 321,246	\$ 1,222,913
Differences between actual and expected experience	34,461	165,288	199,749
Changes in assumptions	1,726,323	561,747	2,288,070
Changes in employer's proportionate share	239,905	135,983	375,888
Net difference between projected and actual earnings	1,916	530,943	532,859
Total Deferred Outflows of Resources	<u>\$ 2,904,272</u>	<u>\$ 1,715,207</u>	<u>\$ 4,619,479</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (1,890)	\$ -	\$ (1,890)
Changes in assumptions	-	(70,288)	(70,288)
Changes in employer's proportionate share	(717,719)	-	(717,719)
Net difference between projected and actual earnings	(944,952)	(401,314)	(1,346,266)
Total Deferred Inflows of Resources	<u>\$ (1,664,561)</u>	<u>\$ (471,602)</u>	<u>\$ (2,136,163)</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	\$ 1,462,586	\$ 780,159	\$ (432,050)	\$ (231,560)	\$ 1,579,135
2020	560,918	458,910	(431,654)	(103,444)	484,730
2021	440,572	309,621	(431,002)	(68,300)	250,891
2022	440,196	166,517	(369,855)	(68,298)	168,560
Total	<u>\$ 2,904,272</u>	<u>\$ 1,715,207</u>	<u>\$ (1,664,561)</u>	<u>\$ (471,602)</u>	<u>\$ 2,483,316</u>

HEBER ELEMENTARY 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.

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

HEBER ELEMENTARY 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	\$ 14,659,928	\$ 5,304,824
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 9,984,167	\$ 3,605,485
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 6,189,471	\$ 2,195,741

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)	\$ 49,328,075	\$ 34,551,066	\$ 14,777,009	\$ 5,376,982	\$ 9,400,027
Changes for the year:					
Change in proportionate share	(2,870,088)	(2,010,309)	(859,779)	(191,688)	(668,091)
Service cost	1,043,432	-	1,043,432	388,763	654,669
Interest	3,480,460	-	3,480,460	1,296,753	2,183,707
Differences between expected and actual experience	68,656	-	68,656	25,580	43,076
Change in assumptions	3,439,335	-	3,439,335	1,281,431	2,157,904
Contributions:					
Employer	-	718,088	(718,088)	(267,546)	(450,542)
Employee	-	592,073	(592,073)	(220,595)	(371,478)
State On Behalf	-	426,429	(426,429)	(158,879)	(267,550)
Net investment income	-	4,330,173	(4,330,173)	(1,613,340)	(2,716,833)
Other income	-	12,390	(12,390)	(4,616)	(7,774)
Benefit payments, including refunds of employee contributions	(2,392,211)	(2,392,211)	-	-	-
Administrative expenses	-	(31,380)	31,380	11,692	19,688
Borrowing costs	-	(9,973)	9,973	3,716	6,257
Other expenses	-	(1,764)	1,764	657	1,107
Net Changes	2,769,584	1,633,516	1,136,068	551,928	584,140
Balance at June 30, 2018	\$ 52,097,659	\$ 36,184,582	\$ 15,913,077	\$ 5,928,910	\$ 9,984,167

HEBER ELEMENTARY 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)	\$ 11,235,484	\$ 8,302,724	\$ 2,932,760
Changes for the year:			
Adjustment for change in proportionate share	191,903	141,811	50,092
Service cost	306,880	-	306,880
Interest	863,867	-	863,867
Differences between expected and actual experience	80,327	-	80,327
Changes in assumptions	702,184	-	702,184
Contributions - Employer	-	269,398	(269,398)
Contributions - Employee	-	135,540	(135,540)
Net plan to plan resource movement	-	(20)	20
Net investment income	-	938,165	(938,165)
Benefit payments, including refunds of employee contributions	(562,573)	(562,573)	-
Administrative expenses	-	(12,458)	12,458
Net Changes	1,582,588	909,863	672,725
Balance at June 30, 2018	\$ 12,818,072	\$ 9,212,587	\$ 3,605,485

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

N. Deferred Outflows of Resources

The general obligation bonds issued on November 8, 2010 were refunding bonds which refunded the 1998 general obligation bonds outstanding. The refunding resulted in a loss on refunding of \$137,678 which is recorded as a deferred outflow of resources and amortized over the life of the refunding bonds using the straight line method.

