



**NEWHALL  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2018**

# NEWHALL SCHOOL DISTRICT

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JUNE 30, 2018

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***FINANCIAL SECTION***

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT

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

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

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

## ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 65, schedule of changes in the District's total OPEB liability and related ratios on page 66, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 67, schedule of the District's proportionate share of net pension liability on page 68, and the schedule of District contributions on page 69, 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 Newhall School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 14, 2018



# NEWHALL SCHOOL DISTRICT

COLLABORATE | INNOVATE | PERSEVERE | EXCEL

This section of Newhall School District's (the District) 2017-2018 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018, with comparative information from 2016-2017. Please read it in conjunction with the District's financial statements, which follow this section.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

### ***The Financial Statements***

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Newhall School District.



# NEWHALL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### ***FINANCIAL HIGHLIGHTS***

- The District's total combined net position was \$21,007,672 as June 30, 2018.
- During the year, the District's expenses were \$2,565,368 more than the \$73,545,042 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$76,110,410 million; down from last year's \$77,292,688.
- The General Fund reported a fund balance this year of \$10,950,223.

### ***REPORTING THE DISTRICT AS A WHOLE***

#### ***The Statement of Net Position and the Statement of Activities***

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the Governing Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

***Governmental Activities*** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade six students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

# NEWHALL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### ***REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS***

#### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

***Governmental Funds*** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

### ***THE DISTRICT AS A TRUSTEE***

#### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Fiduciary Funds - Statements of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

# NEWHALL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### *THE DISTRICT AS A WHOLE*

#### *Net Position*

The District's net position was 21,007,672 for the fiscal year ended June 30, 2018. Of this amount, \$(52,917,216) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
		(as restated)
	2018	2017
<b>Assets</b>		
Current and other assets	\$ 23,248,536	\$ 27,364,432
Capital assets	<u>142,841,618</u>	<u>143,468,659</u>
<b>Total Assets</b>	<u>166,090,154</u>	<u>170,833,091</u>
 <b>Total Deferred Outflows of Resources</b>	 <u>20,405,129</u>	 <u>13,240,387</u>
 <b>Liabilities</b>		
Current liabilities	6,122,009	6,267,218
Long-term obligations	85,583,009	89,913,342
Aggregate net pension liability	<u>68,277,709</u>	<u>62,260,267</u>
<b>Total Liabilities</b>	<u>159,982,727</u>	<u>158,440,827</u>
 <b>Total Deferred Inflows of Resources</b>	 <u>5,504,884</u>	 <u>2,059,611</u>
 <b>Net Position</b>		
Net investment in capital assets	70,620,678	65,027,307
Restricted	3,304,210	4,702,991
Unrestricted (Deficit)	<u>(52,917,216)</u>	<u>(46,157,258)</u>
<b>Total Net Position</b>	<u>\$ 21,007,672</u>	<u>\$ 23,573,040</u>

# NEWHALL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### *Changes in Net Position*

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities	
	2018	2017
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ -	\$ 5,059,842
Operating grants and contributions	10,579,998	10,373,694
General revenues:		
State revenue limit sources	36,941,496	36,937,158
Property taxes	23,130,043	22,165,960
Other general revenues	2,893,505	782,909
<b>Total Revenues</b>	<u>73,545,042</u>	<u>75,319,563</u>
<b>Expenses</b>		
Instruction-related	56,705,288	57,095,453
Pupil services	3,911,500	3,722,386
Administration	4,868,119	4,766,473
Plant services	6,505,350	8,401,814
Other	4,120,153	3,306,562
<b>Total Expenses</b>	<u>76,110,410</u>	<u>77,292,688</u>
Change in Net Position Prior to Internal Transfer	(2,565,368)	(1,973,125)
Internal Transfers	-	71
<b>Change in Net Position</b>	<u>\$ (2,565,368)</u>	<u>\$ (1,973,054)</u>

# NEWHALL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### *Governmental Activities*

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was 76,110,410. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$23,130,043 because of the cost paid by those who benefited from the other governments and organizations who subsidized certain programs with grants and contributions of \$10,579,998. We paid for the remaining "public benefit" portion of our governmental activities with 38,835,001 in State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of the functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$ 48,156,850	\$ 48,532,220	\$ 39,955,614	\$ 35,350,952
Instruction-related activities	8,548,438	8,563,233	7,535,764	7,763,288
Home-to-school transportation	1,727,993	1,556,664	1,726,358	1,555,907
Other pupil services	2,183,507	2,165,722	1,835,297	1,881,728
Administration	4,868,119	4,766,473	4,724,311	4,578,278
Plant services	6,505,350	8,401,814	6,505,350	8,401,814
Ancillary services	97,850	-	97,850	-
Interest on long-term obligations	2,654,123	1,998,978	2,654,123	1,998,978
Other outgo	1,368,180	1,307,584	495,745	328,207
<b>Total</b>	<b>\$ 76,110,410</b>	<b>\$ 77,292,688</b>	<b>\$ 65,530,412</b>	<b>\$ 61,859,152</b>

The District had a net decrease in net position of \$2,565,368. The District was able to continue updating technology and facility equipment, and continue ongoing improvements of existing schools such as for exterior painting and infrastructure repair, hardscape repair, classroom, and auditorium renovation through the use of General Obligation Bonds funding.

# NEWHALL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### *THE DISTRICT'S FUNDS*

As the District completed this year, our governmental funds reported a combined fund balance of \$18,213,029, which is a decrease of \$3,009,234 million from last year (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General Fund	\$ 10,492,393	\$ 66,188,316	\$ 65,730,486	\$ 10,950,223
Building Fund	2,913,535	34,082	1,384,857	1,562,760
Special Reserve Fund for Capital Outlay Projects	3,606,123	1,406,961	2,523,721	2,489,363
Non-Major Governmental Funds	4,210,212	6,115,311	7,114,840	3,210,683
<b>Total</b>	<b>\$ 21,222,263</b>	<b>\$ 73,744,670</b>	<b>\$ 76,753,904</b>	<b>\$ 18,213,029</b>

The primary reasons the District's overall fund balance decreased:

1. The Building Fund shows use of funding for modernization projects.
2. The Deferred Maintenance Fund, Capital Facilities Fund, and the Special Reserve for Capital Outlay Fund were used for capital projects.

### *General Fund Budgetary Highlights*

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted during June 9, 2018. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 65).

- Significant revenue revisions made to the 2018-2019 budget were due to Federal and State carryover funding and increases in local donations.

# NEWHALL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### *Capital Assets*

At June 30, 2018, the District had \$142,841,618 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions and deductions and depreciation) of \$627,041, or 0.4 percent, from last year.

**Table 5**

	Governmental Activities	
	2018	2017
Land and construction in process	\$ 26,975,698	\$ 52,108,828
Buildings and improvements	114,404,475	89,937,382
Furniture and equipment	1,461,445	1,422,449
<b>Total</b>	<b>\$ 142,841,618</b>	<b>\$ 143,468,659</b>

We present more detailed information about our capital assets in Note 5 to the financial statements.

