

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

AUDIT REPORT

JUNE 30, 2014

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California**

Introductory Section

Holtville Unified School District
 Audit Report
 For The Year Ended June 30, 2014

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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holtville Unified School District ("the District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holtville Unified School District as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2014, Holtville Unified School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Holtville Unified School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014 on our consideration of Holtville Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holtville Unified School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 10, 2014

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014
(UNAUDITED)**

Each year the Holtville Unified School District (HUSD) strives to provide high quality education in a safe atmosphere that nurtures the learning process for our students. In a period of financial challenges, the District is committed to accomplishing its goals while maintaining sound financial practice and operational accountability.

The following section of the District's annual financial report represents a discussion and analysis of the District's fiscal performance during the year ending June 30, 2014, as required by the Governmental Accounting Standards Board (GASB), Statement No. 34. The purpose of this report is to present an overview of the District's financial data for the 2013-14 fiscal year. Note that this report should be read with the actual financial statements, which follow this section.

KEY FINANCIAL POINTS

* Total Assets decreased in 2013-14 over 2012-13 by approximately \$1,288,262. This decrease can largely be explained by a decrease in cash due to the negotiations settlement with both employee bargaining units, along with an increase in accumulated depreciation.

* District-wide, total revenues increased between and 2013-14 and 2012-13 by approximately \$980,000 (see Table A-1). This increase reflects an improvement in the California State Budget, and the implementation of the Local Control Funding Formula.

* Enrollment in 2013-14 decreased compared to the 2012-13 school year by 36 students district-wide, bringing the total 2013-14 HUSD October 1st enrollment to 1,550 students. Similarly, ADA also decreased, bringing the 2013-14 HUSD P-2 ADA down to 1,493.

OVERVIEW OF THE FINANCIAL STATEMENTS

The intent of this report is to serve as an introduction to Holtville Unified School District's basic financial statements as defined by the GASB34. The annual report consists of three parts:

- Management Discussion and Analysis (this section)
- Basic financial statements (District-wide and Fund financial statements)
- Notes to the financial statements

District-Wide Statements

Within the District-Wide Financial Statements, information regarding the District as a whole is presented. Similar to the accounting methods used by private-sector companies, the District-Wide Statements help to illustrate how the District performed as a whole, across all of its funds. Included in this section is **The Statement of Net Position**, which

reports all of the District's assets and liabilities. Also included is **The Statement of Activities**, which accounts for all revenues and expenses for the District's 2013-14 fiscal year, regardless of when cash is received or paid.

The purpose of the District-Wide Statements is to measure the overall financial stability (or position) of HUSD. By monitoring changes in net position, HUSD will have a strong indicator that helps measure whether its financial position is improving or deteriorating. In addition, the District will also need to take into account other factors, such as the condition of school buildings and facilities, to accurately assess its financial position.

It is also important to note that in the District-Wide Financial Statements, all of HUSD's financial activities are reported under the *Governmental Activities* designation. Within this category, all of HUSD's basic services are included. The other category, *Business-Type Activities*, does not list any financial information, as school districts are not involved in providing business services that generate fees. Instead, revenue is generated from Federal, State, and Local governmental sources. The table below illustrates the District's Governmental Activities for the fiscal year 2013-14 compared to the prior year.

Table A-1 STATEMENT OF ACTIVITIES JUNE 30, 2014		
REVENUES	2012-13	2013-14
Program Revenues		
Operating Grants and Contributions	3,817,942	3,457,189
General Revenues		
Federal and State Aid not restricted	8,431,412	10,021,284
Property Taxes	2,669,615	2,105,438
Other General Revenues	220,753	175,030
Total Revenues	15,139,722	15,758,941
EXPENDITURES		
Instruction	7,851,490	8,920,370
Supervision of Instruction	494,728	526,988
Library, Media, and Technology	177,835	137,797
School Site Administration	1,125,736	1,093,369
Pupil Services	2,099,128	2,175,264
General Administration & Data Processing	1,049,563	1,199,146
Maintenance and Operations & Facility Acquisition	1,633,062	1,592,742
Ancillary Services	0	281,537
Debt Service	338,609	420,214
Other Outgo	53,190	119,928
Total Expenditures	14,823,341	16,467,355
Increase/Decrease in Net Asset	316,381	(708,414)
Net Asset Beginning	16,189,133	16,189,133
Prior Year Adjustment (in Note R)	0	(114,185)
Net Asset Ending	16,405,514	15,366,534

The following graph illustrates the changes to net position from the 2012-13 fiscal year to the 2013-14 fiscal year.

