

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**VENTURA COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE**

**June 30, 2017**

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**TABLE OF CONTENTS**

**June 30, 2017**

**INDEPENDENT AUDITORS' REPORT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**..... i

**FINANCIAL SECTION**.....1

Basic Financial Statements .....2

Government – Wide Financial Statements .....2

Statement of Net Position .....2

Statement of Activities.....3

Fund Financial Statements.....4

Balance Sheet – Governmental Funds .....4

Reconciliation of the Governmental Funds Balance Sheet to the Statement  
of Net Position .....5

Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Governmental Funds.....6

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures, and Changes in Fund Balance to the Statement of Activities.....7

Statement of Fiduciary Net Position .....8

Statement of Changes in Fiduciary Net Position .....9

Notes to the Financial Statements.....10

**REQUIRED SUPPLEMENTARY INFORMATION** .....39

Schedule of Budgetary Comparison for the General Fund.....40

Schedule of Postemployment Healthcare Benefits Funding Progress.....41

Schedule of the District's Proportionate Share of the Net Pension Liability .....42

Schedule of District Contributions.....43

Notes to the Required Supplementary Information .....44

**SUPPLEMENTARY INFORMATION**.....45

History and Organization .....46

Schedule of Average Daily Attendance (ADA).....47

Schedule of Instructional Time.....48

Schedule of Expenditures of Federal Awards.....49

Schedule of Financial Trends and Analysis.....51

Schedule of Charter Schools.....52

Reconciliation of the Annual Financial and Budget Report with the Audited  
Financial Statements .....53

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**TABLE OF CONTENTS**

**June 30, 2017**

Notes to the Supplementary Information.....	54
<b>OPTIONAL SUPPLEMENTARY INFORMATION .....</b>	<b>56</b>
Combining Statements – Non-Major Governmental Funds .....	57
Combining Balance Sheet.....	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance.....	58
Combining Statements – Fiduciary Funds.....	59
Combining Statement of Fiduciary Net Position – Associated Student Body Funds .....	59
Combining Statement of Changes in Fiduciary Net Position – Associated Student Body Funds.....	60
Notes to the Optional Supplementary Information.....	61
<b>OTHER INDEPENDENT AUDITORS’ REPORTS.....</b>	<b>62</b>
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on a Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	63
Independent Auditors’ Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance .....	65
Independent Auditors’ Report on State Compliance .....	68
<b>FINDINGS AND QUESTIONED COSTS .....</b>	<b>71</b>
Schedule of Findings and Questioned Costs – Summary of Auditor Results.....	72
Schedule of Findings and Questioned Costs – Related to the Financial Statements.....	73
Schedule of Findings and Questioned Costs – Related to Federal Awards.....	74
Schedule of Findings and Questioned Costs – Related to State Awards.....	77
Status of Prior Year Findings and Questioned Costs.....	80



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Hueneme Elementary School District  
Port Hueneme, 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 Hueneme Elementary School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

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

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Hueneme Elementary School District

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

### **Opinion**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of postemployment healthcare benefits funding progress, schedule of the District's proportionate share of the net pension liability, and schedule of District pension contributions 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 District's basic financial statements. The supplementary schedules, combining non-major fund financial statements, and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements, are the responsibility of management and were

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Hueneme Elementary School District

derived from and relates 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 supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP  
Glendora, California  
December 12, 2017

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**Introduction**

The following discussion and analysis provides an overview of the financial position and activities of the District for the fiscal year ending June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

**Financial Highlights**

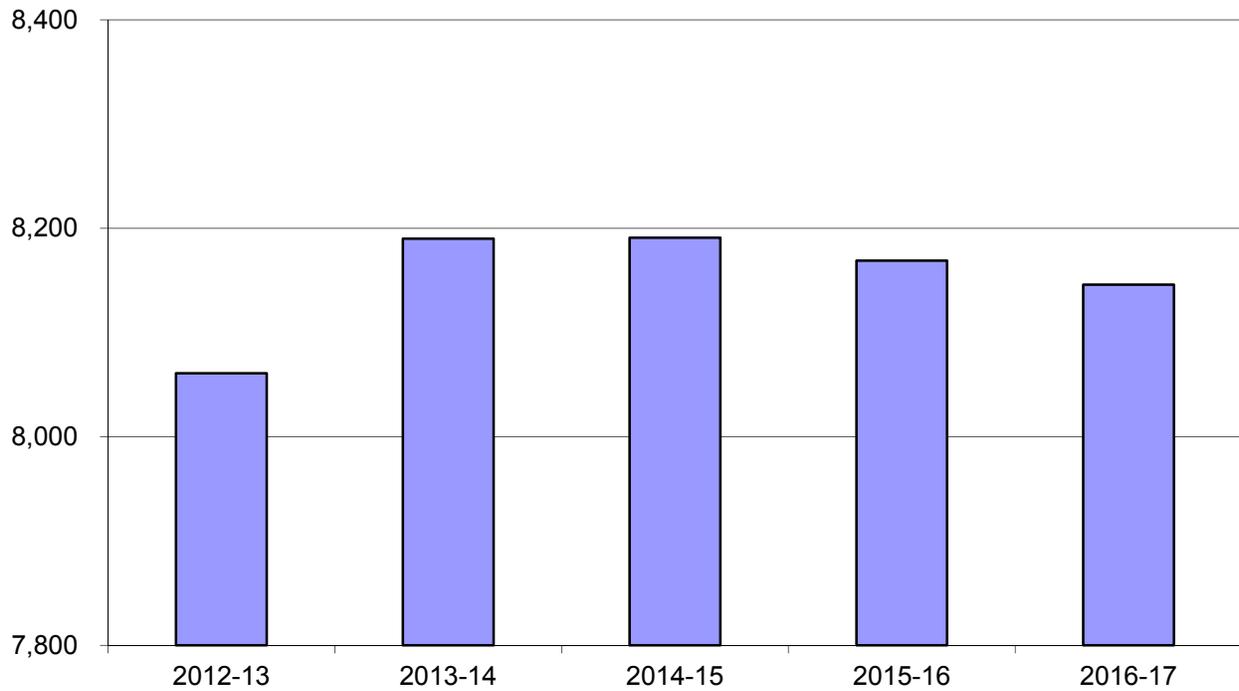
This section provides an overview of the District’s financial activities.

- The District’s combined net position was \$(48,748,312) for the fiscal year ending June 30, 2017. This is an increase from the District’s combined net position for the fiscal year ending June 30, 2016, when it was \$(41,179,706). The change is due to normal fund activity and change in Net Pension Liability and related outflows and inflows.
- During the adoption of the 2016-17 budget, the District Management Team established priorities in order to balance the District Budget within the parameters of the State Budget.
- The district health benefit cap was increased with on-going funds. The District contributed a total of \$16,200 per classified, certificated and management employees toward health premiums.
- The District, when eliminating the required recognition of the state’s on-behalf payments for CalSTRS to expenditures and revenues, continues to maintain reserves sufficient to meet the state required minimum Reserve for Economic Uncertainties of 3% of General Fund expenditures.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

- Average Daily Attendance (ADA) has increased over the last five (5) years by about 85 ADA. The District’s ADA remains relatively constant around 8,100. The District continues to offer Saturday School to make-up student absences.

Average Daily Attendance (ADA)



**Fund Financial Statements**

More detailed information about the District’s most significant funds are provided in the fund financial statements. Funds are accounting formats used to keep track of specific sources of funding and expenditures in particular programs. Some funds are required by bond covenants and by state law and other funds are established by the District to control and manage a variety of activities for particular purposes (such as repaying its long-term debt). Other funds may also address specific accounting requirements for certain revenue and expenditure classifications (such as federal grants).

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

The following list outlines funds used during the 2016-17 fiscal year:

Governmental Funds

- General Fund
- Special Revenue Fund
  - Cafeteria Fund
- Capital Projects Funds
  - Building Fund
  - Capital Facilities Fund
- Debt Service Fund
  - Bond Interest and Redemption Fund

Fiduciary Funds

- Associated Student Body Funds

The District maintains two classes of funds:

**Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on how cash and other financial assets can readily be converted to cash flow (in and out) and the balances left at year-end that are available for expenditure in subsequent years. A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided in the reconciliation provided after the governmental fund statements that explains the differences (or relationships).

**Fiduciary fund:** The District has several Associated Student Body Funds. For assets that belong to others, such as the student activities funds, the District acts as the trustee, or fiduciary, and is responsible for ensuring that the assets reported in these funds are only used for their intended purpose and by those to whom the assets belong. These activities are excluded from the government-wide financial statements, as the assets cannot be used to finance other District operations.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**Statement of Net Position**

The Statement of Net Position presents the assets and liabilities of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District to vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and the availability of those assets for expenditure.

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District, and the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation.

Net position is presented in three major categories. The first category provides the information in regards to equity in property, plant, and equipment owned by the District. The second category provides information on net position restricted for specific programs. The third category provides information on unrestricted net position that is available for obligations as may be approved by the Board of Education.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

The Statement of Net Position is summarized below:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
<b>Assets</b>		
Cash	\$ 19,512,373	\$ 22,337,957
Accounts receivable	3,492,881	3,677,023
Prepaid expenditures	2,135	1,020
Stores	123,695	94,820
Capital assets, net	47,145,574	46,917,766
<b>Total Assets</b>	<u>70,276,658</u>	<u>73,028,586</u>
 <b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pensions	14,837,092	23,689,060
Deferred charge on refunding	469,900	776,336
<b>Total Deferred Outflows of Resources</b>	<u>15,306,992</u>	<u>24,465,396</u>
 <b>Liabilities</b>		
Other liabilities	4,729,975	7,540,583
Long-term debt outstanding	115,016,298	136,342,453
<b>Total Liabilities</b>	<u>119,746,273</u>	<u>143,883,036</u>
 <b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	7,017,083	2,359,258
<b>Total Deferred Inflows of Resources</b>	<u>7,017,083</u>	<u>2,359,258</u>
 <b>Net Position</b>		
Net investment in capital assets	8,567,618	4,729,597
Restricted	6,226,462	9,366,128
Unrestricted	(55,973,786)	(62,844,037)
<b>Total Net Position</b>	<u>\$ (41,179,706)</u>	<u>\$ (48,748,312)</u>

- Cash with the District is also explained in the notes to the financial statements and is invested with the Ventura County Treasury to maximize interest income. The elimination of deferrals has decreased the District's need to rely on short term borrowing of cash.
- Accounts receivable are mainly amounts due from Federal and State government sources for the operation of categorical programs as well as for services provided by one fund to another fund.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

- Other liabilities consist mainly of the cost of supplies and/or services received during the 2016-17 fiscal year and paid in the 2017-18 year. Also included are revenues received during the year by categorical programs but not expended. These revenues are deferred to the next fiscal year.
- As of June 30, 2017, the District had \$4,729,597 net investment in capital assets which is the historical value of capital assets acquired less the general obligation bond debt related to school construction and capital improvements.