On July 27, 2016 the District issued general obligation bonds in the amount of \$6,000,000. When the bonds were issued, the District prepaid bond insurance in the amount of \$21,516. 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 27, 2017 the District issued certificates of participation (COPs) in the amount of \$2,445,000. When the COPs were issued, the District prepaid debt insurance in the amount of \$4,357. 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.

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.

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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
2010 Refunding Loss	11/08/2010	\$ 68,838	\$ -	\$ 11,473	\$ 57,365
2015 Series A Bond Insurance	07/27/2016	21,516	-	465	21,051
2017 COPs Insurance	04/27/2017	4,357	-	135	4,222
Pension Related	06/30/2015	2,377,780	4,256,496	2,014,797	4,619,479
Total Deferred Outflows of Resources		\$ 2,472,491	\$ 4,256,496	\$ 2,026,870	\$ 4,702,117

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Refunding Loss	Prepaid Bond Insurance	Prepaid COPs Insurance	Pension Related	Total
2019	\$ 11,473	\$ 287	\$ 151	\$ 2,242,745	\$ 2,254,656
2020	11,473	323	160	1,019,828	1,031,784
2021	11,473	359	169	750,193	762,194
2022	11,473	359	169	606,713	618,714
2023	11,473	538	178	-	12,189
Thereafter	-	19,185	3,395	-	22,580
Total	\$ 57,365	\$ 21,051	\$ 4,222	\$ 4,619,479	\$ 4,702,117

O. Deferred Inflows of Resources

In accordance with GASB No. 68 & 71, payments received subsequent to the net pension liability measurement date are recorded as deferred inflows of resources.

A summary of activity of deferred inflows 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
Pension Related	Varies	\$ 608,994	\$ 2,190,779	\$ 663,610	\$ 2,136,163
Totals		\$ 608,994	\$ 2,190,779	\$ 663,610	\$ 2,136,163

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2018	\$ 663,610
2019	535,098
2020	499,302
2021	438,153
Total	\$ 2,136,163

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

P. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

Q. Construction Commitments

As of June 30, 2018 the District has the following construction commitments:

<u>Project</u>	<u>Commitment</u>	<u>Expected Completion</u>
Gymnasium	\$ 1,600,000	November 1, 2018
Total Construction Commitments	<u>\$ 1,600,000</u>	

R. 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.

HEBER ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

HEBER ELEMENTARY SCHOOL DISTRICT

EXHIBIT B-1

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 9,804,231	\$ 9,703,168	\$ 9,559,810	\$ (143,358)
Education Protection Account Funds	1,433,880	1,451,740	1,566,096	114,356
Local Sources	1,047,167	1,144,181	1,149,371	5,190
Federal Revenue	861,113	863,972	765,660	(98,312)
Other State Revenue	1,375,739	1,544,208	1,510,591	(33,617)
Other Local Revenue	267,692	281,678	303,271	21,593
Total Revenues	<u>14,789,822</u>	<u>14,988,947</u>	<u>14,854,799</u>	<u>(134,148)</u>
Expenditures:				
Current:				
Certificated Salaries	6,582,941	6,462,579	6,314,006	148,573
Classified Salaries	2,314,867	2,199,029	2,170,710	28,319
Employee Benefits	3,450,982	3,321,121	3,101,690	219,431
Books And Supplies	805,224	891,029	669,538	221,491
Services And Other Operating Expenditures	1,180,279	1,540,053	1,416,744	123,309
Other Outgo	102,868	102,888	99,665	3,223
Direct Support/Indirect Costs	(40,152)	(45,460)	-	(45,460)
Capital Outlay	691,307	2,435,757	848,421	1,587,336
Debt Service:				
Principal	17,500	75,000	75,000	-
Interest	17,500	103,558	103,558	-
Total Expenditures	<u>15,123,316</u>	<u>17,085,554</u>	<u>14,799,332</u>	<u>2,286,222</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(333,494)</u>	<u>(2,096,607)</u>	<u>55,467</u>	<u>2,152,074</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(35)	(35)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(35)</u>	<u>(35)</u>
Net Change in Fund Balance	(333,494)	(2,096,607)	55,432	2,152,039
Fund Balance, July 1	6,344,880	6,344,880	6,344,880	-
Fund Balance, June 30	<u>\$ 6,011,386</u>	<u>\$ 4,248,273</u>	<u>\$ 6,400,312</u>	<u>\$ 2,152,039</u>