#### *Long-Term Obligations*

At the end of this year, the District had \$85,583,009 in outstanding debt versus \$89,913,342 last year, a net decrease of \$4,330,333. Those long-term obligations consisted of:

**Table 6**

	Governmental Activities	
	(as restated)	
	2018	2017
General obligation bonds	\$ 67,280,000	\$ 71,185,000
Premium on issuance	6,127,821	6,419,612
Capitalized lease obligations	1,180,431	1,503,031
Compensated absences payable	414,031	424,791
Net other postemployment benefits (OPEB) liability	10,580,726	10,380,908
<b>Total</b>	<b>\$ 85,583,009</b>	<b>\$ 89,913,342</b>

The District's general obligation bond rating continues to be "AAA". The State limits the amount of general obligation debt that districts can issue to five-percent of the assessed value of all taxable property within the district's boundaries. The District negotiated capital lease in 2014/2015 for capital projects related to Prop 39 Energy funding. The capital lease has been used for HVAC unit replacements, exterior lighting projects, weather based irrigation controls and EMS system replacement. The capital lease repayment will be financed with savings generated by these improvements and Prop 39 state funding. The District's outstanding general obligation debt of \$85,583,009 is significantly below their \$440,000,000 statutorily-imposed limit.

Other obligations include compensated absences payable and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

# NEWHALL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### *Net Pension Liability (NPL)*

The District had an aggregate net pension liability of \$68,277,709 and \$62,260,267 at June 30, 2018 and 2017, respectively, as a result of the implementation of GASB Statement No. 68.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:***

- Implemented NSD Home Connect Program that gives low socioeconomic students access to a take home wireless hotspot and Chromebook.
- Continued professional development for teachers using Educator Effectiveness Grant.
- Completed modernization projects (Peachland classrooms, Old Orchard classrooms, and Newhall auditorium).
- Completed a Districtwide Wi-Fi access and infrastructure upgrade project.
- Provide Educational Leadership training to Administrators

### ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

In considering the District Budget for the 2018-2019 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Local Control Funding Formula – full implementation of LCFF Gap closure at 100%
2. Federal income with zero percent Cost of Living Adjustment (COLA).
3. State programs will have a 2.71 percent COLA.
4. Special Education will have a 2.71 percent COLA.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Transitional Kindergarten/Kindergarten – Grade 3	24:1	3,423
Grades 4 through Grades 6	30:1	2,859

New items specifically addressed in the budget are:



## **NEWHALL SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018**

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1. Projected decrease in enrollment of 243 students.
2. Continuing costs for improvement and maintenance of existing schools.
3. 17-18 Negotiation Settlement.
4. Showing Local Control Accountability Plan impact on the budget, such as continued professional development in ELA/ELD curriculum, implementing and expanding Next Generation Science standards, expanding Instructional Leadership Teams at all ten school sites and hiring a Social Worker for low socioeconomic/foster youth/homeless students at Newhall and McGrath Elementary Schools.
5. Investment in classroom technology, including implementing a districtwide 1:1 computer ratio in grade 6.

#### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Assistant Superintendent of Business at Newhall School District, 25375 Orchard Village Road, Suite 200, Valencia, California 91355, or e-mail at [dpersaud@newhall.k12.ca.us](mailto:dpersaud@newhall.k12.ca.us).

# NEWHALL SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 21,443,757
Receivables	1,521,666
Prepaid expenditures	45,664
Stores inventories	277
Other current assets	237,172
Capital Assets	
Land and construction in process	26,975,698
Other capital assets	164,707,822
Less: Accumulated depreciation	(48,841,902)
Total Capital Assets	142,841,618
<b>Total Assets</b>	<b>166,090,154</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	804,552
Deferred outflows of resources related to pensions	19,600,577
<b>Total Deferred Outflows of Resources</b>	<b>20,405,129</b>
<b>LIABILITIES</b>	
Accounts payable	4,977,103
Interest payable	1,086,502
Unearned revenue	58,404
Long-Term Obligations	
Current portion of long-term obligations other than pensions	1,888,945
Noncurrent portion of long-term obligations other than pensions	83,694,064
Total Long-Term Obligations	85,583,009
Aggregate net pension liability	68,277,709
Total Long-Term Obligations	153,860,718
<b>Total Liabilities</b>	<b>159,982,727</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	5,504,884
<b>NET POSITION</b>	
Net investment in capital assets	70,620,678
Restricted for:	
Debt service	1,050,541
Capital projects	410,891
Educational programs	1,812,535
Other activities	30,243
Unrestricted (Deficit)	(52,917,216)
<b>Total Net Position</b>	<b>\$ 21,007,672</b>

The accompanying notes are an integral part of these financial statements.

# NEWHALL SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Operating Grants and Contributions		Revenues and Changes in Net Position
<b>Governmental Activities:</b>				
Instruction	\$ 48,156,850	\$ 8,201,236		\$ (39,955,614)
Instruction-related activities:				
Supervision of instruction	2,741,727	594,124		(2,147,603)
Instructional library, media, and technology	411,323	7,333		(403,990)
School site administration	5,395,388	411,217		(4,984,171)
Pupil services:				
Home-to-school transportation	1,727,993	1,635		(1,726,358)
Food services	8,624	6,438		(2,186)
All other pupil services	2,174,883	341,772		(1,833,111)
Administration:				
Data processing	1,192,001	-		(1,192,001)
All other administration	3,676,118	143,808		(3,532,310)
Plant services	6,505,350	-		(6,505,350)
Ancillary services	97,850	-		(97,850)
Interest on long-term obligations	2,654,123	-		(2,654,123)
Other outgo	1,368,180	872,435		(495,745)
<b>Total Governmental Activities</b>	<b>76,110,410</b>	<b>10,579,998</b>		<b>(65,530,412)</b>
General Revenues and Subventions:				
				18,518,475
Property taxes, levied for general purposes				4,470,342
Property taxes, levied for debt service				141,226
Taxes levied for other specific purposes				36,941,496
Federal and State aid not restricted to specific purposes				245,500
Interest and investment earnings				110,312
Interagency revenues				2,537,693
Miscellaneous				<b>Subtotal, General Revenues</b>
				<b>62,965,044</b>
				<b>Change in Net Position</b>
				(2,565,368)
Net Position - Beginning				30,672,065
Restatement				(7,099,025)
Net Assets Beginning, as Restated				23,573,040
Net Position - Ending				<b>\$ 21,007,672</b>

The accompanying notes are an integral part of these financial statements.