**Statement of Activities**

A change in total net position, as presented on the Statement of Net Position, is based on the activity presented in the Statement of Activities. The purpose of this statement is to present the revenues earned, whether received or not, by the District, and the expenses incurred, whether paid or not, by the District. Thus, this Statement presents the District's results of operations.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

The Statement of Activities is summarized below:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 71,575	\$ 131,646
Operating grants and contributions	18,336,273	15,161,384
General revenues:		
Property taxes	10,613,234	10,072,687
Grants, subsidies and contributions unrestricted	71,473,776	74,391,396
Interest and investment earnings	104,402	134,647
Miscellaneous	816,592	843,123
Total revenues	<u>101,415,852</u>	<u>100,734,883</u>
<b>Expenses</b>		
Instruction	60,047,287	64,510,527
Instruction related services	10,808,661	11,855,827
Pupil services	9,609,169	10,386,858
General administration	4,043,467	4,315,236
Plant services	8,527,496	8,949,057
Community services	555,749	595,660
Other outgo & debt service	4,044,222	4,682,131
Depreciation (unallocated)	2,683,369	3,008,193
Total expenses	<u>100,319,420</u>	<u>108,303,489</u>
<b>Increase (decrease) in net position</b>	<u>1,096,432</u>	<u>(7,568,606)</u>
<b>Net position, beginning of year</b>	(42,276,138)	(41,179,706)
<b>Net position, end of year</b>	<u>\$ (41,179,706)</u>	<u>\$ (48,748,312)</u>

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

- Representing 79.8% of the General Fund expenditures, salaries and benefits comprise the largest expenditures of the District. Certificated and classified salaries are adjusted annually for step and column adjustments and corresponding savings due to attrition and retirements. Salaries also fluctuate based on compensation increases.
- Health and Welfare (medical, vision, dental and life) contributions paid by the District for current and retired employees are capped and represent approximately 9.5% of the General Fund budget. The current health and welfare annual premium for active employees is \$16,200. Employees make contributions for premium amounts that exceed the capped amount.
- General Fund interest income of \$117,748 is considered non-operating revenue. Interest income is credited to all funds of the district depending on cash balances held in the fund. Interest income was primarily generated by the cash invested in the Ventura County Treasury.
- Total expenses for the District's government-wide activities increased by \$7,984,069 and revenues decreased by \$680,969.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**Capital Asset and Debt Administration**

**Capital Assets**

As of June 30, 2017, the District had \$4,729,597 invested in net capital assets, net of associated debt, primarily related to school construction and other capital improvements.

Note 6 to the financial statements provides additional information on capital assets. A summary of capital assets is presented below:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Land	\$ 1,219,959	\$ 1,219,959
Buildings and site improvements	76,416,694	78,445,727
Machinery and equipment	3,156,185	3,375,790
Construction in progress	<u>663,314</u>	<u>1,073,427</u>
 Total	 81,456,152	 84,114,903
 Less: accumulated depreciation	 <u>(34,310,578)</u>	 <u>(37,197,137)</u>
 Net Capital Assets	 <u>\$ 47,145,574</u>	 <u>\$ 46,917,766</u>

**Debt**

Note 7 to the financial statements provides for additional information on outstanding debt. A summary of the District's outstanding debt at year-end is presented below:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
General obligation bonds	\$ 38,577,956	\$ 42,188,169
Net pension liability	67,071,459	83,761,725
Other postemployment benefits other than pensions (OPEB)	8,877,258	9,868,277
Compensated absences	<u>489,625</u>	<u>524,282</u>
 Net Long-Term Liabilities	 <u>\$ 115,016,298</u>	 <u>\$ 136,342,453</u>

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**Governmental Funds**

All Governmental Funds are summarized below:

<b>Governmental Funds</b>	<b>Fund Balance</b>		
	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>Difference</u>
General	\$ 13,595,185	\$ 10,089,339	\$ (3,505,846)
Cafeteria	2,004,755	1,554,065	(450,690)
Building	197,142	4,771,920	4,574,778
Capital Facilities	16,974	34,286	17,312
Bond Interest and Redemption	3,245,658	2,921,553	(324,105)
<b>Totals</b>	<u>\$ 19,059,714</u>	<u>\$ 19,371,163</u>	<u>\$ 311,449</u>

**Governmental Funds**

- There was a decrease of \$3,505,846 in the General Fund due to a 2.5% retroactive salary increase (\$1,750,000) and a new textbook adoption (\$1,800,000).
- The Cafeteria Fund ending balance decreased by \$450,690 due to the replacement of the three schools' kitchen hood project.
- The ending fund balance in the Building Fund increased by \$4,574,778 mainly due to the sale of Bond Series C from the 2012 Election.
- The Capital Facilities Fund increased by \$17,312 as the district costs for new classroom setup did not exceed capital facilities revenues.
- Finally, the Bond Interest and Redemption Fund ending balance decreased by \$324,105.

**General Fund Budget Information**

During the fiscal year, the Board of Education authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A budgetary comparison schedule for the general fund is presented on page 40.

Variations between the original and final budget amounts were in part created by carryover of funds and new funding for categorical programs. These amounts were unknown at the time the original budget was adopted.

Variations between final budget amounts and actual results were a direct result of actions taken by the department heads and site administrators to reduce or defer expenditures and increase income during the fiscal year.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**General Fund Budget Information (continued)**

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The District begins the budget process in January of each year, to be completed by June 30<sup>th</sup>. After updating changes in revenue and expenditure assumptions, the operating budget begins at the school level. The District uses staffing allocation formulas, per pupil allocations for site supplies, and a review of historical cost data to develop a preliminary budget. The Board of Education begins the budget process by establishing District goals and budget priorities. When necessary, a Budget Advisory Committee is convened to assist the Superintendent with budget recommendations. Communication of the District budget is a key component in developing a final product.

The budget cycle continues into the following fiscal year with the preparation of a 45-day budget revision (accepted 45 days from the date the governor signs the State budget) and two Interim reports (October 31<sup>st</sup> and January 31<sup>st</sup>) reviewed and approved by the Board. Site and department budgets are reviewed regularly to ensure management is aware of any significant variations during the year.

**Economic Factors that may affect the Future**

***LOCAL CONTROL FUNDING FORMULA (LCFF)*** – When the 2013-14 Budget was signed into law, it reflected a shift in how schools are funded, and there is no longer a Revenue Limit, but rather schools are funded through the Local Control Funding Formula. Currently, the District is projecting a LCFF entitlement of \$9,810 per ADA for 2017-18. In projecting the next two years, it is estimated that the LCFF entitlement will be \$10,302 per ADA for 2018-19 and \$10,624 per ADA for 2019-20.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**PROJECTED STUDENT AVERAGE DAILY ATTENDANCE** – The District expects the ADA will remain stable for 2017-18, approximately 8,178.

<u>Year</u>	<u>Revenue Limit/LCFF ADA</u>	<u>Percent Growth</u>
2007-08	7,755	0.0%
2008-09	7,716	(0.5%)
2009-10	7,748	0.4%
2010-11	7,798	0.6%
2011-12	7,999	2.6%
2012-13	8,061	0.8%
2013-14	8,190	1.6%
2014-15	8,191	0.0%
2015-16	8,169	0.0%
2016-17	8,146	0.0%
2017-18 (estimated)	8,178	0.0%

*Note: The above figures reflect total District P2 ADA, excluding County Special Education.*

**Economic Factors that may affect the Future (continued)**

**STATE CLASS SIZE REDUCTION** – The State Class Size Reduction program has been folded into the Local Control Funding Formula. The District will be making progress towards reducing class size in grades K-3 to 24:1 over the next seven years.

**SPECIAL EDUCATION** – Based on current estimates, the General Fund contribution in support of various Special Education programs in 2017-18 will be approximately \$5.375 million.

**ENDING FUND BALANCE PROJECTION** – The District’s 2017-18 ending fund balance is projected to meet the required 3% contingency reserve requirement.