Table A-2		
STATEMENT OF NET POSITION		
	June 30, 2012	June 30, 2014
ASSETS		
Cash & Current Assets (i.e. AR)	5,845,065	5,018,594
Capital Assets	21,970,174	21,490,081
Total Assets	27,815,239	26,526,977
Deferred Outflows of Resources	0	123,058
LIABILITIES		
Long-Term Debt	10,860,936	9,748,261
Other Liabilities	548,789	1,535,240
Total Liabilities	11,409,725	11,283,501
TOTAL NET POSITION	16,405,514	15,366,534
DISTRIBUTION OF NET POSITION		
Invested in Capital Assets	11,160,667	11,629,293
Restricted for Capital Projects	185,726	31,152
Other Restricted	2,009,406	962,319
Non-Restricted	3,049,715	2,743,770
TOTAL NET POSITION	16,405,514	15,366,534

The above illustrates that the District, from a global view, has performed well in 2013-14 by improving its net position. While capital assets have ticked downward slightly (due primarily to lack of activity in construction/modernization and depreciation recognition), the District's Current Assets increased substantially due to the improved situation with the State Budget.

The table below helps to break down one of the District's capital asset categories contained in this report, labeled as "Work in Progress".

Table A-3		
Description	Designation	Value
HHS Multi-Purpose Building	Work in Progress	\$335,504
TOTAL WORK IN PROGRESS		\$335,504

The Work in Progress designation refers to projects begun, but not completed as of June 30, 2014. As can be seen in Table A-3 below, one project remain in the Work in Progress account – the Multi-Purpose Building Project at Holtville High School, which is expected to begin construction in either Spring or Summer of 2014.

Fund Financial Statements

While the District-Wide Statements provide an overall picture of the District’s financial performance, the Fund Financial Statements provide specific information for each of the District’s *funds*. Like other state and local entities, HUSD uses fund accounting to maintain control over related resources. These resources have been segregated into funds to track specific activities and objectives. Fund accounting ensures and demonstrates compliance with finance-related legal requirements.

All of the funds used by HUSD are *governmental funds*. Governmental funds account for essentially the same functions as governmental activities in the Government-Wide financial statements. However, the governmental fund financials provide a short-term view of the District’s inflows and outflows of resources that can be spent, including the balances at year-end of these resources. Because the information derived from Governmental Fund Financial Statements is short-termed, comparing the data to District-Wide Statements will assist in understanding long-term impact of financial decisions. Note that HUSD uses eight individual governmental funds, which are presented individually in the Fund Financial Statements.

As mentioned above, the Fund Financial Statements provide insight into the performance of individual areas of the District’s operations. If one were to look at the District-Wide statements alone and the fact that the District showed substantial gain in assets, this would only tell part of the story for the 2013-14 school year. However, looking at the following chart (Table A-4), the performance of each of the District’s funds shows that certain areas within the District’s budget performed better than others.

Table A-4
CHANGES IN DISTRICT FUND BALANCES

FUND #	BEG BAL (7/1/13)	END BAL (6/30/14)	CHANGE IN FUND
General Fund (#010)	3,501,530	3,194,252	(307,278)
Adult Education Fund (#110)	2,815	49	(2,766)
Cafeteria Fund (#130)	508,963	566,688	57,725
Building Fund (#210)	162,428	16,106	(146,322)
Capital Facilities Fund (#250)	22,942	14,690	(8,252)
Special Reserve Fund (#400)	356	356	0
Bond Interest and Redemption Fund (#510)	77,079	82,258	5,179
Debt Service Fund (#560)	721,939	71,348	(650,591)

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time that this analysis was written, the District recognized the following areas of concern that could significantly impact the future of the District's financial health:

- Current indications show that enrollment is stabilizing, but Average Daily Attendance (ADA) needs to be continually monitored in order to maximize revenue and align to the goals of the District's Local Control Accountability Plan (LCAP).
- The national economy is still fragile. While there have been positive indications of growth in the California State Budget, the District must keep a watchful eye on the economy and how it impacts revenues.