# NEWHALL SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2018

	General Fund	Building Fund	Special Reserve Fund For Capital Outlay Projects
<b>ASSETS</b>			
Deposits and investments	\$ 13,545,644	\$ 1,617,953	\$ 2,995,572
Receivables	1,448,144	16,629	16,450
Prepaid expenditures	45,664	-	-
Stores inventories	277	-	-
Other current assets	237,172	-	-
<b>Total Assets</b>	<b>\$ 15,276,901</b>	<b>\$ 1,634,582</b>	<b>\$ 3,012,022</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 4,287,903	\$ 71,822	\$ 522,659
Unearned revenue	38,775	-	-
<b>Total Liabilities</b>	<b>4,326,678</b>	<b>71,822</b>	<b>522,659</b>
<b>Fund Balances:</b>			
Nonspendable	50,941	-	-
Restricted	1,812,535	1,562,760	44,963
Committed	-	-	-
Assigned	628,253	-	2,444,400
Unassigned	8,458,494	-	-
<b>Total Fund Balances</b>	<b>10,950,223</b>	<b>1,562,760</b>	<b>2,489,363</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,276,901</b>	<b>\$ 1,634,582</b>	<b>\$ 3,012,022</b>

The accompanying notes are an integral part of these financial statements.

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Non Major Governmental Funds		Total Governmental Funds	
\$	3,284,588	\$	21,443,757
	40,443		1,521,666
	-		45,664
	-		277
	-		237,172
	<u>3,325,031</u>		<u>23,248,536</u>
	<u><u>3,325,031</u></u>		<u><u>23,248,536</u></u>
\$	94,719	\$	4,977,103
	19,629		58,404
	<u>114,348</u>		<u>5,035,507</u>
	<u><u>114,348</u></u>		<u><u>5,035,507</u></u>
	-		50,941
	2,533,214		5,953,472
	677,469		677,469
	-		3,072,653
	-		8,458,494
	<u>3,210,683</u>		<u>18,213,029</u>
	<u><u>3,210,683</u></u>		<u><u>18,213,029</u></u>
\$	3,325,031	\$	23,248,536
	<u><u>3,325,031</u></u>		<u><u>23,248,536</u></u>

# NEWHALL SCHOOL DISTRICT

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

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**Total Fund Balance - Governmental Funds** **\$18,213,029**

**Amounts Reported for Governmental Activities in the  
Statement of Net Position are Different Because:**

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

The cost of capital assets is:

\$ 191,683,520

Accumulated depreciation is:

(48,841,902)

Net Capital Assets

142,841,618

In governmental funds, unmatured interest on long-term obligations is  
recognized in the period when it is due. On the government-wide  
financial statements, unmatured interest on long-term obligations is  
recognized when it is incurred.

(1,086,502)

Deferred charges on refunding (the difference between the  
reacquisition price and net carrying amount of refunded debt) are  
capitalized and amortized over the remaining life of the new or old debt  
(whichever is shorter) and are included with governmental activities.

804,552

Deferred outflows of resources related to pensions represent a  
consumption of net position in a future period and is not reported in the  
District's funds. Deferred outflows of resources related to pensions at  
year end consist of:

Pension contributions subsequent to measurement date

5,594,641

Net change in proportionate share of net pension liability

666,463

Differences between projected and actual earnings on pension plan  
investments

550,139

Differences between expected and actual experience in the  
measurement of the total pension liability.

763,429

Changes of assumptions

12,025,905

Total Deferred Outflows of Resources Related to  
Pensions

19,600,577

The accompanying notes are an integral part of these financial statements.

## NEWHALL SCHOOL DISTRICT

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

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Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:

Net change in proportionate share of net pension liability	(3,009,265)	
Difference between projected and actual earnings on pension plan investments	(1,394,882)	
Differences between expected and actual experience in the measurement of the total pension liability.	(913,497)	
Changes of assumptions	<u>(187,240)</u>	
Total Deferred Inflows of Resources Related to Pensions		(5,504,884)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(68,277,709)
--	--------------

Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as obligations in the funds.

Long-term obligations at year end consist of:

General obligation bonds and bond anticipation notes	\$ (67,280,000)	
Premium on issuance	(6,127,821)	
Capital lease obligations	(1,180,431)	
Compensated absences	(414,031)	
Net other postemployment benefits (OPEB) liability	<u>(10,580,726)</u>	
Total Long-Term Obligations		(85,583,009)
<b>Total Net Position - Governmental Activities</b>		<b><u>\$21,007,672</u></b>

The accompanying notes are an integral part of these financial statements.

# NEWHALL SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
<b>REVENUES</b>			
Local Control Funding Formula	\$ 53,095,443	\$ -	\$ -
Federal sources	3,057,367	-	-
Other State sources	4,697,057	-	356,730
Other local sources	5,138,449	34,082	260,751
<b>Total Revenues</b>	<b>65,988,316</b>	<b>34,082</b>	<b>617,481</b>
<b>EXPENDITURES</b>			
Current			
Instruction	41,398,629	-	-
Instruction-related activities:			
Supervision of instruction	2,606,126	-	-
Instructional library, media, and technology	389,631	-	-
School site administration	4,599,364	-	-
Pupil services:			
Home-to-school transportation	1,578,761	-	-
Food services	-	-	-
All other pupil services	2,174,883	-	-
Administration:			
Data processing	1,056,219	-	-
All other administration	3,247,357	-	-
Plant services	5,893,183	-	-
Ancillary services	94,710	-	-
Other outgo	1,368,180	-	-
Facility acquisition and construction	43,463	1,384,857	1,979,249
Debt service:			
Principal	-	-	322,600
Interest and other	-	-	21,872
<b>Total Expenditures</b>	<b>64,450,506</b>	<b>1,384,857</b>	<b>2,323,721</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,537,810</b>	<b>(1,350,775)</b>	<b>(1,706,240)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	200,000	-	789,480
Transfers out	(1,279,980)	-	(200,000)
<b>Net Financing Sources (Uses)</b>	<b>(1,079,980)</b>	<b>-</b>	<b>589,480</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>457,830</b>	<b>(1,350,775)</b>	<b>(1,116,760)</b>
<b>Fund Balances - Beginning</b>	<b>10,492,393</b>	<b>2,913,535</b>	<b>3,606,123</b>
<b>Fund Balances - Ending</b>	<b>\$ 10,950,223</b>	<b>\$ 1,562,760</b>	<b>\$ 2,489,363</b>

The accompanying notes are an integral part of these financial statements.



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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 53,095,443
-	3,057,367
723,623	5,777,410
4,901,188	10,334,470
<u>5,624,811</u>	<u>72,264,690</u>
738,845	42,137,474
-	2,606,126
-	389,631
220,083	4,819,447
-	1,578,761
8,624	8,624
-	2,174,883
-	1,056,219
43,554	3,290,911
-	5,893,183
-	94,710
-	1,368,180
274,448	3,682,017
3,905,000	4,227,600
1,924,286	1,946,158
<u>7,114,840</u>	<u>75,273,924</u>
<u>(1,490,029)</u>	<u>(3,009,234)</u>
490,500	1,479,980
-	(1,479,980)
<u>490,500</u>	<u>-</u>
(999,529)	(3,009,234)
4,210,212	21,222,263
<u>\$ 3,210,683</u>	<u>\$ 18,213,029</u>

## NEWHALL SCHOOL DISTRICT

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

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (3,009,234)**  
**Amounts Reported for Governmental Activities in the**  
**Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlay expense in the period.