**Contacting the District’s Financial Management**

This financial report is designed to provide the community, investors, and creditors with a general overview of the district’s financial condition and to show the district’s accountability for the funding it receives. If you have questions regarding this report or need additional financial information, contact:

Dannielle Brook  
Assistant Superintendent, Business Services  
Hueneme Elementary School District  
205 N. Ventura Road  
Port Hueneme, CA 93041  
(805) 488-3588

**FINANCIAL SECTION**

# HUENEME ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities
<b><u>Assets</u></b>	
Cash in county treasury	\$ 22,326,957
Cash and cash equivalents	11,000
Accounts receivable	
Federal and state governments	3,459,069
Miscellaneous	217,954
Prepaid expenses	1,020
Stores	94,820
Land	1,219,959
Construction in progress	1,073,427
Depreciable assets, net	44,624,380
<b>Total Assets</b>	<b>73,028,586</b>
 <b><u>Deferred Outflows of Resources</u></b>	
Deferred Outflows - Pensions	23,689,060
Deferred Charge on Refunding	776,336
<b>Total Deferred Outflows of Resources</b>	<b>24,465,396</b>
 <b><u>Liabilities</u></b>	
Accounts payable and other current liabilities	6,707,164
Accrued interest	800,926
Unearned revenue	32,493
Current portion of long-term liabilities:	
General Obligation Bonds, including accreted interest	1,454,229
Non-current portion of long term liabilities:	
General Obligation Bonds, including premium and accreted interest	40,733,940
Compensated absences	524,282
Other postemployment benefits other than pensions (OPEB)	9,868,277
Net pension liability	83,761,725
<b>Total Liabilities</b>	<b>143,883,036</b>
 <b><u>Deferred Inflows of Resources</u></b>	
Deferred Inflows - Pensions	2,359,258
 <b><u>Net Position</u></b>	
Net investment in capital assets	4,729,597
Restricted for:	
Debt service	2,896,963
Construction projects	4,806,206
Educational programs	108,894
Cafeteria program	1,554,065
Unrestricted	(62,844,037)
<b>Total Net Position</b>	<b>\$ (48,748,312)</b>

See the accompanying notes to the financial statements.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2017**

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities</b>				
Instruction	\$ 64,510,527	\$ -	\$ 6,820,964	\$ (57,689,563)
Instruction - related services	11,855,827	-	1,588,032	(10,267,795)
Pupil services	10,386,858	110,213	5,224,718	(5,051,927)
General administration	4,315,236	21,433	286,632	(4,007,171)
Community services	595,660	-	576,016	(19,644)
Plant services	8,949,057	-	665,022	(8,284,035)
Other outgo	2,313,427	-	-	(2,313,427)
Debt service - interest	2,368,704	-	-	(2,368,704)
Depreciation (unallocated)	3,008,193	-	-	(3,008,193)
<b>Total Governmental Activities</b>	<u>\$ 108,303,489</u>	<u>\$ 131,646</u>	<u>\$ 15,161,384</u>	<u>(93,010,459)</u>
General Revenues				
Property taxes levied for				
General purposes				7,252,070
Debt service				2,561,134
Other specific purposes				259,483
Federal and state aid not restricted to specific purposes				74,391,396
Interest and investment earnings				134,647
Miscellaneous				843,123
<b>Total General Revenues</b>				<u>85,441,853</u>
Change in net position				(7,568,606)
<b>Net Position - Beginning of Year</b>				<u>(41,179,706)</u>
<b>Net Position - End of Year</b>				<u>\$ (48,748,312)</u>

See the accompanying notes to the financial statements.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017**

	General Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>					
Cash in county treasury	\$ 13,730,705	\$ 4,775,746	\$ 2,914,735	\$ 905,771	\$ 22,326,957
Cash in revolving fund	11,000	-	-	-	11,000
Accounts receivable					
Federal and State Governments	2,401,407	-	-	1,057,662	3,459,069
Miscellaneous	194,563	887	6,818	15,686	217,954
Due from other funds	210,697	11,212	-	13,188	235,097
Stores	78,256	-	-	16,564	94,820
Prepaid expenditures	1,020	-	-	-	1,020
<b>Total Assets</b>	<b>\$ 16,627,648</b>	<b>\$ 4,787,845</b>	<b>\$ 2,921,553</b>	<b>\$ 2,008,871</b>	<b>\$ 26,345,917</b>
 <b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 6,481,417	\$ -	\$ -	\$ 225,747	\$ 6,707,164
Due to other funds	24,399	15,925	-	194,773	235,097
Unearned revenue	32,493	-	-	-	32,493
<b>Total Liabilities</b>	<b>6,538,309</b>	<b>15,925</b>	<b>-</b>	<b>420,520</b>	<b>6,974,754</b>
 <b>Fund Balances</b>					
Nonspendable	90,276	-	-	16,564	106,840
Restricted	108,894	4,771,920	2,921,553	1,571,787	9,374,154
Assigned	7,000,578	-	-	-	7,000,578
Unassigned	2,889,591	-	-	-	2,889,591
<b>Total Fund Balances</b>	<b>10,089,339</b>	<b>4,771,920</b>	<b>2,921,553</b>	<b>1,588,351</b>	<b>19,371,163</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,627,648</b>	<b>\$ 4,787,845</b>	<b>\$ 2,921,553</b>	<b>\$ 2,008,871</b>	<b>\$ 26,345,917</b>

See the accompanying notes to the financial statements.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2017**

Total fund balances - governmental funds \$ 19,371,163

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 1,219,959	
Construction in progress	1,073,427	
Depreciable assets, net	<u>44,624,380</u>	46,917,766

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

General Obligation Bonds, including accreted interest and premium	(42,188,169)	
Compensated absences	(524,282)	
Other postemployment benefits other than pensions (OPEB)	(9,868,277)	
Net pension liability	<u>(83,761,725)</u>	(136,342,453)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year end consist of:

Deferred Outflows of Resources - Deferred Charge on Refunding	776,336	
Deferred Outflows of Resources - Pensions	23,689,060	
Deferred Inflows of Resources - Pensions	<u>(2,359,258)</u>	22,106,138

Interest expense related to General Obligation Bonds was incurred but not accrued through June 30, 2017. (800,926)

Total net position - governmental activities \$ (48,748,312)

See the accompanying notes to the financial statements.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2017**

	General Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local control funding formula sources:					
State apportionments	\$ 70,742,763	\$ -	\$ -	\$ -	\$ 70,742,763
Local sources	7,252,070	-	-	-	7,252,070
Total local control funding formula sources	77,994,833	-	-	-	77,994,833
Federal sources	4,444,126	-	-	4,939,211	9,383,337
Other state sources	4,860,306	-	20,016	371,566	5,251,888
Other local sources	5,514,589	1,945	2,555,939	195,661	8,268,134
<b>Total Revenues</b>	<b>92,813,854</b>	<b>1,945</b>	<b>2,575,955</b>	<b>5,506,438</b>	<b>100,898,192</b>
<b>Expenditures</b>					
Instruction	61,687,837	-	-	-	61,687,837
Instruction - related services	11,315,126	-	-	-	11,315,126
Pupil services	5,568,204	-	-	4,970,382	10,538,586
Community services	576,174	-	-	-	576,174
General administration	3,982,968	-	-	194,763	4,177,731
Plant services	10,253,415	27,167	-	774,671	11,055,253
Other outgo	2,935,976	-	-	-	2,935,976
Debt Service	-	-	8,669,141	-	8,669,141
<b>Total Expenditures</b>	<b>96,319,700</b>	<b>27,167</b>	<b>8,669,141</b>	<b>5,939,816</b>	<b>110,955,824</b>
Excess (deficiency) of revenues over expenditures	(3,505,846)	(25,222)	(6,093,186)	(433,378)	(10,057,632)
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of bonds	-	4,600,000	1,094,651	-	5,694,651
Proceeds from issuance of refunding bonds	-	-	4,675,000	-	4,675,000
Other uses	-	-	(570)	-	(570)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>4,600,000</b>	<b>5,769,081</b>	<b>-</b>	<b>10,369,081</b>
Net changes in fund balance	(3,505,846)	4,574,778	(324,105)	(433,378)	311,449
<b>Fund Balances at Beginning of Year</b>	<b>13,595,185</b>	<b>197,142</b>	<b>3,245,658</b>	<b>2,021,729</b>	<b>19,059,714</b>
<b>Fund Balances at End of Year</b>	<b>\$ 10,089,339</b>	<b>\$ 4,771,920</b>	<b>\$ 2,921,553</b>	<b>\$ 1,588,351</b>	<b>\$ 19,371,163</b>

See the accompanying notes to the financial statements.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2017**

Net change in fund balances - total governmental funds \$ 311,449

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 2,780,385	
Depreciation expense	<u>(3,008,193)</u>	
Excess (deficiency) of capital outlay over depreciation expense		(227,808)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General obligation bond principal payments		6,883,401
--	--	-----------

In government funds, proceeds from debt are recognized as Other Financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities.

Amounts recognized in governmental funds as proceeds from debt, net of issue premium and discount, were:		(9,275,000)
--	--	-------------

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis.

The difference between accrual basis pension costs and actual employer contributions was:		(3,180,474)
---	--	-------------

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

These activities consist of:

Net increase in accrued interest	(142,321)	
Net increase in accreted interest	(176,265)	
Net increase in other postemployment benefits other than pensions (OPEB)	(991,019)	
Net increase in compensated absences	(34,657)	
Net increase in premium on general obligation bonds	(1,042,348)	
Net increase in deferred charge on refunding bonds	<u>306,436</u>	<u>(2,080,174)</u>

Change in net position of governmental activities		<u>\$ (7,568,606)</u>
---	--	-----------------------

See the accompanying notes to the financial statements.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

**June 30, 2017**

	Associated Student Body Funds
<b><u>Assets</u></b>	
Cash in county treasury	\$ 132,424
Accounts receivable	299
<b>Total Assets</b>	<u>132,723</u>
<b><u>Liabilities</u></b>	
Accounts payable	<u>34,288</u>
<b>Total Liabilities</b>	<u>34,288</u>
<b><u>Net Position</u></b>	
Unrestricted	<u>98,435</u>
<b>Total Net Position</b>	<u><u>\$ 98,435</u></u>

See the accompanying notes to the financial statements.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For the Fiscal Year Ended June 30, 2017**

	<u>Associated Student Body Funds</u>
<b>Additions</b>	
Revenue from local sources	\$ 224,053
<b>Total Additions</b>	<u>224,053</u>
<b>Deductions</b>	
Other expenses	<u>225,700</u>
<b>Total Deductions</b>	<u>225,700</u>
Changes in net position	(1,647)
<b>Net Position - Beginning of Year</b>	<u>100,082</u>
<b>Net Position - End of Year</b>	<u><u>\$ 98,435</u></u>

See the accompanying notes to the financial statements.

# HUENEME ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

#### **Basis of Presentation**

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

#### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.

# HUENEME ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

***Instruction:*** includes the activities directly dealing with the interaction between teachers and students.

***Instruction-Related Services:*** includes supervision of instruction, instructional library, media and technology, and school site administration.