See Accompanying Notes to Required Supplementary Information

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0108%	0.0116%	0.0121%	0.0110%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 9,984,167	\$ 9,400,027	\$ 8,129,805	\$ 6,438,286	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ 5,928,839	\$ 5,257,278	\$ 4,443,378	\$ 4,207,452	N/A	N/A	N/A	N/A	N/A	N/A
Total share of net pension liability (asset) associated with the District	\$ 15,913,006	\$ 14,657,305	\$ 12,573,183	\$ 10,645,738	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 5,708,060	\$ 5,774,232	\$ 5,580,383	\$ 4,881,939	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

HEBER ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 901,667	\$ 718,074	\$ 619,575	\$ 495,538	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(901,667)	(718,074)	(619,575)	(495,538)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 6,248,559	\$ 5,708,060	\$ 5,774,232	\$ 5,580,383	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

HEBER ELEMENTARY 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)	0.0151%	0.0148%	0.0144%	0.0131%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 3,605,485	\$ 2,932,760	\$ 2,126,584	\$ 1,491,412	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 1,939,761	\$ 1,798,209	\$ 1,604,399	\$ 1,381,332	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

HEBER ELEMENTARY 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	\$ 321,246	\$ 269,394	\$ 213,111	\$ 188,854	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(321,246)	(269,394)	(213,111)	(188,854)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 2,068,418	\$ 1,939,761	\$ 1,798,209	\$ 1,604,399	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.851%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

HEBER ELEMENTARY 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	\$	6,783,283
Less Fund 17 Fund Balance		<u>(382,971)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	\$	<u><u>6,400,312</u></u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$	58,942
Change in Fund Balance attributed to Fund 17		<u>(3,510)</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	\$	<u><u>55,432</u></u>

Excess of Expenditures Over Appropriations

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Combining Statements as Supplementary Information

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

HEBER ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 360,203	\$ 509,818	\$ 232,724	\$ 1,102,745
Accounts Receivable	412,223	1,334	632	414,189
Due from Other Funds	-	35	-	35
Stores Inventories	36,482	-	-	36,482
Total Assets	<u>808,908</u>	<u>511,187</u>	<u>233,356</u>	<u>1,553,451</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 12,746	\$ -	\$ -	\$ 12,746
Total Liabilities	<u>12,746</u>	<u>-</u>	<u>-</u>	<u>12,746</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	36,482	-	-	36,482
Restricted Fund Balances	440,967	511,187	224,681	1,176,835
Committed Fund Balances	318,713	-	-	318,713
Assigned Fund Balances	-	-	8,675	8,675
Total Fund Balance	<u>796,162</u>	<u>511,187</u>	<u>233,356</u>	<u>1,540,705</u>
Total Liabilities and Fund Balances	<u>\$ 808,908</u>	<u>\$ 511,187</u>	<u>\$ 233,356</u>	<u>\$ 1,553,451</u>

HEBER ELEMENTARY SCHOOL DISTRICT

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

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 967,909	\$ -	\$ -	\$ 967,909
Other State Revenue	106,910	1,823	-	108,733
Other Local Revenue	17,275	374,418	4,095	395,788
Total Revenues	<u>1,092,094</u>	<u>376,241</u>	<u>4,095</u>	<u>1,472,430</u>
Expenditures:				
Current:				
Pupil Services	955,849	-	-	955,849
Plant Services	27,072	-	834	27,906
Capital Outlay	11,799	-	-	11,799
Debt Service:				
Principal	-	270,000	-	270,000
Interest	-	206,182	-	206,182
Total Expenditures	<u>994,720</u>	<u>476,182</u>	<u>834</u>	<u>1,471,736</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>97,374</u>	<u>(99,941)</u>	<u>3,261</u>	<u>694</u>
Other Financing Sources (Uses):				
Transfers In	-	35	-	35
Total Other Financing Sources (Uses)	<u>-</u>	<u>35</u>	<u>-</u>	<u>35</u>
Net Change in Fund Balance	97,374	(99,906)	3,261	729
Fund Balance, July 1	698,788	611,093	230,095	1,539,976
Fund Balance, June 30	<u>\$ 796,162</u>	<u>\$ 511,187</u>	<u>\$ 233,356</u>	<u>\$ 1,540,705</u>