Capital outlay	\$ 3,268,761	
Depreciation expense	<u>(3,895,802)</u>	
Net Expense Adjustment		(627,041)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation used was less than the amounts earned by \$10,760.

10,760

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(2,259,670)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.

(199,818)

The accompanying notes are an integral part of these financial statements.

# NEWHALL SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

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Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	\$ 3,905,000	
Capital lease obligations	<u>322,600</u>	
Combined adjustment		\$ 4,227,600

Payment of costs for the issuance of bonds is an expenditure in the governmental funds, but is recorded as a prepaid expense and amortized on the Statement of Net Position over the life of the bonds. This adjustment combines the net changes of the following balances:

Amortization of debt premium	291,791	
Amortization of deferred amount on refunding	<u>(38,303)</u>	
Combined adjustment		253,488

Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

	(961,453)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (2,565,368)</u></b>

The accompanying notes are an integral part of these financial statements.

**NEWHALL SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

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	<u><b>Agency Funds</b></u> <u><b>Warrant</b></u> <u><b>Pass-Thru</b></u>
<b>ASSETS</b>	
Deposits and investments	<u>\$        524,406</u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$        524,406</u>

The accompanying notes are an integral part of these financial statements.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Newhall School District (the District) was organized in 1879, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 6 as mandated by the State and/or Federal agencies. The District operates ten elementary schools, and State based programs.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Newhall School District, this includes general operations and student related activities of the District.

#### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental Funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

#### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of 628,254.

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

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

---

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

### Non-Major Governmental Funds

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

**Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on the general long-term obligations.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

**Fiduciary Funds** Fiduciary Fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for warrant pass-thru activities.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

**Fund Financial Statements** Fund Financial Statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Fiduciary Funds** Fiduciary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements, because they do not represent resources of the District.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

Certain grants received before the eligibility requirements are met, are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

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

### Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.



# **NEWHALL SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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### **Prepaid Expenditures (Expenses)**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred during the benefiting period.

### **Stores Inventories**

Inventories consist of expendable supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental-type funds and expenses in the proprietary type funds when used.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. 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, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 20 to 65 years; equipment, 2 to 30 years.

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

## **NEWHALL SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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Sick leave is accumulated without limit for each employee at the collectively bargained rate for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

#### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund-type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid issuance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

#### **Pensions**

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.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

### **Fund Balances - Governmental Funds**

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Unassigned** - all other spendable amounts.

# **NEWHALL SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Minimum Fund Balance Policy**

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than six percent of General Fund expenditures and other financing uses, plus an amount equivalent to restoring any teachers needed if projected decline in student enrollment does not materialize.

### **Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$3,304,210 of restricted net position subject to enabling legislation and external restrictions.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are childcare fees. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Interfund Activity**

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Estimates

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

### Property Tax

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

### Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

### New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

## NEWHALL SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 21,443,757
Fiduciary funds	524,406
Total Deposits and Investments	<u>\$ 21,968,163</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash in revolving	\$ 5,000
Investments	21,963,163
Total Deposits and Investments	<u>\$ 21,968,163</u>



# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Policies and Practices

The District is authorized under California *Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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

### General Authorizations

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

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

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing primarily in the Los Angeles County Treasury Investment Pool.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Weighted Average Maturity In Days
Los Angeles County Treasury Investment Pool	<u>\$ 21,963,163</u>	609

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California *Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Minimum Legal Rating	Moody's Rating June 30, 2018	Reported Amount
Los Angeles County Treasury Investment Pool	Not Required	Not Rated	<u>\$ 21,963,163</u>

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District [does/does not] have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's was not exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Reported Amount	Uncategorized
Los Angeles County Treasury Investment Pool	<u>\$ 21,963,163</u>	<u>\$ 21,963,163</u>

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Federal Government					
Categorical aid	\$ 589,089	\$ -	\$ -	\$ -	\$ 589,089
State Government					
Categorical aid	446,766	-	-	36,105	482,871
Lottery	230,426	-	-	-	230,426
Local Government					
Interest	164,093	16,629	16,450	4,338	201,510
Other Local Sources	17,770	-	-	-	17,770
Total	<u>\$ 1,448,144</u>	<u>\$ 16,629</u>	<u>\$ 16,450</u>	<u>\$ 40,443</u>	<u>\$ 1,521,666</u>

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 26,437,149	\$ -	\$ -	\$ 26,437,149
Construction in process	25,671,679	1,913,938	27,047,068	538,549
Total Capital Assets				
Not Being Depreciated	52,108,828	1,913,938	27,047,068	26,975,698
Capital Assets Being Depreciated				
Land improvements	6,856,730	885,949	-	7,742,679
Buildings and improvements	123,559,633	27,125,619	-	150,685,252
Furniture and equipment	5,889,568	390,323	-	6,279,891
Total Capital Assets				
Being Depreciated	136,305,931	28,401,891	-	164,707,822
Less Accumulated Depreciation				
Land improvements	3,456,161	164,474	-	3,620,635
Buildings and improvements	37,022,820	3,380,001	-	40,402,821
Furniture and equipment	4,467,119	351,327	-	4,818,446
Total Accumulated				
Depreciation	44,946,100	3,895,802	-	48,841,902
Governmental Activities				
Capital Assets, Net	<u>\$ 143,468,659</u>	<u>\$ 26,420,027</u>	<u>\$ 27,047,068</u>	<u>\$ 142,841,618</u>

### Governmental Activities

Instruction	\$ 3,286,700
School site administration	193,888
Home-to-school transportation	8,566
Data processing	111,080
All other general administration	219,101
Plant services	76,467
Total Depreciation Expenses Governmental Activities	<u>\$ 3,895,802</u>

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 6 - INTERFUND TRANSACTIONS

#### Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer To	Transfer From		
	General Fund	Special Reserve Fund for Capital Outlay Projects	Total
General Fund	\$ -	\$ 200,000	\$ 200,000
Special Reserve Fund for Capital Outlay Projects	789,480	-	789,480
Non-Major Governmental Funds	490,500	-	490,500
Total	<u>\$ 1,279,980</u>	<u>\$ 200,000</u>	<u>\$ 1,479,980</u>

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for mandated costs.	\$ 789,480
The General Fund transferred to Deferred Maintenance Non Major Governmental Fund to cover costs.	465,000
The General Fund transferred to the Child Development Non-Major Governmental Fund to cover special education students costs.	25,500
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for future project costs.	<u>200,000</u>
Total	<u>\$ 1,479,980</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 1,872,660	\$ -	\$ 522,659	\$ 12,496	\$ 2,407,815
State principal apportionment	323,663	-	-	-	323,663
Salaries and benefits	2,091,580	-	-	82,223	2,173,803
Construction	-	71,822	-	-	71,822
Total	<u>\$ 4,287,903</u>	<u>\$ 71,822</u>	<u>\$ 522,659</u>	<u>\$ 94,719</u>	<u>\$ 4,977,103</u>