***Pupil Services:*** includes home to school transportation, food services, and other pupil services.

***General Administration:*** includes data processing services and all other general administration services.

***Community Services:*** includes activities that provide services to community participants other than students.

***Plant Services:*** includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

***Other Outgo:*** includes transfers to other agencies.

***Debt Service:*** includes principal and interest payments for long term debt.

The fiduciary fund expenses are presented by natural classification.

#### **Fund Accounting**

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

# HUENEME ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Statement of Revenues, Expenditures and Changes in Fund Balance is a statement of the financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

#### **Governmental Funds – Major**

**General Fund:** used to account for all financial resources except those required to be accounted for in another fund.

**Building Fund:** used to account for repairs, construction and/or acquisition of major capital facilities; acquisition, retro-fitting, and operation of real property; proceeds of general obligation bonds. The District's building fund is used to account for bond issuance sources and expenditures in accordance with State of California Proposition 39 and related State legislation requirements.

**Debt Service Funds:** used to account for the financial resources that are restricted, committed or assigned and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs. The District maintained the Bond Interest and Redemption Fund which is used to account for the payment of principal and interest on general obligation bonded debt.

#### **Governmental Funds – Non-Major**

**Special Revenue Funds:** used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The District maintained one Special Revenue Fund.

*Cafeteria Fund:* used to account for revenues received and expenditures made to operate the District's cafeterias.

**Capital Projects Funds:** used to account for the financial resources that are restricted, committed, or assigned for the acquisition and/or construction of major governmental general fixed assets.

*Capital Facilities Fund:* used to account for resources received from residential and commercial developer impact fees.

# HUENEME ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Fiduciary Funds**

**Associated Student Body Fund:** used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates three Associated Student Body funds.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

#### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the county treasury is recorded at cost, which approximates fair value.

#### **Receivables**

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

#### **Inventories**

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2017, the inventory for supplies is \$78,256. The inventory for food is \$16,564.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Prepaid Expenses/Expenditures**

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which goods or services are consumed.

**Capital Assets**

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20-50 years
Furniture and equipment	5-10 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

**Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

***Deferred Charge on Refunding:*** A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

# HUENEME ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Deferred Outflows – Pensions:* The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion, and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 10 to the financial statements.

#### **Unearned Revenue**

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

#### **Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

#### **Long-Term Obligations**

The District reports long-term debt of governmental funds at face value in the government-wide financial statements.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

# HUENEME ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Net Pension Liability**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

#### **Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions results from the difference between the estimated and actual return on pension plan investments, the effect of changes in proportion and changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 10 to the financial statements.

#### **Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

#### **Fund Balance Classification**

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

***Nonspendable:*** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

# HUENEME ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Restricted:*** Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

***Committed:*** Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Trustees. These amounts cannot be used for any other purpose unless the District Board of Trustees removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has no committed balances.

***Assigned:*** Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Trustees, through a formal action has given authority to the Superintendent to assign amounts for a specific purpose that is neither restricted nor committed.

***Unassigned:*** The residual fund balance for the General Fund and all other spendable amounts.

#### **Spending Order Policy**

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment functions.

#### **Minimum Fund Balance Policy**

The District does not have a written minimum fund balance policy. To protect against revenue shortfalls and unexpected one-time expenditures, the District has maintained a reserve for economic uncertainties consisting of unassigned amounts equivalent to 3% of budgeted General Fund expenditures and other financing uses. These amounts represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Trustees.

#### **State Apportionments**

Certain current year apportionments from the state are based upon various financial and

# HUENEME ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

#### **Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are payable in two installments on November 1<sup>st</sup> and February 1<sup>st</sup>. Unsecured property taxes are payable in one installment on or before August 31<sup>st</sup>.

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes. Property taxes for debt service purposes have been accrued in the Government-wide financial statements.

#### **On-Behalf Payments**

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

#### **Contributed Services**

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

#### **Estimates**

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

# HUENEME ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component units have been excluded from the District's reporting entity:

**Various PTA, PTO and Booster Clubs:** Each of these types of organizations at each of the school sites within the District were evaluated using the three criterions listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

#### **NOTE 2: BUDGETS**

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption –Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

#### **NOTE 3: DEPOSITS**

##### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2017, the District's bank balance of \$116,297 was not exposed to credit risk.

##### **Cash in County**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Ventura County Treasury as part of the common investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2017 is measured at 99.78% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53534, 53601, 53635, and 53648. The county is restricted to invest 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 funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 3: DEPOSITS**

County Treasurer follows. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized costs, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Ventura County Board of Supervisors, County Government Center, 800 South Victoria Avenue, Ventura, CA 93009.

**NOTE 4: INTERFUND TRANSACTIONS**

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

**Interfund Receivables/Payables**

Individual interfund receivable and payable balances at June 30, 2017 are temporary loans and are detailed as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 210,697	\$ 24,399
Building Fund	11,212	15,925
Special Revenue Fund:		
Cafeteria Fund	4,047	194,773
Capital Facilities Fund	9,141	-
Total	<u>\$ 235,097</u>	<u>\$ 235,097</u>

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 5: FUND BALANCES**

The following amounts were nonspendable, restricted, committed, assigned or unassigned as shown below:

	General Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:					
Cash in revolving fund	\$ 11,000	\$ -	\$ -	\$ -	\$ 11,000
Stores	78,256	-	-	16,564	94,820
Prepaid expenditures	1,020	-	-	-	1,020
Total nonspendable	<u>90,276</u>	<u>-</u>	<u>-</u>	<u>16,564</u>	<u>106,840</u>
Restricted:					
Educational programs	108,894	-	-	-	108,894
Cafeteria program	-	-	-	1,537,501	1,537,501
Construction projects	-	4,771,920	-	34,286	4,806,206
Debt service	-	-	2,921,553	-	2,921,553
Total restricted	<u>108,894</u>	<u>4,771,920</u>	<u>2,921,553</u>	<u>1,571,787</u>	<u>9,374,154</u>
Assigned:					
Site budget carryforwards	19,874	-	-	-	19,874
Donations and grants	14,736	-	-	-	14,736
Programs and projects	6,965,968	-	-	-	6,965,968
Total assigned	<u>7,000,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000,578</u>
Unassigned:					
Economic uncertainties	2,889,591	-	-	-	2,889,591
Total unassigned	<u>2,889,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,889,591</u>
Total fund balance	<u>\$ 10,089,339</u>	<u>\$ 4,771,920</u>	<u>\$ 2,921,553</u>	<u>\$ 1,588,351</u>	<u>\$ 19,371,163</u>

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 6: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES**

Capital asset activity for the year ended June 30, 2017 is shown here within.

	Balance July 1, 2016	Reclass	Additions	Retirements	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 1,219,959	\$ -	\$ -	\$ -	\$ 1,219,959
Construction in progress	663,314	-	780,622	370,509	1,073,427
Total capital assets not being depreciated	<u>1,883,273</u>	<u>-</u>	<u>780,622</u>	<u>370,509</u>	<u>2,293,386</u>
Capital assets being depreciated:					
Site improvements	9,846,715	-	-	-	9,846,715
Buildings and Improvements	66,569,979	-	2,029,033	-	68,599,012
Machinery, Equipment and Vehicles	3,156,185	-	341,239	121,634	3,375,790
Total capital assets being depreciated	<u>79,572,879</u>	<u>-</u>	<u>2,370,272</u>	<u>121,634</u>	<u>81,821,517</u>
Less accumulated depreciation for:					
Site improvements	4,799,561	(1,585,659)	488,671	-	3,702,573
Buildings and Improvements	27,020,622	1,585,659	2,387,709	-	30,993,990
Machinery, Equipment and Vehicles	2,490,395	-	131,813	121,634	2,500,574
Total accumulated depreciation	<u>34,310,578</u>	<u>-</u>	<u>3,008,193</u>	<u>121,634</u>	<u>37,197,137</u>
Depreciable assets, net	<u>45,262,301</u>	<u>-</u>	<u>(637,921)</u>	<u>-</u>	<u>44,624,380</u>
Governmental activities capital assets, net	<u>\$ 47,145,574</u>	<u>\$ -</u>	<u>\$ 142,701</u>	<u>\$ 370,509</u>	<u>\$ 46,917,766</u>

**NOTE 7: LONG-TERM DEBT – SCHEDULE OF CHANGES**

A schedule of changes in long-term debt for the year ended June 30, 2017 is shown below.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due in One Year
General obligation bonds	\$ 33,813,671	\$ 9,275,000	\$ 6,883,401	\$ 36,205,270	\$ 1,218,168
Capital appreciation interest	3,712,270	397,865	221,599	3,888,536	236,061
General obligation bond premium	1,052,015	1,094,651	52,303	2,094,363	-
Total general obligation bonds	<u>38,577,956</u>	<u>10,767,516</u>	<u>7,157,303</u>	<u>42,188,169</u>	<u>1,454,229</u>
Compensated absences	489,625	34,657	-	524,282	-
Postemployment healthcare benefits	8,877,258	991,019	-	9,868,277	-
Net pension liability	67,071,459	16,690,266	-	83,761,725	-
Total	<u>\$ 115,016,298</u>	<u>\$ 28,483,458</u>	<u>\$ 7,157,303</u>	<u>\$ 136,342,453</u>	<u>\$ 1,454,229</u>

The early retirement program, net pension liability, postemployment healthcare benefits, and compensated absences are liquidated by the funds recording the associated salary expense. The general obligation bonds are liquidated through property tax collections as administered by the County through the Debt Service Fund.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

#### **NOTE 8: GENERAL OBLIGATION BONDS**

On March 4, 1997, \$4.7 million in general obligation bonds were authorized by an election held within the District. The bonds were authorized to finance the acquisition, construction, and modernization of school facilities and to pay related costs.

Between 1998 and 2000, the District issued bonds, Series A and B, totaling \$4,696,167.

On June 6, 2000, \$6.95 million in general obligation bonds were authorized by an election held within the District. The bonds were authorized to finance the acquisition, construction, and modernization of school facilities and paying related costs.