NOTES TO THE FINANCIAL STATEMENTS

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGERS

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

Basic Financial Statements

HOLTVILLE UNIFIED SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Governmental Activities
ASSETS	
Cash	\$ 2,447,035
Receivables	2,571,559
Stores	18,402
Capital Assets:	
Land	153,012
Land Improvements	2,258,912
Buildings	26,523,202
Equipment	1,771,418
Work in Progress	335,504
Less Accumulated Depreciation	(9,552,067)
Total Assets	<u>26,526,977</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>123,058</u>
LIABILITIES	
Accounts Payable	1,183,959
Unearned Revenue	70,000
Long-Term Liabilities:	
Due Within One Year	281,281
Due in More Than One Year	9,748,261
Total Liabilities	<u>11,283,501</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Net Investment in Capital Assets	11,629,293
Restricted for:	
Capital Projects	31,152
Debt Service	153,606
Educational Programs	239,525
Other Purposes (Expendable)	548,286
Other Purposes (Nonexpendable)	20,902
Unrestricted	2,743,770
Total Net Position	<u>\$ 15,366,534</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Functions	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Instruction	\$ 8,920,370	\$ 1,644,444	\$ (7,275,926)
Instruction-Related Services:			
Instructional Supervision and Administration	526,988	202,078	(324,910)
Instructional Library, Media and Technology	137,797	96,654	(41,143)
School Site Administration	1,093,369	20,849	(1,072,520)
Pupil Services:			
Home-to-School Transportation	470,418	-	(470,418)
Food Services	908,894	961,982	53,088
All Other Pupil Services	795,952	308,904	(487,048)
General Administration			
Centralized Data Processing	247,189	-	(247,189)
Other General Administration	951,957	82,677	(869,280)
Plant Services	1,592,742	139,601	(1,453,141)
Ancillary Services	281,537	-	(281,537)
Interest on Long-Term Debt	420,214	-	(420,214)
Other Outgo - Transfers Between Agencies	119,928	-	(119,928)
Total Expenses	\$ 16,467,355	\$ 3,457,189	\$ (13,010,166)

General Revenues:

Taxes and Subventions:

Taxes Levied for General Purposes	1,574,309
Taxes Levied for Debt Service	416,049
Taxes Levied for Other Specific Purposes	115,080
Federal and State Aid, Not Restricted	10,021,284
Interest and Investment Earnings	15,727
Interagency Revenues	84,178
Miscellaneous	75,125
Total General Revenues	12,301,752

Change in Net Position (708,414)

Net Position Beginning - As Restated (See Note R) 16,074,948

Net Position Ending \$ 15,366,534

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 1,835,865	\$ 391,924	\$ 200,753	\$ 2,428,542
Cash in Revolving Fund	2,500	-	-	2,500
Cash with a Fiscal Agent/Trustee	-	-	15,992	15,992
Accounts Receivable	2,304,941	256,459	10,159	2,571,559
Due from Other Funds	87,955	-	-	87,955
Stores Inventories	-	18,402	-	18,402
Total Assets	<u>4,231,261</u>	<u>666,785</u>	<u>226,904</u>	<u>5,124,950</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 967,009	\$ 47,230	\$ 7,009	\$ 1,021,248
Due to Other Funds	-	52,867	35,088	87,955
Unearned Revenue	70,000	-	-	70,000
Total Liabilities	<u>1,037,009</u>	<u>100,097</u>	<u>42,097</u>	<u>1,179,203</u>
Fund Balance:				
Nonspendable Fund Balances	2,500	18,402	-	20,902
Restricted Fund Balances	239,476	548,286	-	787,762
Committed Fund Balances	-	-	82,307	82,307
Assigned Fund Balances	-	-	102,500	102,500
Unassigned Fund Balances	2,952,276	-	-	2,952,276
Total Fund Balance	<u>3,194,252</u>	<u>566,688</u>	<u>184,807</u>	<u>3,945,747</u>
Total Liabilities and Fund Balances	<u>\$ 4,231,261</u>	<u>\$ 666,785</u>	<u>\$ 226,904</u>	<u>\$ 5,124,950</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances - governmental funds balance sheet \$ 3,945,747

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost	31,042,048	
Accumulated depreciation	(9,552,067)	
	Net	21,489,981

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. Unamortized debt issue costs for prepaid debt insurance included in deferred outflows of resources on the statement of net position are: 17,395

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was: (162,710)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	7,823,154	
Net OPEB obligation	35,731	
Compensated absences payable	10,065	
Certificates of participation payable	1,933,356	
Capital leases payable	227,236	
	Total	(10,029,542)

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was: 105,663

Net position of governmental activities - statement of net position \$ 15,366,534