	Fiduciary Fund
Vendor payables	\$ -
State principal apportionment	-
Salaries and benefits	524,406
Construction	-
Total	<u>\$ 524,406</u>

### NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 3,775	\$ -	\$ 3,775
State categorical aid	-	17,129	17,129
Other local	35,000	2,500	37,500
Total unearned revenue	<u>\$ 38,775</u>	<u>\$ 19,629</u>	<u>\$ 58,404</u>

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the year consisted of the following:

	(as Restated)				
	Balance			Balance	Due in
	July 1, 2017	Additions	Deductions	June 30, 2018	One Year
General obligation bonds	\$ 71,185,000	\$ -	\$ 3,905,000	\$ 67,280,000	\$ 1,545,000
Premiums on issuance	6,419,612	-	291,791	6,127,821	-
Capital leases	1,503,031	-	322,600	1,180,431	343,945
Compensated absences (vacation)	424,791	-	10,760	414,031	-
Net other postemployment benefits (OPEB) liability	10,380,908	787,653	587,835	10,580,726	-
Total	<u>\$ 89,913,342</u>	<u>\$ 787,653</u>	<u>\$ 5,117,986</u>	<u>\$ 85,583,009</u>	<u>\$ 1,888,945</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Payments on the capital leases are made by the Special Reserve Fund for Capital Outlay Projects. Payments for the compensated absences payable are typically liquidated in the fund for which the employee worked. Payments for net other postemployment benefits (OPEB) liability are made by the General Fund.

#### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2018
				Outstanding July 1, 2017	Issued	Redeemed	
05/01/04	05/01/25	1.00% - 5.00%	\$ 18,310,000	\$ 8,810,000	\$ -	\$ 920,000	\$ 7,890,000
08/31/04	08/01/17	2.00% - 4.00%	18,405,000	2,375,000	-	2,375,000	-
06/29/17	08/01/38	2.00% - 5.00%	60,000,000	60,000,000	-	610,000	59,390,000
				<u>\$ 71,185,000</u>	<u>\$ -</u>	<u>\$ 3,905,000</u>	<u>\$ 67,280,000</u>



# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Debt Service Requirements to Maturity

The bonds mature through 2039 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ 1,545,000	\$ 2,838,763	\$ 4,383,763
2020	1,730,000	2,778,656	4,508,656
2021	1,890,000	2,709,725	4,599,725
2022	2,040,000	2,627,075	4,667,075
2023	2,270,000	2,532,250	4,802,250
2024-2028	11,210,000	10,908,500	22,118,500
2029-2033	15,500,000	7,764,375	23,264,375
2034-2038	24,695,000	3,647,200	28,342,200
2039	6,400,000	112,000	6,512,000
Total	<u>\$ 67,280,000</u>	<u>\$ 35,918,544</u>	<u>\$ 103,198,544</u>

### 2004 General Obligation Refunding Bonds

In May 2004, the District issued \$18,310,000 of the 2004 General Obligation Refunding Bonds. The bonds mature on May 1, 2025, with interest yields ranging from 1.00 to 5.00 percent. The proceeds from the sale of the bonds were used to refund the outstanding 1999 General Obligation Bonds, Series A. At June 30, 2018, the principal balance outstanding was \$7,890,000.

### 2011 General Obligation Bonds, Series A

In June 2017, the District issued \$60,000,000 of the 2011 General Obligation Bonds, Series A. The bonds mature on August 1, 2038, with interest yields ranging from 2.00 to 5.00 percent. The proceeds from the sale of the bonds will be used to finance the acquisition and construction of new schools, classrooms, and facilities, and to repair existing schools. At June 30, 2018, the principal balance outstanding was \$59,390,000 and unamortized premium was \$6,127,821.

### Capital Leases

The District has entered into various capital lease arrangements for energy management equipment. The District's liability on lease agreements with options to purchase is summarized below:

	Energy Management Equipment
Balance, July 1, 2017	\$ 1,655,238
Payments	(363,175)
Balance, June 30, 2018	<u>\$ 1,292,063</u>

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The capital leases have minimum lease payments as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2019	375,218
2020	247,503
2021	109,631
2022	108,492
2023	109,212
2024-2027	342,007
Total	1,292,063
Less: Amount Representing Interest	111,632
Present Value of Minimum Lease Payments	<u>\$ 1,180,431</u>

### Compensated Absences Payable

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$414,031.

### Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
District Plan	\$ 10,149,371	\$ 271,149
Medicare Premium		
Payment	431,355	(71,331)
Total	<u>\$ 10,580,726</u>	<u>\$ 199,818</u>

The details of each plan are as follows:

### District Plan

#### Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *Plan Membership*

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	50
Active employees	<u>550</u>
	<u>600</u>

### *Benefits Provided*

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Newhall Teacher Association (NTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, NTA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District paid \$516,504 in benefits.

### **Total OPEB Liability of the District**

The District's total OPEB liability of \$10,149,371 was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of that date.

### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.13 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	3.62 percent
Health care cost trend rates	6.00 percent for 2018

The discount rate was based on the Bond Buyer 20-bond General Obligation Index with an average rating of AA/Aa or higher.

Mortality rates were based on the RP-2014 Employee Mortality Table for certificated employees and classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

### Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 9,878,222
Service cost	439,327
Interest	348,326
Benefit payments	(516,504)
Net change in total OPEB liability	271,149
Balance at June 30, 2018	<u>\$ 10,149,371</u>

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.62%)	\$ 11,115,394
Current discount rate (3.62%)	10,149,371
1% increase (4.62%)	9,283,786

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current health care costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (5%)	\$ 9,128,615
Current healthcare cost trend rate (6%)	10,149,371
1% increase (7%)	11,329,576

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### **OPEB Expense**

For the year ended June 30, 2018, the District recognized OPEB expense of \$271,149.

### **Medicare Premium Payment (MPP) Program**

#### **Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

#### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB**

At June 30, 2018, the District reported a liability of \$431,355 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, was 0.1025 percent and 0.1074, respectively, resulting in a net decrease in the proportionate share of 0.0049 percent.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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For the year ended June 30, 2018, the District recognized OPEB expense of \$(71,331).

### Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB 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:

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	\$ 477,540
Current discount rate (3.58%)	431,355
1% increase (4.58%)	386,430

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 389,795
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	431,355
1% increase (4.7% Part A and 5.1% Part B)	472,499

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Stores inventories	277	-	-	-	277
Prepaid expenditures	45,664	-	-	-	45,664
Total Nonspendable	50,941	-	-	-	50,941
Restricted					
Legally restricted programs	1,812,535	-	-	30,243	1,842,778
Capital projects	-	1,562,760	44,963	365,928	1,973,651
Debt services	-	-	-	2,137,043	2,137,043
Total Restricted	1,812,535	1,562,760	44,963	2,533,214	5,953,472
Committed					
Deferred maintenance program	-	-	-	677,469	677,469
Assigned					
Capital projects	-	-	2,444,400	-	2,444,400
Other postemployment benefits (OPEB)	628,253	-	-	-	628,253
Total Assigned	628,253	-	2,444,400	-	3,072,653
Unassigned					
Remaining unassigned	8,458,494	-	-	-	8,458,494
Total	\$ 10,950,223	\$ 1,562,760	\$ 2,489,363	\$ 3,210,683	\$ 18,213,029



# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage with coverage up to a maximum of \$300 million, subject to various policy sublimits, generally ranging from \$1 million to \$50 million and deductibles ranging from \$25,000 to \$300,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence and \$2 million aggregate, with excess liability coverage over \$25 million, all subject to various deductibles up to \$20,000 per occurrence and per employee policy limit, subject to a deductible of \$100,000 per occurrence per claim, up to a maximum of \$1.5 million. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

#### Description

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in various public entity risk pools (JPAs) for the workers' compensation programs and purchases liability coverage through the JPAs. Refer to Note 16 for additional information regarding the JPAs. Excess property and liability coverage is obtained through Schools Excess Liability Fund (SELF).

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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).

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective			
	Collective Net Pension Liability	Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 52,374,594	\$ 14,546,472	\$ 5,158,785	\$ 4,903,617
CalPERS	15,903,115	5,054,105	346,099	2,950,694
Total	<u>\$ 68,277,709</u>	<u>\$ 19,600,577</u>	<u>\$ 5,504,884</u>	<u>\$ 7,854,311</u>

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The details of each plan are as follows:

### **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.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

#### **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 exclusively to the STRP Defined Benefit and Supplement Program, thus disclosures are not included for the other plans.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

	<u>STRP Defined Benefit and Supplement Program</u>	
	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	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

### Contributions

Required member, District and State of California contributions 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. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$4,262,083.

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

At June 30, 2018, 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:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$	52,374,594
State's proportionate share of the net pension liability associated with the District		30,984,367
Total	\$	<u>83,358,961</u>

The net pension liability was measured as of June 30, 2017. 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. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, was 0.0566 percent and 0.0604 percent, respectively, resulting in a net decrease in the proportionate share of 0.0038 percent.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$4,903,617. In addition, the District recognized pension expense and revenue of \$3,118,874 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,262,083	\$ -
Net change in proportionate share of net pension liability	387,698	2,850,406
Difference between projected and actual earnings on pension plan investments	-	1,394,882
Differences between expected and actual experience in the measurement of the total pension liability	193,686	913,497
Changes of assumptions	9,703,005	-
Total	<u>\$ 14,546,472</u>	<u>\$ 5,158,785</u>

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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (1,159,617)
2020	877,487
2021	126,529
2022	(1,239,281)
Total	<u>\$ (1,394,882)</u>

## NEWHALL SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ 1,054,451
2020	1,054,451
2021	1,054,451
2022	1,054,450
2023	1,063,714
Thereafter	1,238,969
Total	<u>\$ 6,520,486</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

## NEWHALL SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, 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%
Real estate	13%	5.20%
private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategy	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 7.10 percent. 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 (7.10 percent) 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 calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 76,902,531
Current discount rate (7.10%)	52,374,594
1% increase (8.10%)	32,468,510

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### California Public Employees Retirement System (CalPERS)

#### **Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

#### **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 five 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 five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	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	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### 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 calculated 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, 2018, are presented above and the total District contributions were \$1,332,558.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$15,903,115. The net pension liability was measured as of June 30, 2017. 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. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, was 0.666 percent and 0.0679 percent, respectively, resulting in a net decrease in the proportionate share of 0.0013 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$2,950,694. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,332,558	
Net change in proportionate share of net pension liability	278,765	158,859
Difference between projected and actual earnings on pension plan investments	550,139	-
Differences between expected and actual experience in the measurement of the total pension liability	569,743	-
Changes of assumptions	2,322,900	187,240
Total	<u>\$ 5,054,105</u>	<u>\$ 346,099</u>

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 subsequent fiscal year.



# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (14,906)
2020	634,741
2021	231,560
2022	(301,256)
Total	<u>\$ 550,139</u>

The deferred outflows of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ 1,039,835
2020	1,031,406
2021	754,068
Total	<u>\$ 2,825,309</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

## NEWHALL SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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 ten years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset 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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

#### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. 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 School Employer Pool 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 calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 23,398,578
Current discount rate (7.15%)	15,903,115
1% increase (8.15%)	9,685,000

# **NEWHALL SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,838,522 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

### **NOTE 13 - COMMITMENTS AND CONTINGENCIES**

#### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

#### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

### **NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOL AND FOOD SERVICE CONSORTIUM**

The District is a member of the Association of Schools Cooperative Insurance Program (ASCIP), and the Santa Clarita Valley School Food Services Agency (SCVSFSA). The District pays an annual premium to ASCIP for its workers' compensation and property liability coverage. Payments for food services are paid to the SCVSFSA. The relationships between the District and the entities are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2018, the District made payments of \$186,761 and \$349,842 to ASCIP for workers' compensation and property liability coverage, respectively. In addition, the District also received payments of \$110,312 from SCVSFSA for reimbursement of costs related to food services.

# NEWHALL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Net Position - Beginning	\$ 30,672,065
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(7,099,025)</u>
Net Position - Beginning as Restated	<u>\$ 23,573,040</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# NEWHALL SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
<b>REVENUES</b>				
Local Control Funding Formula	\$ 53,078,101	\$ 53,047,048	\$ 53,095,443	\$ 48,395
Federal sources	2,542,904	3,148,275	3,057,367	(90,908)
Other State sources	3,622,941	4,642,061	4,697,057	54,996
Other local sources	4,873,218	4,704,175	5,138,449	434,274
<b>Total Revenues <sup>1</sup></b>	<b>64,117,164</b>	<b>65,541,559</b>	<b>65,988,316</b>	<b>446,757</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	30,117,467	30,106,425	29,941,250	165,175
Classified salaries	10,456,545	10,663,510	10,611,441	52,069
Employee benefits	13,317,901	13,395,697	13,085,397	310,300
Books and supplies	2,519,638	3,147,247	2,474,057	673,190
Services and operating expenditures	6,123,382	6,983,215	6,908,558	74,657
Other outgo	1,535,161	1,288,373	1,368,184	(79,811)
Capital outlay	-	39,927	61,619	(21,692)
<b>Total Expenditures <sup>1</sup></b>	<b>64,070,094</b>	<b>65,624,394</b>	<b>64,450,506</b>	<b>1,173,888</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>47,070</b>	<b>(82,835)</b>	<b>1,537,810</b>	<b>1,620,645</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	200,000	200,000
Transfers out	(318,043)	(1,285,684)	(1,279,980)	5,704
<b>NET CHANGE IN FUND BALANCE</b>	<b>(270,973)</b>	<b>(1,368,519)</b>	<b>457,830</b>	<b>1,826,349</b>
<b>Fund Balance - Beginning</b>	<b>10,492,393</b>	<b>10,492,393</b>	<b>10,492,393</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 10,221,420</b>	<b>\$ 9,123,874</b>	<b>\$ 10,950,223</b>	<b>\$ 1,826,349</b>