Between 2000 and 2002, the District issued bonds, Series A and B, totaling \$6,948,545. In 2011, the District issued refunding bonds to retire Series A and portions of Series B.

On November 2, 2004, \$17 million in general obligation bonds were authorized by an election (Measure I) held within the District. The bonds were authorized to finance renovation and modernization of school facilities and to pay related costs.

Between 2005 and 2007, the District issued bonds, Series A and B, totaling \$17,099,996. In 2014, the District issued a refunding bond to retire the Series A bonds.

The balance of the bonds refunded was \$537,028 less than the amount paid into the escrow account was with the addition of \$340,000 for the 2017 refunding bond. Each amount is recorded as a deferred charge on the statement of net position and amortized to interest expense over the life of the each new debt. Amortization of \$33,564 was recognized during the year ended June 30, 2017.

On November 6, 2012, \$19.6 million in general obligation bonds were authorized by an election (Measure T) held within the District. The bonds were authorized to finance the renovation and modernization of school facilities and to pay related costs.

Between 2013 and 2015, the District issued bonds, Series A and B, totaling \$15 million.

On June 28, 2017, the District issued bonds, Series C for the remaining \$4.6 million. In the same official statement they issued a refunding bond for \$4,675,000 which refunded parts of Series B of Election 2007.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. Various bonds previously included a combined premium of \$1,193,614 with the addition of \$1,093,651 with the 2017 refunding. The amount will be amortized using the straight-line method. Amortization of \$52,303 was recognized during the year ended June 30, 2017.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 8: GENERAL OBLIGATION BONDS**

Capital appreciation bonds issued for Election 1997, Series A and Series B have maturity dates from August 1, 2011 through June 1, 2023 and August 1, 2013 through May 1, 2024 respectively; Election 2000, Series B has maturity dates from August 1, 2017 through August 1, 2023; and Election 2004, Series B has maturity dates from August 1, 2030 through August 1, 2032. Prior to the maturity date, the bonds will accrete interest on the principal component. In 2016-17, accreted interest accrued and included as an addition in the long-term debt schedule is \$397,865 and accreted interest paid and included as a deduction in the long-term debt schedule is \$221,599. As of June 30, 2017, \$3,888,536 of accreted interest is accrued and outstanding.

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2017
Election 1997					
Series A	6/1/1998	6/1/2023	4.5-5.4	\$ 2,085,011	\$ 398,218
Series B	5/1/1999	5/1/2024	4.2-5.2	2,611,156	588,512
Election 2000					
Series B	6/1/2002	6/1/2027	4.0-6.0	3,563,545	1,138,545
Election 2004					
Series B	7/27/2007	2/1/2033	4.0-6.9	7,599,996	1,669,995
Election 2012					
Series A	5/16/2013	8/1/2037	3.0-4.0	4,000,000	1,925,000
Series B	2/3/2015	8/2/2039	2.0-4.0	11,000,000	10,960,000
Series C	6/28/2017	8/1/2029	2.0-4.0	4,600,000	4,600,000
Refunding Bonds					
Election 2000	9/27/2011	8/1/2025	2.0-3.3	3,980,000	2,025,000
Election 2004, Series A	5/2/2014	8/1/2029	3.3	8,700,000	8,225,000
2017 Refunding Bonds	6/28/2017	8/1/2029	2.0-4.0	4,675,000	4,675,000
Total				<u>\$ 52,814,708</u>	<u>\$ 36,205,270</u>

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 8: GENERAL OBLIGATION BONDS**

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest
2018	\$ 1,218,168	\$ 1,465,816	\$ 2,683,984
2019	1,550,332	1,598,678	3,149,010
2020	1,673,358	1,580,954	3,254,312
2021	1,663,147	1,558,991	3,222,138
2022	1,792,310	1,525,645	3,317,955
2023-2027	10,782,959	6,357,248	17,140,207
2028-2032	9,575,476	4,559,399	14,134,875
2033-2037	4,514,520	2,793,105	7,307,625
2038-2040	3,435,000	267,125	3,702,125
Total	\$ 36,205,270	\$ 21,706,961	\$ 57,912,231

**NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description and Eligibility**

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides health, dental and vision benefits to eligible retirees and their dependents. Benefit provisions are established through negotiations between and the District and the bargaining unions representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a separate financial report.

**Funding Policy**

The District currently finances benefits on a pay-as-you-go basis. The District contributes the cost of current year premiums, up to the capped amount for active employees, for eligible retired plan members and their dependents as applicable. For the year ended June 30, 2017, the District contributed \$867,907 to the plan.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS**

	Balance
	June 30, 2017
Annual OPEB Cost and Net OPEB Obligation	
Annual required contribution (ARC)	\$ 1,839,780
Interest on net OPEB obligation	399,477
Adjustment to ARC	<u>(380,331)</u>
Annual OPEB cost	1,858,926
Contributions made, including implicit rate subsidy	<u>(867,907)</u>
Change in net OPEB obligation	991,019
Net OPEB obligation - beginning of year	<u>8,877,258</u>
Net OPEB obligation - end of year	<u>\$ 9,868,277</u>

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the current and two prior fiscal years was as follows:

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 2,066,200	46.2%	\$ 7,788,858
2016	2,061,000	47.2%	8,877,258
2017	1,858,926	46.7%	9,868,277

**Funding Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$20,372,147. The covered payroll (annual payroll of active employees covered by the plan) was \$58,884,316, and the ratio of the UAAL to the covered payroll was 34.6%. Currently the District is using the pay as you go method to fund the existing fiscal year payments.

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

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Actuarial Methods and Assumptions**

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

In the July 1, 2016 actuarial valuation, the entry age level percent of pay actuarial cost method was used. The actuarial assumptions included a 3.6 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of various levels reduced to an ultimate rate of 5.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percent of pay over a rolling 30 years. The remaining amortization period at June 30, 2017, was thirty years.

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

As of June 30, 2017, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as follows:

Pension Plan	Net	Deferred	Deferred	Pension Expense
	Pension Liability	Outflows of Resources	Inflows of Resources	
CalSTRS (STRP)	\$ 66,322,420	\$ 17,568,475	\$ 1,617,860	\$ 7,763,261
CalPERS (Schools Pool Plan)	17,439,305	6,120,585	741,398	2,423,170
Total	<u>\$ 83,761,725</u>	<u>\$ 23,689,060</u>	<u>\$ 2,359,258</u>	<u>\$ 10,186,431</u>

The details of each plan are as follows:

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

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

Provisions and Benefits	STRP Defined Benefit Program and Supplement Program	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.250%	9.205%
Required employer contribution rate	12.580%	12.580%
Required state contribution rate	8.828%	8.828%

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

**Contributions**

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2017 are presented above and the total District contributions were \$5,533,367.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

	Balance
	June 30, 2017
<u>Proportionate Share of Net Pension Liability</u>	
District proportionate share of net pension liability	\$ 66,322,420
State's proportionate share of the net pension liability associated with the District	37,761,729
Total	<u>\$ 104,084,149</u>

The net pension liability was measured as of June 30, 2016. 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 plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.082%.

For the year ended June 30, 2017, the District recognized pension expense of \$7,763,261 and revenue of \$3,650,069 for support provided by the state. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Pension Deferred Outflows and Inflows of Resources</u>		
Pension contributions subsequent to measurement date	\$ 5,533,367	\$ -
Effect of changes in proportion	6,762,508	-
Difference between expected & actual experience	-	1,617,860
Net differences between projected and actual earnings on plan investments	5,272,600	-
Total	<u>\$ 17,568,475</u>	<u>\$ 1,617,860</u>

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2016 measurement date is 7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

The remaining amount will be recognized to pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2018	\$ 2,401,008
2019	2,401,008
2020	2,401,008
2021	2,401,008
2022	1,082,861
2023	(269,645)
Total	<u>\$ 10,417,248</u>

**Actuarial Methods and Assumptions**

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

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are normally distributed and independent from year to year to develop an expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Private equity	13%	9.30%
Real estate	13%	5.20%
Absolute return/risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 95,452,920
Current discount rate (7.60%)	66,322,420
1% increase (8.60%)	42,128,320

**Plan Fiduciary Net Position**

Detailed information about the STRP’s plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Law.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member’s final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

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

Provisions and Benefits	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	13.888%	13.888%

**Contributions**

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. Total plan contributions are determined through the 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017 are as presented above and the total District contributions were \$1,583,433.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$17,439,305. The net pension liability was measured as of June 30, 2016. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015 and rolling forward the total pension liability to June 30, 2016. 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 plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.0883%.

For the year ended June 30, 2017, the District recognized pension expense of \$2,423,170. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 1,583,433	\$ -
Difference between expected & actual experience	750,057	
Effect of changes in proportion	1,081,076	217,451
Net differences between projected and actual earnings on plan investments	2,706,019	
Effect of changes in assumptions		523,947
Total	\$ 6,120,585	\$ 741,398

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2016 measurement date is 3.9 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2018	\$ 641,281
2019	850,490
2020	1,597,737
2021	706,246
Total	\$ 3,795,754

**Actuarial Methods and Assumptions**

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

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

Actuarial Methods and Assumptions

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on CalPERS specific membership data and mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, 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 the 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 one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and forestland	2%	5.09%
Liquidity	1%	-1.05%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 26,019,540
Current discount rate (7.65%)	17,439,305
1% increase (8.65%)	10,294,571

**Plan Fiduciary Net Position**

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**NOTE 11: JOINT POWERS AGREEMENTS**

The District participates in three joint powers agreement (JPA) entities, the Ventura County Schools’ Self-Funding Authority (VCSSFA), Gold Coast Joint Benefits Trust (GCJBT), and Ventura County Fast Action School Transit Authority (VCFAST).

VCSSFA provides workers’ compensation, property and liability coverage for its member school districts through a varying combination of self-insurance and excess coverage. The District pays a premium commensurate with the level of coverage requested.

GCJBT arranges for health and welfare benefits for employees and retirees of participating school districts and their eligible dependents. Member districts pay a monthly premium per eligible participant.