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 7,879,892	\$ -	\$ -	\$ 7,879,892
Education Protection Account Funds	1,681,930	-	-	1,681,930
Local Sources	1,491,404	-	83,174	1,574,578
Federal Revenue	1,253,877	915,561	10,000	2,179,438
Other State Revenue	1,708,454	76,065	5,774	1,790,293
Other Local Revenue	587,829	21,437	422,170	1,031,436
Total Revenues	<u>14,603,386</u>	<u>1,013,063</u>	<u>521,118</u>	<u>16,137,567</u>
Expenditures:				
Instruction	8,740,344	-	62,424	8,802,768
Instruction - Related Services	1,696,733	-	28,659	1,725,392
Pupil Services	1,248,316	907,168	-	2,155,484
Ancillary Services	201,617	-	-	201,617
General Administration	1,144,797	48,170	7,328	1,200,295
Plant Services	1,592,397	-	153,326	1,745,723
Other Outgo	119,835	-	-	119,835
Debt Service:				
Principal	51,930	-	857,447	909,377
Interest	4,695	-	324,686	329,381
Total Expenditures	<u>14,800,664</u>	<u>955,338</u>	<u>1,433,870</u>	<u>17,189,872</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(197,278)</u>	<u>57,725</u>	<u>(912,752)</u>	<u>(1,052,305)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	110,000	110,000
Transfers Out	(110,000)	-	-	(110,000)
Total Other Financing Sources (Uses)	<u>(110,000)</u>	<u>-</u>	<u>110,000</u>	<u>-</u>
Net Change in Fund Balance	(307,278)	57,725	(802,752)	(1,052,305)
Fund Balance, July 1	3,501,530	508,963	987,559	4,998,052
Fund Balance, June 30	<u>\$ 3,194,252</u>	<u>\$ 566,688</u>	<u>\$ 184,807</u>	<u>\$ 3,945,747</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

EXHIBIT A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds \$ (1,052,305)

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

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

	Expenditures for capital outlay:	175,442	
	Depreciation expense:	<u>(655,635)</u>	
	Net:		(480,193)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 866,103

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

	Prepaid debt insurance incurred during the period:	-	
	Prepaid debt insurance amortized for the period:	<u>(93)</u>	
	Net:		(93)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (64,010)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 2,848

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year the difference between OPEB costs and actual employer contributions was: 2,785

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or a discount, the premium or discount is recognized as an Other Financing Source or as an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding for the period is: 16,451

Change in net position of governmental activities - statement of activities \$ (708,414)

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2014

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 124,111
Total Assets	<u>124,111</u>
LIABILITIES:	
Due to Student Groups	\$ 124,111
Total Liabilities	<u>124,111</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

The District reports the following major governmental funds:

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

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code sections 38090–38093).

In addition, the District reports the following fund types:

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

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

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

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

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

b. Expenses/Expenditures

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles and Equipment	5-15

d. Compensated Absences

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

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

e. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the occurrence 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 deferred revenue is removed from the combined balance sheet and revenue is recognized.

f. Interfund Activity

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

g. Property Taxes

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

i. Minimum Fund Balance

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

7. Deferred Inflows and Deferred Outflows of Resources

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

8. Use of Estimates

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

9. Changes in Accounting Policies

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4.

This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

2. Deficit Fund Balance or Fund net position of Individual Funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

C. Excess of Expenditures Over Appropriations

As of June 30, 2014, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Classified Salaries	\$ 73,412
Other Outgo	4,840
Capital Outlay	3,866
Debt Service - Principal	2,430
Debt Service - Interest	195
Cafeteria Fund:	
Classified Salaries	

General Fund: The district based budgets for classified salaries on pre-negotiated rates. With increases in funding the district was able to provide salary increases and eliminate furlow days causing salaries to increase.

Cafeteria Fund:

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool (\$2,428,543 as of June 30, 2014). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$2,436,360. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

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

Cash balances on hand and in banks (\$124,111 as of June 30, 2014) and in the revolving fund (\$2,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Average Days to Maturity</u>	<u>Amount Reported</u>	<u>Fair Value</u>
Dreyfus Treasury Obligations	<30 days	\$ 15,992	\$ 15,992
Imperial County Pooled Investment Funds	737	2,428,543	2,436,360
Total Investments		<u>\$ 2,444,535</u>	<u>\$ 2,452,352</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

4. General Authorizations

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

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

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk - Deposits

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

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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

As of June 30, 2014, the District's bank balances (including revolving cash) were not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