HEBER ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 41,051	\$ 319,152	\$ 360,203
Accounts Receivable	411,456	767	412,223
Stores Inventories	36,482	-	36,482
Total Assets	<u>488,989</u>	<u>319,919</u>	<u>808,908</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 11,540	\$ 1,206	\$ 12,746
Total Liabilities	<u>11,540</u>	<u>1,206</u>	<u>12,746</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	36,482	-	36,482
Restricted Fund Balances	440,967	-	440,967
Committed Fund Balances	-	318,713	318,713
Total Fund Balance	<u>477,449</u>	<u>318,713</u>	<u>796,162</u>
Total Liabilities and Fund Balances	<u>\$ 488,989</u>	<u>\$ 319,919</u>	<u>\$ 808,908</u>

HEBER ELEMENTARY SCHOOL DISTRICT

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

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 967,909	\$ -	\$ 967,909
Other State Revenue	106,910	-	106,910
Other Local Revenue	14,699	2,576	17,275
Total Revenues	<u>1,089,518</u>	<u>2,576</u>	<u>1,092,094</u>
Expenditures:			
Current:			
Pupil Services	955,849	-	955,849
Plant Services	10,181	16,891	27,072
Capital Outlay	11,799	-	11,799
Total Expenditures	<u>977,829</u>	<u>16,891</u>	<u>994,720</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>111,689</u>	<u>(14,315)</u>	<u>97,374</u>
Net Change in Fund Balance	111,689	(14,315)	97,374
Fund Balance, July 1	365,760	333,028	698,788
Fund Balance, June 30	<u>\$ 477,449</u>	<u>\$ 318,713</u>	<u>\$ 796,162</u>

HEBER ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR DEBT SERVICE FUNDS

JUNE 30, 2018

	Bond Interest & Redemption	Tax Override Fund	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 509,853	\$ (35)	\$ 509,818
Accounts Receivable	1,334	-	1,334
Due from Other Funds	-	35	35
Total Assets	<u>511,187</u>	<u>-</u>	<u>511,187</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Restricted Fund Balances	\$ 511,187	\$ -	\$ 511,187
Total Fund Balance	<u>511,187</u>	<u>-</u>	<u>511,187</u>
Total Liabilities and Fund Balances	<u>\$ 511,187</u>	<u>\$ -</u>	<u>\$ 511,187</u>

HEBER ELEMENTARY SCHOOL DISTRICT

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

	Bond Interest & Redemption	Tax Override Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	\$ 1,823	\$ -	\$ 1,823
Other Local Revenue	374,418	-	374,418
Total Revenues	<u>376,241</u>	<u>-</u>	<u>376,241</u>
Expenditures:			
Current:			
Debt Service:			
Principal	270,000	-	270,000
Interest	206,182	-	206,182
Total Expenditures	<u>476,182</u>	<u>-</u>	<u>476,182</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(99,941)</u>	<u>-</u>	<u>(99,941)</u>
Other Financing Sources (Uses):			
Transfers In	-	35	35
Total Other Financing Sources (Uses)	<u>-</u>	<u>35</u>	<u>35</u>
Net Change in Fund Balance	(99,941)	35	(99,906)
Fund Balance, July 1	611,128	(35)	611,093
Fund Balance, June 30	<u>\$ 511,187</u>	<u>\$ -</u>	<u>\$ 511,187</u>

HEBER ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2018

	Capital Facilities Fund	State School Building Lease
ASSETS:		
Cash in County Treasury	\$ 2,242	\$ 217,077
Accounts Receivable	6	590
Total Assets	<u>2,248</u>	<u>217,667</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance:		
Restricted Fund Balances	\$ 2,248	\$ 217,667
Assigned Fund Balances	-	-
Total Fund Balance	<u>2,248</u>	<u>217,667</u>
Total Liabilities and Fund Balances	<u>\$ 2,248</u>	<u>\$ 217,667</u>

County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 4,730	\$ 8,675	\$ 232,724
36	-	632
<u>4,766</u>	<u>8,675</u>	<u>233,356</u>
-	-	-
\$ 4,766	\$ -	\$ 224,681
-	8,675	8,675
<u>4,766</u>	<u>8,675</u>	<u>233,356</u>
\$ <u>4,766</u>	\$ <u>8,675</u>	\$ <u>233,356</u>

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

	Capital Facilities Fund	State School Building Lease
Revenues:		
Other Local Revenue	\$ 1,962	\$ 2,009
Total Revenues	<u>1,962</u>	<u>2,009</u>
Expenditures:		
Current:		
Plant Services	834	-
Total Expenditures	<u>834</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,128</u>	<u>2,009</u>
Net Change in Fund Balance	1,128	2,009
Fund Balance, July 1	1,120	215,658
Fund Balance, June 30	<u>\$ 2,248</u>	<u>\$ 217,667</u>

County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 124	\$ -	\$ 4,095
124	-	4,095
-	-	834
-	-	834
124	-	3,261
124	-	3,261
4,642	8,675	230,095
\$ 4,766	\$ 8,675	\$ 233,356

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

HEBER ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2018

The Heber Elementary School District was established on July 3, 1908, and is comprised of approximately 10.5 square miles, located in and around the City of Heber in Imperial County. There were no changes to the boundaries of the District during the current fiscal year. The District is currently operating two elementary schools, grades K-3 at Dogwood Elementary, and grades 4-8 at Heber Elementary.