VCFAST was established July 1, 1995 for the purpose of providing a county wide distribution system for carrying documents and materials to and from Ventura County Superintendent of Schools Office and participating public agencies.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards.

# HUENEME ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 11: JOINT POWERS AGREEMENTS**

Each JPA is independently accountable for its fiscal matters. VCSSFA, GCJBT and VCFast maintain their own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationships between the District and the JPAs are such that none of the JPAs is a component unit of the District for financial reporting purposes.

Condensed financial information is as follows:

	VCSSFA	VCFast	GCJBT
	June 30, 2017	June 30, 2016	June 30, 2016
JPA Condensed Financial Information	(Audited)	(Audited)	(Audited)
Total assets and deferred outflows of resources	\$ 114,051,674	\$ 50,917	\$ 15,434,618
Total liabilities and deferred inflows of resources	51,460,307	23,006	4,945,229
Net position	62,591,367	27,911	10,489,389
Total revenues	27,517,517	120,779	59,019,944
Total expenditures	19,190,998	117,049	56,495,141

### **NOTE 12: COMMITMENTS AND CONTINGENCIES**

#### **Litigation**

The District is involved in claims and legal actions arise in in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

#### **State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2017**

	Budgetary Amounts - General Fund		Actual Amounts
	Original	Final	GAAP Basis
<b>Revenues</b>			
Local control funding formula sources:			
State apportionments	\$ 70,743,871	\$ 71,140,307	\$ 70,742,763
Local sources	<u>6,603,669</u>	<u>6,303,254</u>	<u>7,252,070</u>
Total local control funding formula sources:	77,347,540	77,443,561	77,994,833
Federal sources	4,325,243	4,739,205	4,444,126
Other state sources	3,435,592	4,820,486	4,860,306
Other local sources	<u>3,829,819</u>	<u>5,238,905</u>	<u>5,514,589</u>
<b>Total Revenues</b>	<u>88,938,194</u>	<u>92,242,157</u>	<u>92,813,854</u>
<b>Expenditures</b>			
Certificated salaries	44,169,522	44,141,255	45,053,857
Classified salaries	10,741,642	11,267,646	11,842,295
Employee benefits	18,899,823	19,665,196	20,000,231
Books and supplies	5,748,696	6,956,396	6,887,454
Services and other operating expenditures	5,935,369	6,846,386	7,725,018
Capital outlay	140,000	2,127,024	2,069,632
Tuition and other outgo	2,025,680	2,933,986	2,935,976
Direct support - indirect cost	<u>(175,000)</u>	<u>(175,000)</u>	<u>(194,763)</u>
<b>Total Expenditures</b>	<u>87,485,732</u>	<u>93,762,889</u>	<u>96,319,700</u>
Net change in fund balances	<u>\$ 1,452,462</u>	<u>\$ (1,520,732)</u>	(3,505,846)
<b>Fund Balance - Beginning of Year</b>			<u>13,595,185</u>
<b>Fund Balance - End of Year</b>			<u>\$ 10,089,339</u>

See the accompanying notes to the required supplementary information.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE**  
**BENEFITS FUNDING PROGRESS**  
**For the Fiscal Year Ended June 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Credit Cost Method)		Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(AAL)					
6/30/2010	\$ -	\$	19,720,300	\$ 19,720,300	0%	\$ 45,705,200	43.1%
6/30/2012	-		20,744,800	20,744,800	0%	42,219,700	49.1%
6/30/2014	-		27,485,600	27,485,600	0%	43,874,600	62.6%
7/1/2016	-		20,372,147	20,372,147	0%	58,884,316	34.6%

See the accompanying notes to the required supplementary information.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**For the Fiscal Year Ended June 30, 2017**

California State Teachers' Retirement System - State Teacher's Retirement Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.0690%	0.0820%	0.0820%
District's proportionate share of the net pension liability (asset)	\$ 40,321,530	\$ 55,205,680	\$ 66,322,420
State's proportionate share of the net pension liability (asset) associated with the District	<u>24,348,125</u>	<u>29,197,641</u>	<u>37,761,729</u>
Total	<u>\$ 64,669,655</u>	<u>\$ 84,403,321</u>	<u>\$ 104,084,149</u>
District's covered payroll	\$ 34,189,000	\$ 37,390,000	\$ 41,878,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	117.94%	147.65%	158.37%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%
California Public Employees' Retirement Plan - Schools Pool Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.0779%	0.0805%	0.0883%
District's proportionate share of the net pension liability (asset)	<u>\$ 8,843,547</u>	<u>\$ 11,865,779</u>	<u>\$ 17,439,305</u>
District's covered payroll	\$ 8,177,000	\$ 8,974,000	\$ 10,597,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.15%	132.22%	164.57%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%	73.90%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.



**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Budgetary Comparison For The General Fund**

A budgetary comparison is presented for the general fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year end, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

**Schedule of Postemployment Healthcare Benefits Funding Progress**

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

**Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS – Schools Pool Plan**

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

**Schedules of District Contributions – STRP and PERS – Schools Pool Plan**

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

**NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excesses of expenditures over appropriations, by major object accounts, occurred in the following funds:

<b><u>General fund:</u></b>	
Certificated salaries	\$912,602
Classified salaries	574,649
Employee benefits	335,035
Services and other operating expenditures	878,632
Tuition and other outgo	1,990

**SUPPLEMENTARY INFORMATION**

# HUENEME ELEMENTARY SCHOOL DISTRICT

## HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2017

The Hueneme Elementary School District was established in 1873 and consists of an area comprising approximately eight square miles. The Districts operates nine elementary schools and two junior high schools. There were no boundary changes during the year.

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2017 were as follows:

### **BOARD OF TRUSTEES**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Bexy I. Gomez	President	December 2018
Dr. Charles Weis	Clerk	December 2018
Vianey Lopez	Member	December 2020
Scott E. Swenson	Member	December 2018
Darlene A. Bruno	Member	December 2020

### **DISTRICT ADMINISTRATORS**

Dr. Christine Walker	Superintendent
Dr. Carlos Dominguez	Assistant Superintendent, Human Resources
Helen Cosgrove	Assistant Superintendent, Educational Services
Dannielle Brook	Assistant Superintendent, Business Services
David Ragsdale	Chief Technology Officer
Denise Hicklin	Senior Director, Pupil Support Services
Irma Villanueva	Senior Director, Educational Projects
Raven Aipa	Senior Director, Educational Services
Jennifer Tissler	Senior Director, Personnel Services

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)**  
**For the Fiscal Year Ended June 30, 2017**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2017 are as follows:

	<u>Second Period</u>	<u>Annual</u>
Grades transitional kindergarten through third:		
Regular ADA	3,674	3,674
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	<u>7</u>	<u>5</u>
Total grades transitional kindergarten through third ADA	<u>3,683</u>	<u>3,681</u>
Grades four through six:		
Regular ADA	2,843	2,832
Extended year special education	1	1
Special education - nonpublic, nonsectarian schools	<u>1</u>	<u>-</u>
Total grades four through six ADA	<u>2,845</u>	<u>2,833</u>
Grades seven and eight:		
Regular ADA	1,617	1,612
Extended year special education	<u>1</u>	<u>1</u>
Total grades seven and eight ADA	<u>1,618</u>	<u>1,613</u>
Total ADA	<u><u>8,146</u></u>	<u><u>8,127</u></u>

See the accompanying notes to the supplementary information.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
For the Fiscal Year Ended June 30, 2017**

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	36,019	180	In Compliance
Grade 1	50,400	50,548	180	In Compliance
Grade 2	50,400	50,548	180	In Compliance
Grade 3	50,400	50,548	180	In Compliance
Grade 4	54,000	54,132	180	In Compliance
Grade 5	54,000	54,132	180	In Compliance
Grade 6	54,000	54,132	180	In Compliance
Grade 7	54,000	54,975	180	In Compliance
Grade 8	54,000	54,975	180	In Compliance

See the accompanying notes to the supplementary information.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2017**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>United States Department of Agriculture</b>			
Pass-Through Program From California Department of Education:			
Child Nutrition Cluster:			
Child Nutrition Program-Especially Needy Breakfast	10.553	13526	\$ 1,298,609
Child Nutrition Program-Lunch	10.555	13524	3,494,972
Child Nutrition Program-Meal Supplements	10.553	13396	<u>145,630</u>
Subtotal: Child Nutrition Cluster			<u>4,939,211</u>
Total: United States Department of Agriculture			<u>4,939,211</u>
<b>United States Department of Defense</b>			
Direct:			
Impact Aid, Section 8002 - Federal Acquisition of Real Property	84.041	(1)	154,497
Impact Aid, Section 8003 - Eligible Federally Connected Children	84.041	(1)	<u>97,897</u>
Total: United States Department of Defense			<u>252,394</u>
<b>United States Department of Education</b>			
Pass-Through Program From California Department of Education:			
Special Education Cluster:			
Grants to States (IDEA, Part B)	84.027	13379	1,397,396
Special Ed - Pre-K IDEA	84.173	13430	58,704
Special Ed - Pre-K IDEA - Local	84.027A	13682	<u>201,902</u>
Subtotal: Special Education Cluster			<u>1,658,002</u>
Every Student Succeeds Act:			
Title I, Part A - Low Income and Neglected	84.010	14329	1,538,887
Title II	84.367	14341	167,222
Title III	84.365	15146	<u>389,719</u>
Subtotal: Pass-Through Programs			<u>3,753,830</u>
Total: United States Department of Education			<u>3,753,830</u>

See the accompanying notes to the supplementary information.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2017**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>United States Department of Health and Human Services</b>			
Pass-Through Program From California Department of Education:			
Medi-Cal Billing Option	93.778	10013	301,127
Medical Administrative Activities	93.778	10013	<u>130,869</u>
Total: United States Department of Health and Human Services			<u>431,996</u>
<b>Total Federal Programs</b>			<u><u>\$ 9,377,431</u></u>
<b>Reconciliation to Federal Revenue</b>			
Total Federal Program Expenditures			\$ 9,377,431
Revenues in excess of expenditures related to Federal Entitlements:			
Medi-Cal	93.778	10013	<u>5,906</u>
Total Federal Program Revenue			<u><u>\$ 9,383,337</u></u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted \$163,286 of commodities under the National School Lunch Program (CFDA 10.555).