6. Investment Accounting Policy

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

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

E. Accounts Receivable

Accounts receivables as of June 30, 2014, consisted of the following:

	Major Funds		Nonmajor Governmental Funds	Total
	General Fund	Cafeteria Fund		
Federal Government:				
Federal Programs	\$ 332,001	\$ 238,717	\$ 10,000	\$ 580,718
State Government:				
LCFF Sources	1,689,823	-	-	1,689,823
Lottery Revenue	126,639	-	-	126,639
Special Education	85,702	-	-	85,702
Other State Programs	9,640	17,328	-	26,968
Local Sources:				
Interest	2,896	414	159	3,469
Other Local Sources	58,240	-	-	58,240
Totals	\$ 2,304,941	\$ 256,459	\$ 10,159	\$ 2,571,559

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

F. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 153,012	\$ -	\$ -	\$ 153,012
Work in progress	410,427	-	74,923	335,504
Total capital assets not being depreciated	563,439	-	74,923	488,516
Capital assets being depreciated:				
Buildings	26,523,202	-	-	26,523,202
Improvements	2,017,381	241,531	-	2,258,912
Equipment	1,762,584	8,834	-	1,771,418
Total capital assets being depreciated	30,303,167	250,365	-	30,553,532
Less accumulated depreciation for:				
Buildings	(7,096,094)	(495,897)	-	(7,591,991)
Improvements	(362,711)	(102,569)	-	(465,280)
Equipment	(1,437,627)	(57,169)	-	(1,494,796)
Total accumulated depreciation	(8,896,432)	(655,635)	-	(9,552,067)
Total capital assets being depreciated, net	21,406,735	(405,270)	-	21,001,465
Governmental activities capital assets, net	\$ 21,970,174	\$ (405,270)	\$ 74,923	\$ 21,489,981

Depreciation was charged to functions as follows:

Instruction	\$ 496,938
Instruction-Related Services	33,278
Pupil Services	20,840
Ancillary Services	88,797
General Administration	668
Plant Services	15,114
	\$ 655,635

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Adult Education Fund	\$ 35,088	Temporary Loan
General Fund	Cafeteria Fund	52,867	Reimburse Expenses
	Total	<u>\$ 87,955</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2014, consisted of the following:

Transfers From	Transfers To	Amount	Purpose
General Fund	Debt Service Fund	\$ 110,000	Debt Service
	Total	<u>\$ 110,000</u>	

H. Deferred Outflows of Resources

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

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

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

A summary of the deferred outflows of resources as of June 30, 2014, are as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2013	Additions	Current Year Amortization	Balance June 30, 2014
Bond insurance	06/21/2007	30 Years	\$ 8,722	\$ -	\$ 93	\$ 8,629
Bond insurance	11/08/2012	25 Years	8,766	-	-	8,766
Refunding Loss	11/08/2012	15 Years	113,210	-	7,547	105,663
Total Deferred Outflows of Resources			<u>\$ 130,698</u>	<u>\$ -</u>	<u>\$ 7,640</u>	<u>\$ 123,058</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

I. Accounts Payable

Accounts payable as of June 30, 2014, consisted of the following:

	Major Funds		Nonmajor Governmental Funds	Total
	General Fund	Cafeteria Fund		
Vendor payables	\$ 911,794	\$ 43,903	\$ 1,570	\$ 957,267
Payroll and related benefits	55,215	3,327	5,439	63,981
Totals	<u>\$ 967,009</u>	<u>\$ 47,230</u>	<u>\$ 7,009</u>	<u>\$ 1,021,248</u>

J. Unearned Revenue

Unearned revenue as of June 30, 2014, consisted of the following:

	General Fund
Title I - Program Improvement	<u>\$ 70,000</u>

K. Components of Ending Fund Balance

As of June 30, 2014 ending fund balance in governmental funds consisted of the following:

	Major Funds		Nonmajor Governmental Funds	Total
	General Fund	Cafeteria Fund		
Nonspendable Fund Balances				
Revolving Cash	\$ 2,500	\$ -	\$ -	\$ 2,500
Stores Inventory	-	18,402	-	18,402
Restricted Fund Balances				
Educational Programs	239,476	-	-	239,476
Child Nutrition Program	-	548,286	-	548,286
Committed Fund Balances				
Adult Education Program	-	-	49	49
Debt Service	-	-	82,258	82,258
Assigned Fund Balances				
Capital Projects	-	-	31,152	31,152
Debt Service	-	-	71,348	71,348
Unassigned Fund Balances				
For Economic Uncertainty	436,030	-	-	436,030
Other Unassigned	2,516,246	-	-	2,516,246
Total Fund Balance	<u>\$ 3,194,252</u>	<u>\$ 566,688</u>	<u>\$ 184,807</u>	<u>\$ 3,945,747</u>