Governing Board		
Name	Office	Term and Term Expiration
Tony Sandoval	President	Four Year Term Expires November 2021
Pompeyo Tabarez	Clerk	Four Year Term Expires November 2019
Albert Padilla	Member	Four Year Term Expires November 2021
Martin Nolasco	Member	Four Year Term Expires November 2019
Diana Melissa Navarro-Barrios	Member	Four Year Term Expires November 2021

Administration
Juan Cruz Superintendent
Carolina Rodriquez Director of Fiscal Services

HEBER ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2018

TABLE D-1

	Second Period Report Certificate #04356359		Annual Report Certificate #F81C8876	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	528.28	N/A	529.35	N/A
TK/K-3 Totals	528.28	N/A	529.35	N/A
Grades 4-6:				
Regular ADA	379.00	N/A	379.24	N/A
Grades 4-6 Totals	379.00	N/A	379.24	N/A
Grades 7 and 8:				
Regular ADA	252.88	N/A	251.93	N/A
Grades 7 and 8 Totals	252.88	N/A	251.93	N/A
ADA Totals	1,160.16	N/A	1,160.52	N/A

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

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

HEBER ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2018

TABLE D-2

Grade Level	Ed. Code Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	52,940	180	-	Complied
Kindergarten	36,000	52,940	180	-	Complied
Grade 1	50,400	56,364	180	-	Complied
Grade 2	50,400	56,364	180	-	Complied
Grade 3	50,400	56,364	180	-	Complied
Grade 4	54,000	56,364	180	-	Complied
Grade 5	54,000	56,364	180	-	Complied
Grade 6	54,000	56,364	180	-	Complied
Grade 7	54,000	56,364	180	-	Complied
Grade 8	54,000	56,364	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 46206. The District neither met nor exceeded its target funding.

HEBER ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2018

TABLE D-3

General Fund	Budget 2019 (See Note 1)	2018	2017	2016
Revenues and other financial sources	\$ 15,020,403	\$ 14,854,799	\$ 14,899,946	\$ 13,750,583
Expenditures, other uses and transfers out	16,095,260	14,799,367	13,303,714	13,979,567
Change in fund balance (deficit)	(1,074,857)	55,432	1,596,232	(228,984)
Ending fund balance	\$ 5,325,455	\$ 6,400,312	\$ 6,344,880	\$ 4,748,648
Available reserves (See Note 2)	\$ 5,173,762	\$ 6,630,589	\$ 6,091,698	\$ 4,463,267
Available reserves as a percentage of total outgo	32.1%	46.1%	47.5%	31.9%
Total long-term debt	\$ 9,010,246	\$ 9,360,552	\$ 9,553,179	\$ 1,086,795
Average daily attendance at P-2	1,160	1,160	1,190	1,166

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

The general fund balance has increased by \$1,422,680 over the past three years. The fiscal year 2018-19 budget projects a decrease of \$1,074,857. For a district of this size, the State recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$8,273,757 over the past two years.

Average daily attendance has decreased by 6 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 \$425,571, \$477,510, and \$347,882, have been excluded from the calculation of available reserves as a percentage of total outgo 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 for Other Than Capital Outlay (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.

HEBER ELEMENTARY 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
	<u> </u>	<u> </u>
June 30, 2018 annual financial and budget report fund balances	\$ 6,400,312	\$ 382,971
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB #54 fund consolidation	<u>382,971</u>	<u>(382,971)</u>
June 30, 2018 audited financial statement fund balances	<u>\$ 6,783,283</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 Heber Elementary School District.