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**For the Fiscal Year Ended June 30,**

General Fund	<u>2018 (Budgeted)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total revenues	\$ 93,625,992	\$ 92,813,854	\$ 91,204,071	\$ 77,838,985
Total expenditures	<u>(93,614,735)</u>	<u>(96,319,700)</u>	<u>(87,214,842)</u>	<u>(78,911,347)</u>
Change in fund balance	11,257	(3,505,846)	3,989,229	(1,072,362)
Ending fund balance	<u>\$ 10,100,596</u>	<u>\$ 10,089,339</u>	<u>\$ 13,595,185</u>	<u>\$ 9,605,956</u>
Available reserve	<u>\$ 2,806,442</u>	<u>\$ 2,889,591</u>	<u>\$ 3,001,060</u>	<u>\$ 2,310,708</u>
Available reserve %	3%	3%	3%	3%
ADA	<u>8,146</u>	<u>8,146</u>	<u>8,168</u>	<u>8,191</u>
Total long term debt	<u>\$ 135,141,818</u>	<u>\$ 136,342,453</u>	<u>\$ 115,016,298</u>	<u>\$ 97,582,536</u>

The amounts above are those reported as General Fund in the Annual Financial and Budget Report.

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund. For a District this size, the state recommends 3% of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2017, the District has met this requirement.

All percentages are of total expenditures.

The 2018 budget is the original budget adopted in June 2017.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2017**

The District is not the granting agency for any Charter Schools.

See the accompanying notes to the supplementary information.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT  
WITH THE AUDITED FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

There were no differences between the fund balances reported on the June 30, 2017 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance is a measurement of the number of pupils attending classes of the District. 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. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**Schedule of Instructional Time**

The District has not met its target funding and 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 instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

**Schedule of Expenditures of Federal Awards**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such 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 represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Financial Trends and Analysis**

The *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

**Schedule of Charter Schools**

The *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

**OPTIONAL SUPPLEMENTARY INFORMATION**

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2017**

	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Assets</u></b>			
Cash in county treasury	\$ 880,318	\$ 25,453	\$ 905,771
Accounts receivable			
Federal and State Governments	1,057,662	-	1,057,662
Miscellaneous	15,618	68	15,686
Due from other funds	4,047	9,141	13,188
Stores	16,564	-	16,564
<b>Total Assets</b>	<b>\$ 1,974,209</b>	<b>\$ 34,662</b>	<b>\$ 2,008,871</b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 225,371	\$ 376	\$ 225,747
Due to other funds	194,773	-	194,773
<b>Total Liabilities</b>	<b>420,144</b>	<b>376</b>	<b>420,520</b>
 <b>Fund Balances</b>			
Nonspendable	16,564	-	16,564
Restricted	1,537,501	34,286	1,571,787
<b>Total Fund Balances</b>	<b>1,554,065</b>	<b>34,286</b>	<b>1,588,351</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,974,209</b>	<b>\$ 34,662</b>	<b>\$ 2,008,871</b>

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE**

**NON-MAJOR GOVERNMENTAL FUNDS**

**For the Fiscal Year Ended June 30, 2017**

	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues</b>			
Federal sources	\$ 4,939,211	\$ -	\$ 4,939,211
Other state sources	371,566	-	371,566
Other local sources	143,757	51,904	195,661
<b>Total Revenues</b>	<u>5,454,534</u>	<u>51,904</u>	<u>5,506,438</u>
<b>Expenditures</b>			
Pupil services	4,970,382	-	4,970,382
General administration	194,763	-	194,763
Plant services	740,079	34,592	774,671
<b>Total Expenditures</b>	<u>5,905,224</u>	<u>34,592</u>	<u>5,939,816</u>
Net changes in fund balance	(450,690)	17,312	(433,378)
<b>Fund Balances at Beginning of Year</b>	<u>2,004,755</u>	<u>16,974</u>	<u>2,021,729</u>
<b>Fund Balances at End of Year</b>	<u>\$ 1,554,065</u>	<u>\$ 34,286</u>	<u>\$ 1,588,351</u>

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**ASSOCIATED STUDENT BODY FUNDS**  
**June 30, 2017**

	Charles F. Blackstock Junior High School	E.O. Green Junior High School	Elementary Schools	Total Associated Student Body Funds
<b><u>Assets</u></b>				
Cash in county treasury	\$ 25,391	\$ 45,115	\$ 61,918	\$ 132,424
Accounts receivable	66	101	132	299
<b>Total Assets</b>	<u>25,457</u>	<u>45,216</u>	<u>62,050</u>	<u>132,723</u>
<b><u>Liabilities</u></b>				
Accounts payable	<u>2,258</u>	<u>7,026</u>	<u>25,004</u>	<u>34,288</u>
<b>Total Liabilities</b>	<u>2,258</u>	<u>7,026</u>	<u>25,004</u>	<u>34,288</u>
<b><u>Net Position</u></b>				
Unrestricted	<u>23,199</u>	<u>38,190</u>	<u>37,046</u>	<u>98,435</u>
<b>Total Net Position</b>	<u>\$ 23,199</u>	<u>\$ 38,190</u>	<u>\$ 37,046</u>	<u>\$ 98,435</u>

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-  
ASSOCIATED STUDENT BODY FUNDS  
For the Fiscal Year Ended June 30, 2017**

	Charles F. Blackstock Junior High School	E.O. Green Junior High School	Elementary Schools	Total Associated Student Body Funds
<b>Additions</b>				
Revenue from local sources	\$ 93,980	\$ 35,853	\$ 94,220	\$ 224,053
<b>Total Additions</b>	<u>93,980</u>	<u>35,853</u>	<u>94,220</u>	<u>224,053</u>
<b>Deductions</b>				
Other expenses	<u>84,927</u>	<u>28,403</u>	<u>112,370</u>	<u>225,700</u>
<b>Total Deductions</b>	<u>84,927</u>	<u>28,403</u>	<u>112,370</u>	<u>225,700</u>
Changes in net position	9,053	7,450	(18,150)	(1,647)
<b>Net Position - Beginning of Year</b>	<u>14,146</u>	<u>30,740</u>	<u>55,196</u>	<u>100,082</u>
<b>Net Position - End of Year</b>	<u>\$ 23,199</u>	<u>\$ 38,190</u>	<u>\$ 37,046</u>	<u>\$ 98,435</u>

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Combining Fund Financial Statements**

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major and fiduciary funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements

**OTHER INDEPENDENT AUDITORS' REPORT**

**INDEPENDENT AUDITORS' 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  
Hueneme Elementary School District  
Port Hueneme, California

We have audited, 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, the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Hueneme Elementary School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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

**INDEPENDENT AUDITORS' 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***

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 District's financial statements are free of 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 non-compliance 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.



CliftonLarsonAllen LLP  
Glendora, California  
December 12, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

Board of Trustees  
Hueneme Elementary School District  
Port Hueneme, California

**Report on Compliance for Each Major Federal Program**

We have audited Hueneme Elementary School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 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 District's compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

***Opinion on Each Major Federal Program***

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the 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 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 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, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

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

**Purpose of this Report**

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.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP  
Glendora, California  
December 12, 2017

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees  
Hueneme Elementary School District  
Port Hueneme, California

We have audited the Hueneme Elementary School District's (the District) compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2017. The District's state compliance requirements are identified in the table provided.

### **Management's Responsibility**

Management is responsible for compliance with the state laws and regulations as identified below.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 on state compliance. However, our audit does not provide a legal determination of the District's compliance.

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

### Compliance Requirements Tested

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No <sup>1</sup>
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	No <sup>2</sup>
Educator Effectiveness	Yes
California Clean Energy Act	Yes
After School Education and Safety Program	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	Not Applicable
Immunizations	No <sup>3</sup>
Charter Schools:	
Attendance	No <sup>4</sup>
Mode of Instruction	No <sup>4</sup>
Nonclassroom Based Instruction/Independent Study	No <sup>4</sup>
Determination of Funding for Nonclassroom Based Instruction	No <sup>4</sup>
Annual Instructional Minutes – Classroom Based	No <sup>4</sup>
Charter School Facility Grant Program	No <sup>4</sup>

<sup>1</sup>We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

<sup>2</sup> The District did not have any mental health expenditures from Budget Item 6100-161-001, Provision 14.

<sup>3</sup>The District was not listed on the immunization assessment reports.

<sup>4</sup>The District is not the granting agency for any Charter Schools.

# INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

## **Opinion on State Compliance**

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and which are described in the accompanying schedule of findings and questioned costs as item 2017-002. Our opinion on each state program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP  
Glendora, California  
December 12, 2017

**FINDINGS AND QUESTIONED COSTS**

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR RESULTS**

**June 30, 2017**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major federal awards:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified?        Yes   X   None Reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

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

**Identification of Major Federal Programs:**

CFDA Number(s)    Name of Federal Program or Cluster

10.553, 10.555      Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?   X   Yes        No

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

All audit findings must be identified as one or more of the following categories:

Five Digit Code	Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2017.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO FEDERAL AWARDS**

**June 30, 2017**

**2017-001      Child Nutrition Cluster: Eligibility Determination      50000**

**Federal Program:** Child Nutrition Cluster

**CFDA Number:** 10.553, 10.555

**Federal Award Number & Year:** Information not readily available

**Federal Agency:** U.S. Department of Agriculture

**Name of Pass-Through Agency:** California Department of Education

**Criteria:** Child nutrition services serves meals to district students. Students may be classified as free, reduced, or paid based on applications submitted to the District. Income Eligibility Guidelines are based on the Federal income poverty guidelines and are stated by household size. The guidelines are used to determine eligibility for free and reduced price meals and free milk in accordance with applicable program rules. The District submits meal counts by category for reimbursement.