<sup>1</sup> Due to the consolidation of Fund 20, Deferred Maintenance Fund and Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

## NEWHALL SCHOOL DISTRICT

### SCHEDULE OF OPEB INVESTMENT RETURNS FOR THE YEAR ENDED JUNE 30, 2018

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	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 439,327
Interest	348,326
Benefit payments	<u>(516,504)</u>
<b>Net change in total OPEB liability</b>	271,149
<b>Total OPEB liability - beginning</b>	<u>9,878,222</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 10,149,371</u></u>
 <b>Covered payroll</b>	 <u>N/A<sup>1</sup></u>
 <b>District's total OPEB liability as a percentage of covered payroll</b>	 <u>N/A<sup>1</sup></u>

<sup>1</sup> The District's OPEB Plan is not administered through a trust, and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

## NEWHALL SCHOOL DISTRICT

### **SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018**

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Year ended June 30,	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.1025%</u>
District's proportionate share of the net OPEB liability	<u>\$ 431,355</u>
District's covered-employee payroll	<u>N/A<sup>1</sup></u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A<sup>1</sup></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.



# NEWHALL SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
<b>CalSTRS</b>		
District's proportion of the net pension liability	0.0566%	0.0604%
District's proportionate share of the net pension liability	\$ 52,374,594	\$ 48,846,653
State's proportionate share of the net pension liability associated with the District	30,984,367	27,807,528
Total	<u>\$ 83,358,961</u>	<u>\$ 76,654,181</u>
District's covered - employee payroll	<u>\$ 35,321,379</u>	<u>\$ 40,065,097</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	148.28%	121.92%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
<b>CalPERS</b>		
District's proportion of the net pension liability	0.0666%	0.0679%
District's proportionate share of the net pension liability	<u>\$ 15,903,115</u>	<u>\$ 13,413,614</u>
District's covered-employee payroll	<u>\$ 8,284,382</u>	<u>\$ 7,629,180</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	191.97%	175.82%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

*Note :* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
<u>0.0611%</u>	<u>0.0602%</u>
\$ 41,153,177	\$ 35,176,404
<u>21,765,494</u>	<u>21,241,031</u>
<u>\$ 62,918,671</u>	<u>\$ 56,417,435</u>
<u>\$ 26,412,565</u>	<u>\$ 28,429,527</u>
<u>155.81%</u>	<u>123.73%</u>
<u>74%</u>	<u>77%</u>
<u>0.0642%</u>	<u>0.0641%</u>
<u>\$ 9,460,034</u>	<u>\$ 7,273,726</u>
<u>\$ 7,042,184</u>	<u>\$ 7,244,057</u>
<u>134.33%</u>	<u>100.41%</u>
<u>79%</u>	<u>83%</u>

# NEWHALL SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
<b>CalSTRS</b>		
Contractually required contribution	\$ 4,262,083	\$ 3,789,984
Contributions in relation to the contractually required contribution	4,262,083	3,789,984
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 33,879,833	\$ 35,321,379
Contributions as a percentage of covered-employee payroll	14.43%	12.58%
<b>CalPERS</b>		
Contractually required contribution	\$ 1,332,558	\$ 1,150,535
Contributions in relation to the contractually required contribution	1,332,558	1,150,535
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 8,579,988	\$ 8,284,382
Contributions as a percentage of covered-employee payroll	15.53%	13.89%

*Note* : In the future, as data becomes available, ten years of information will be presented.

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<u>2016</u>	<u>2015</u>
\$ 3,557,781	\$ 2,345,436
<u>3,557,781</u>	<u>2,345,436</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 40,065,097</u>	<u>\$ 26,412,565</u>
<u>10.73%</u>	<u>8.88%</u>
\$ 903,829	\$ 828,865
<u>903,829</u>	<u>828,865</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 7,629,180</u>	<u>\$ 7,042,184</u>
<u>11.85%</u>	<u>11.77%</u>

## NEWHALL SCHOOL DISTRICT

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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#### NOTE 1 - PURPOSE OF SCHEDULES

##### **Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation for postemployment benefits.

*Changes of Assumptions* – There were no changes in assumptions since the previous valuation for postemployment benefits.

##### **Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

# NEWHALL SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### **Schedule of the District's Proportionate Share of the Net Pension Liability**

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

***Changes in Benefit Terms*** – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes of Assumptions*** – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

### **Schedule of District Contributions**

This 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, ten years of information will be presented.

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***SUPPLEMENTARY INFORMATION***

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# NEWHALL SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education (CDE):			
Forest Reserve	10.665	10044	\$ 1,848
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Special Education Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	911,138
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	3,478
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	50,094
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	186,954
Preschool Staff Development, Part B, Section 619	84.173A	13431	532
Subtotal Special Education Cluster			1,152,196
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	1,155,391
Title II, Part A, Supporting Effective Instruction	84.367	14341	139,101
Title III, English Learner Student Program	84.365	14346	161,353
Total U.S. Department of Education			2,608,041
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Services:			
Medi-Cal Assistance Program:			
Medi-Cal Billing Options	93.778	10013	115,787
Medi-Cal Administrative Activities	93.778	10060	125,342
Subtotal Medi-Cal Assistance Program			241,129
Total U.S. Department of Health and Human Services			241,129
Total Federal Programs			\$ 2,851,018

See accompanying note to supplementary information.



# NEWHALL SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

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### ORGANIZATION

The Newhall School District was organized in 1879, and consists of an area comprising approximately 63 square miles. The District operates ten elementary schools and two fee based childcare centers. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Philip C. Ellis, Jr.	President	2018
Mr. Brian Walters	Clerk	2018
Mrs. Christy Smith	Member	2018
Mrs. Suzan T. Solomon	Member	2020
Mr. Isaiah Talley	Member	2018

### ADMINISTRATION

Dr. Paul Cordeiro	Superintendent
Mr. Deo Persaud	Assistant Superintendent, Business Services
Dr. Michelle Morse	Assistant Superintendent, Human Resources
Mrs. Dee Jamison	Assistant Superintendent, Instructional Services

See accompanying note to supplementary information.

# NEWHALL SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,411.10	3,426.44
Fourth through sixth	2,901.23	2,904.25
Total Regular ADA	6,312.33	6,330.69
Extended Year Special Education		
Transitional kindergarten through third	5.38	5.38
Fourth through sixth	7.94	7.94
Total Extended Year Special Education	13.32	13.32
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	2.77	3.26
Extended Year Special Education - Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.09	0.09
Fourth through sixth	0.09	0.09
Total ADA	6,328.60	6,347.45

See accompanying note to supplementary information.