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

HEBER ELEMENTARY 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	13390	\$ -	\$ 292,771
National School Lunch Program	10.555	13396	-	675,139
National School Lunch Program Noncash Commodities	10.555	13396	-	123,907
Total Passed Through State Department of Education			-	1,091,817
Total U. S. Department of Agriculture			-	1,091,817
Total Child Nutrition Cluster			-	1,091,817
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	194,000
Total U. S. Department of Education			-	194,000
Total Special Education (IDEA) Cluster			-	194,000
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Title I	84.010	14329	-	264,692
Migrant Education	84.011	14838	-	224,613
Title III	84.365	14346	-	41,616
Title II Supporting Effective Instruction	84.367	14341	-	38,737
Total Passed Through State Department of Education			-	569,658
Total U. S. Department of Education			-	569,658
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,855,475

The accompanying notes are an integral part of this schedule.

HEBER ELEMENTARY 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 Heber Elementary School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 6.20% 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 I	84.010	0.00%
Title II Supporting Effective Instruction	84.367	0.00%
Title III	84.365	0.00%
Child Nutrition Cluster	10.553, 10.555	0.00%

Schoolwide Program

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

Program	CFDA #	Amount Expended
Title I	84.010	\$264,692

Other Independent Auditor's Reports

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

Board of Trustees
Heber Elementary School District
Heber, 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 Heber Elementary School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Heber Elementary School District's basic financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

Wilkinson-Hadley King & Co LLP

El Cajon, California
December 17, 2018

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

Board of Trustees
Heber Elementary School District
Heber, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Opinion on Each Major Federal Program

In our opinion, the Heber Elementary 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 Heber Elementary 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 Heber Elementary 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 Heber Elementary 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 + Co LLP

El Cajon, California
December 17, 2018



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

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

Independent Auditor's Report on State Compliance

Board of Trustees
Heber Elementary School District
Heber, 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	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study.....	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

Opinion on State Compliance

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

Purpose of This Report

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

Wilkinson-Hadley King & Co LLP

El Cajon, California
December 17, 2018

Findings and Recommendations Section

HEBER ELEMENTARY 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>
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10.553, 10.555	Child Nutrition Cluster
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X 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

HEBER ELEMENTARY 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

HEBER ELEMENTARY 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>
<p>Finding 2017-001 (30000) Bank Reconciliations</p> <p>In our review over the internal controls over revolving cash, we noted that the District does not perform bank reconciliations over the account.</p> <p>Establish reconciliation procedures for the revolving cash account.</p>	Implemented	
<p>Finding 2017-002 (50000) Special Tests & Provisions - Schoolwide Plans</p> <p>In our review of schoolwide plans we noted that two of three core elements and one of five required components was not present in the plans.</p> <p>Provide training to school site councils and school site personnel as to the requirements for schoolwide plans. Work with the school site councils to ensure all required core elements and components are included in the plans. Re-establish the transition plans for assisting preschool children in the successful transition to the schoolwide program.</p>	Implemented	
<p>Finding 2017-003 (72000) School Accountability Report Card (SARC)</p> <p>In our review of the Facilities Inspection Tool (FIT), school facility evaluations performed by the District, we noted the SARC did not include information from the FIT.</p> <p>Provide training to personnel responsible for completing the SARC to ensure an understanding of the required information and where to obtain such data for reporting.</p>	Implemented	
<p>Finding 2017-004 (40000) Ratio of Administrative Employees to Teachers</p> <p>In our review of the employee-to-teacher ratio, we noted that the District exceeded the allowable ratio set forth in Education Code Section 41402 by 1 administrator.</p> <p>Re-evaluate administrative positions and reduce to the allowable ratio in Education Code Section 41402.</p>	Implemented	

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

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2017-005 (40000) After School Education and Safety Program</p> <p>In review of the after school program and testing of pupil service days at Heber Elementary School for the month of October 2016, an early release policy and form was established; however, some pupil days counted were determined to be invalid as pupils failed to sign out of the program properly or sign-in and sign-out times were not evident. In addition, daily attendance sheets did not reflect tally counts that reconciled to the final daily total attendance days claimed on the monthly report. Precise tabulated counts of the daily attendance sheets were not being documented, reviewed, and approved on a daily basis.</p> <p>Implement a system of attendance that ensures only students who participate in the full day of the program, except as allowable under the District's early release policy, are reported for attendance. Provide training to site personnel charged with recording attendance to the procedures, in order to ensure understanding of the process being implemented. If a student is released early, ensure that the reason is documented so that the student meets the District's guidelines. Consider the use of a computerized system that is designed for compliance with the ASES program to reduce the risk of errors resulting from manually calculating attendance.</p>	Implemented	