**Condition:** It was noted that the annualized income calculation was incorrect on two applications. The applications included two sources of income with differing frequencies stated, and the annualized calculation included both sources of income as monthly income. This led to one application being reported as free instead of paid and one application being reported as free instead of reduced.

**Context:** There was one application in a sample of thirty-two applications that was reported as free and should have been reported as paid, resulting in an error rate of 3.125%. Additionally, there was one application in a sample of thirty-two applications that was reported as free and should have been reported as reduced, resulting in an error rate of 3.125%. Most sites in the District are Provision II schools and are not required to collect and process applications. There are only three sites in the District that collect and process applications. Based on enrollment figures for these sites, we determined the population for 2016-17 to be 1,441 students.

**Effect:** The reimbursement claims are not accurately reported by category.

**Cause:** Human error.

**Total Program Expenditures:** \$ 4,939,211

**Questioned Costs and Units:** The known questioned units are one application that was reported as free and should have been reported as paid and one application that was reported as free and should have been reported as reduced. Projecting the error rate of 3.125% to this population results in forty-five students inaccurately classified as free when they should be classified as paid and forty-five students inaccurately classified as free when they should be classified as reduced. The programs affected by this misclassification of students are the National School Lunch Program and the School Breakfast Program. The reimbursement rates for lunches served were

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO FEDERAL AWARDS**

**June 30, 2017**

**2017-001      Child Nutrition Cluster: Eligibility Determination      **50000****

\$3.18 for free meals, \$2.78 for reduced meals, and \$0.32 for paid meals. The reimbursement rates for breakfasts served were \$2.04 for free meals, \$1.74 for reduced meals, and \$0.29 for paid meals.

Considering only the two known errors noted, the estimated low range of the questioned costs is \$955.80. This was calculated by taking the number of days in the school year, 180, and assuming that each student purchased breakfast and lunch on each day of the school year. We further considered that one student was claimed as free and should have been paid and that the other student was claimed as free and should have been reduced. We then took the difference between the reimbursable rates to determine the questioned costs.

The chart herein provides a graphic presentation of the calculations described above:

**TWO KNOWN ERRORS - PROJECTED MAXIMUM QUESTIONED COSTS**

<b>Student #1 - Change from Free to Paid</b>			
	<b>Breakfast</b>	<b>Lunch</b>	<b>Total</b>
<b>number of days</b>	180	180	
<b>number of students</b>	1	1	
<b>price differential</b>	\$ 1.75 (\$2.04-\$0.29)	\$ 2.86 (\$3.18-\$0.32)	
	<u>\$ 315.00</u>	<u>\$ 514.80</u>	\$ 829.80
<b>Student #2 - Change from Free to Reduced</b>			
	<b>Breakfast</b>	<b>Lunch</b>	
<b>number of days</b>	180	180	
<b>number of students</b>	1	1	
<b>price differential</b>	\$ 0.30 (\$2.04-\$1.74)	\$ 0.40 (\$3.18-\$2.78)	
	<u>\$ 54.00</u>	<u>\$ 72.00</u>	<u>\$ 126.00</u>
			<u><u>\$ 955.80</u></u>

Considering the projected error rate noted above of forty-five student inaccurately reported as free that should have been reported as paid and forty-five student inaccurately reported as free that should have been reported as reduced, the estimated high range of the questioned costs is \$43,011. This was determined by taking the number of days in the school year, 180, and assuming that each student purchased breakfast and lunch on each day of the school year. We further considered that 45 projected students were reported as free and should have been paid

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO FEDERAL AWARDS**

**June 30, 2017**

**2017-001      Child Nutrition Cluster: Eligibility Determination      50000**

and forty-five projected students were reported as free and should have been reduced. We then took the difference between the reimbursable rates to determine the questioned costs.

The chart herein provides a graphic presentation of the calculations described above:

**NINETY PROJECTED ERRORS - PROJECTED MAXIMUM QUESTIONED COSTS**

<b>Student #1 - Change from Free to Paid</b>			
	<b>Breakfast</b>	<b>Lunch</b>	<b>Total</b>
<b>number of days</b>	180	180	
<b>number of students</b> (1,441 * 3.125%)	45	45	
<b>price differential</b>	\$ 1.75 (\$2.04-\$0.29)	\$ 2.86 (\$3.18-\$0.32)	
	<u>\$ 14,175.00</u>	<u>\$ 23,166.00</u>	\$ 37,341.00

<b>Student #2 - Change from Free to Reduced</b>			
	<b>Breakfast</b>	<b>Lunch</b>	
<b>number of days</b>	180	180	
<b>number of students</b> (1,441 * 3.125%)	45	45	
<b>price differential</b>	\$ 0.30 (\$2.04-\$1.74)	\$ 0.40 (\$3.18-\$2.78)	
	<u>\$ 2,430.00</u>	<u>\$ 3,240.00</u>	\$ 5,670.00
			<u>\$ 43,011.00</u>

**Recommendation:** The questioned costs noted above is a range and we recommend that the District conduct a 100% review of lunch applications to determine the actual dollar error. We also recommend that the District consider the need to submit revised SNP Claim for Reimbursements based on the outcome of their review. We further recommend that the District conduct trainings for eligibility determination and implement review procedures to ensure that eligibility determinations are accurately completed.

**Corrective Action Plan:** After reviewing the audit finding, the District’s Child Nutrition Department will review 100% of the 2016-17 lunch applications for eligibility determination.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO STATE AWARDS**

**June 30, 2017**

**2017-002      Unduplicated Pupil Counts**

**40000**

**Criteria:** Education Code section 42238.02(b)(2) requires a school district or charter school to submit its enrolled free and reduced-price meal eligibility, foster youth and English learner pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CalPADS). The CalPADS reports should accurately report the number of students in the categories as identified above.

**Condition:** Two students were found to be inaccurately reported. These students were reported as free for meal price eligibility in the CalPADS report and should have been classified as paid. The first instance was incorrect due to an error in the calculation to annualize the household income on the student’s lunch application. The application included two sources of income with differing frequencies stated, and the annualized calculation included both sources of income as monthly income. The second instance was an application that was selected for the National School Lunch Program verification process. Through the verification process, the classification of the application was changed from free to paid; however, the classification of the student was not updated in the CalPADS report. The findings are summarized follows:

<b>School Name</b>	<b>Enrollment Count as Reported in the CalPADS System</b>	<b>Unduplicated FRPM Eligible</b>	<b>Unduplicated English Learner (EL) Eligible</b>	<b>Total Unduplicated Pupil Count</b>
<b>Ansgar Larsen Elementary</b>				
As reported	734	679	524	710
Audit adjustments	-	-	-	-
Adjusted	734	679	524	710
<b>Art Haycox Elementary</b>				
As reported	1,078	1,058	933	1,073
Audit adjustments	-	-	-	-
Adjusted	1,078	1,058	933	1,073
<b>Charles Blackstock Junior High</b>				
As reported	1,310	1,214	349	1,221
Audit adjustments	-	-	-	-
Adjusted	1,310	1,214	349	1,221
<b>E.O. Green Junior High</b>				
As reported	1,248	1,048	250	1,064
Audit adjustments	-	-	-	-
Adjusted	1,248	1,048	250	1,064

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO STATE AWARDS**  
**June 30, 2017**

**2017-002      Unduplicated Pupil Counts      40000**

<b>School Name</b>	<b>Enrollment Count as Reported in the CalPADS System</b>	<b>Unduplicated FRPM Eligible</b>	<b>Unduplicated English Learner (EL) Eligible</b>	<b>Total Unduplicated Pupil Count</b>
<b>Fred L. Williams Elementary</b>				
As reported	621	570	367	593
Audit adjustments	-	-	-	-
Adjusted	621	570	367	593
<b>Hollywood Beach Elementary</b>				
As reported	347	99	9	102
Audit adjustments	-	-	-	-
Adjusted	347	99	9	102
<b>Hueneme Elementary</b>				
As reported	377	275	102	288
Audit adjustments	-	(2)	-	(2)
Adjusted	377	273	102	286
<b>Julien Hathaway Elementary</b>				
As reported	583	551	395	562
Audit adjustments	-	-	-	-
Adjusted	583	551	395	562
<b>Parkview Elementary</b>				
As reported	684	579	343	609
Audit adjustments	-	-	-	-
Adjusted	684	579	343	609
<b>Richard Bard Elementary</b>				
As reported	705	558	329	585
Audit adjustments	-	-	-	-
Adjusted	705	558	329	585
<b>Sunkist Elementary</b>				
As reported	692	599	425	634
Audit adjustments	-	-	-	-
Adjusted	692	599	425	634
<b>Total</b>				
As reported	8,379	7,230	4,026	7,441
Audit adjustments	-	(2)	-	(2)
Adjusted	8,379	7,228	4,026	7,439

**Effect:** The District was not in compliance with Education Code section 42238.02(b)(2). This error led to an overstatement of the District's unduplicated pupil count.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO STATE AWARDS**

**June 30, 2017**

**2017-002      Unduplicated Pupil Counts      40000**

**Cause:** Human error.

**Context:** Two incorrectly classified students in a sample size of forty resulted in a 5% error rate. Most sites in the District are Provision II schools and are not required to collect and process applications. There are only three sites in the District that collect and process applications. The total enrollment at those three sites is 975 students. This results in a projection of forty-nine errors.

**Questioned Costs and Units:** Using the California Department of Education Audit Penalty Calculator and the known error rate of two students results in an audit penalty of \$694. Using the California Department of Education Audit Penalty Calculator and the projected error rate of forty-nine students results in an audit penalty of \$13,884.

**Recommendation:** The questioned costs noted above is a range and we recommend that the District conduct a 100% review of the data in CalPADS to determine the actual penalty. We further recommend that the District implement additional review procedures to ensure that errors are prevented in future CalPADS reporting.

**Corrective Action Plan:** After reviewing the audit finding, the District will review 100% of the 2016-17 lunch application eligibility determination and ensure accuracy with the 2016-17 CalPADS information.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**June 30, 2017**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.