## NEWHALL SCHOOL DISTRICT

### SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2018

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Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	37,800	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,870	180	N/A	Complied
Grade 2		55,870	180	N/A	Complied
Grade 3		55,870	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,870	180	N/A	Complied
Grade 5		55,870	180	N/A	Complied
Grade 6		55,870	180	N/A	Complied

See accompanying note to supplementary information.

## **NEWHALL SCHOOL DISTRICT**

### **RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

# NEWHALL SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 <sup>1</sup>	2018	2017	2016
GENERAL FUND <sup>3</sup>				
Revenues	\$ 66,852,983	\$ 65,988,316	\$ 65,500,924	\$ 65,841,527
Other sources and transfers in	-	200,000	452,738	-
Total Revenues and Other Sources	66,852,983	66,188,316	65,953,662	65,841,527
Expenditures	65,365,247	65,078,760	65,126,838	62,242,221
Other uses and transfers out	490,500	1,279,980	407,625	3,609,302
Total Expenditures and Other Uses	65,855,747	66,358,740	65,534,463	65,851,523
INCREASE (DECREASE) IN FUND BALANCE	\$ 997,236	\$ (170,424)	\$ 419,199	\$ (9,996)
ENDING FUND BALANCE	\$ 11,319,205	\$ 10,321,969	\$ 10,492,393	\$ 10,073,194
AVAILABLE RESERVES <sup>2</sup>	\$ 5,205,998	\$ 8,458,494	\$ 8,705,422	\$ 8,267,881
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	7.91%	12.75%	13.28%	12.56%
LONG-TERM OBLIGATIONS <sup>4</sup>	N/A	\$ 85,583,009	\$ 89,913,342	\$ 79,786,305
AVERAGE DAILY ATTENDANCE AT P-2	6,329	6,329	6,501	6,472

The General Fund balance has increase by \$248,775 over the past two years. The fiscal year 2018-2019 budget projects a further increase of \$997,236 (9.66 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, but anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by \$5,796,704 over the past two years.

Average daily attendance has decreased by 143 over the past two years. No change in ADA is anticipated during fiscal year 2018-2019.

<sup>1</sup> Budget 2019 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Postemployment Benefits as required by GASB Statement No. 54.

<sup>4</sup> Long-term obligations have been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

# NEWHALL SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2018

	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
<b>ASSETS</b>			
Deposits and investments	\$ 95,601	\$ 688,061	\$ 363,883
Receivables	36,774	1,571	2,098
<b>Total Assets</b>	<u>\$ 132,375</u>	<u>\$ 689,632</u>	<u>\$ 365,981</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 82,503	\$ 12,163	\$ 53
Unearned revenue	19,629	-	-
<b>Total Liabilities</b>	<u>102,132</u>	<u>12,163</u>	<u>53</u>
<b>Fund Balances:</b>			
Restricted	30,243	-	365,928
Committed	-	677,469	-
<b>Total Fund Balances</b>	<u>30,243</u>	<u>677,469</u>	<u>365,928</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 132,375</u>	<u>\$ 689,632</u>	<u>\$ 365,981</u>

See accompanying note to supplementary information.

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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>
\$ 2,137,043	\$ 3,284,588
-	40,443
<u>\$ 2,137,043</u>	<u>\$ 3,325,031</u>

\$ -	\$ 94,719
-	19,629
<u>-</u>	<u>114,348</u>

2,137,043	2,533,214
-	677,469
<u>2,137,043</u>	<u>3,210,683</u>
<u>\$ 2,137,043</u>	<u>\$ 3,325,031</u>

# NEWHALL SCHOOL DISTRICT

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

	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
<b>REVENUES</b>			
Other State sources	\$ 691,853	\$ -	\$ -
Other local sources	264,036	5,021	158,707
<b>Total Revenues</b>	<u>955,889</u>	<u>5,021</u>	<u>158,707</u>
<b>EXPENDITURES</b>			
Current			
Instruction	738,845	-	-
Instruction-related activities:			
School site administration	220,083	-	-
Pupil services:			
Food services	8,624	-	-
Administration:			
All other administration	-	-	43,554
Facility acquisition and construction	-	274,448	-
Debt service:			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<u>967,552</u>	<u>274,448</u>	<u>43,554</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(11,663)</u>	<u>(269,427)</u>	<u>115,153</u>
<b>Other Financing Sources</b>			
Transfers in	25,500	465,000	-
<b>NET CHANGE IN FUND BALANCES</b>	13,837	195,573	115,153
<b>Fund Balance - Beginning</b>	16,406	481,896	250,775
<b>Fund Balances - Ending</b>	<u>\$ 30,243</u>	<u>\$ 677,469</u>	<u>\$ 365,928</u>

See accompanying note to supplementary information.



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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>
\$ 31,770	\$ 723,623
4,473,424	4,901,188
<u>4,505,194</u>	<u>5,624,811</u>
-	738,845
-	220,083
-	8,624
-	43,554
-	274,448
3,905,000	3,905,000
1,924,286	1,924,286
<u>5,829,286</u>	<u>7,114,840</u>
<u>(1,324,092)</u>	<u>(1,490,029)</u>
-	490,500
(1,324,092)	(999,529)
3,461,135	4,210,212
<u>\$ 2,137,043</u>	<u>\$ 3,210,683</u>

# NEWHALL SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Options funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 3,057,367
Medi-Cal Billing Options	93.778	(206,349)
Total Schedule of Expenditures of Federal Awards		<u>\$ 2,851,018</u>

#### Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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

Average daily attendance (ADA) 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.

# NEWHALL SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. 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.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

### **Schedule of Financial Trends and Analysis**

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

### **Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

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***INDEPENDENT AUDITOR'S REPORTS***

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
Newhall School District  
Valencia, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newhall School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Newhall School District's basic financial statements, and have issued our report thereon dated December 14, 2018.

***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 14, 2018



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board  
Newhall School District  
Valencia, California

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

We have audited Newhall School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Newhall School District's major Federal programs for the year ended June 30, 2018. Newhall School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 14, 2018





**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Governing Board  
Newhall School District  
Valencia, California

### **Report on State Compliance**

We have audited Newhall School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Newhall School District's State government programs as noted below for the year ended June 30, 2018.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the Newhall School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Newhall School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Newhall School District's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, Newhall School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform procedures specific to Independent Study as the ADA fell below the threshold that required testing.

The District does not operate a Continuation Program; therefore, we did not perform procedures related to the Continuation Education Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District did not offer an Independent Study Course Based Program; therefore, we did not perform any related procedures.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 14, 2018

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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# NEWHALL SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2018

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### FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A, Basic Grants Low Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**NEWHALL SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**NEWHALL SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**NEWHALL SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.



**NEWHALL SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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There were no audit findings reported in the prior year.