L. Short-Term Debt Activity

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

M. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds					
Principal balance	\$ 7,321,408	\$ -	\$ 100,000	\$ 7,221,408	80,000
Bond premium	465,539	-	23,998	441,541	23,997
Accreted interest	95,864	64,341	-	160,205	-
Capital leases	848,522	-	621,286	227,236	22,402
Certificates of participation	2,078,173	-	144,817	1,933,356	144,817
Net OPEB obligation	38,516	73,868	76,653	35,731	-
Compensated absences *	12,913	-	2,848	10,065	10,065
Total governmental activities	<u>\$ 10,860,935</u>	<u>\$ 138,209</u>	<u>\$ 969,602</u>	<u>\$ 10,029,542</u>	<u>\$ 281,281</u>

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation, bond premium and OPEB obligation as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 112,467	\$ -	\$ 318,879	\$ 431,346
2016	95,000	-	315,234	410,234
2017	110,000	-	312,374	422,374
2018	130,000	-	308,664	438,664
2019	145,000	-	304,054	449,054
2020-2024	1,270,602	4,232	1,393,215	2,668,049
2025-2029	1,634,689	60,311	1,067,632	2,762,632
2030-2034	2,194,237	355,763	628,249	3,178,249
2035-2039	1,684,971	1,410,029	120,144	3,215,144
2040-2044	81,743	1,063,257	-	1,145,000
Totals	<u>\$ 7,458,709</u>	<u>\$ 2,893,592</u>	<u>\$ 4,768,445</u>	<u>\$ 15,120,746</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

3. General Obligation Bonds

General obligation bonds as of June 30, 2014, consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2002 Election Series B	05/26/2005	3.00-5.00%	08/01/2034	\$ 3,000,000
2002 Election Series C	06/21/2007	4.125-8.0%	08/01/2036	970,000
2002 Election Series D	08/19/2010	4.0-12.00%	08/01/2040	536,409
2002 Election Series E	11/08/2012	5%	08/01/2037	980,000
2012 Refunding Bonds	11/08/2012	2.00-5.00%	08/01/2027	2,065,000
Total GO Bonds				<u>\$ 7,551,409</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2002 Election Series B	\$ 2,800,000	\$ -	\$ 30,000	\$ 2,770,000
2002-B Bond Premium	67,152	-	3,052	64,100
2002 Election Series C	940,000	-	10,000	930,000
2002-C Bond Premium	42,501	-	1,771	40,730
2002 Election Series D	536,408	-	-	536,408
2002-D Bond Premium	71,729	-	2,562	69,167
2002-D Accreted Interest	95,864	64,341	-	160,205
2002 Election Series E	980,000	-	-	980,000
2002-E Premium	87,446	-	3,498	83,948
2012 General Obligation	2,065,000	-	60,000	2,005,000
2012 Premium	196,711	-	13,115	183,596
Total GO Bonds	<u>\$ 7,882,811</u>	<u>\$ 64,341</u>	<u>\$ 123,998</u>	<u>\$ 7,823,154</u>

The annual requirements to amortize the bonds outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2015	\$ 80,000	\$ -	\$ 307,955	\$ 387,955
2016	95,000	-	305,484	400,484
2017	110,000	-	302,624	412,624
2018	130,000	-	298,914	428,914
2019	145,000	-	294,304	439,304
2020-2024	1,065,768	4,232	1,370,809	2,440,809
2025-2029	1,634,689	60,311	1,067,632	2,762,632
2030-2034	2,194,237	355,763	628,249	3,178,249
2035-2039	1,684,971	1,410,029	120,144	3,215,144
2040-2044	81,743	1,063,257	-	1,145,000
Totals	<u>\$ 7,221,408</u>	<u>\$ 2,893,592</u>	<u>\$ 4,696,115</u>	<u>\$ 14,811,115</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

4. Unamortized Bond Premium

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

Premiums resulted in effective interest rates as follows:

	2002-B	2002-C	2002-D	2002-E	2012 Bonds
Total Interest	\$ 3,201,046	\$ 1,262,021	\$ 2,893,592	\$ 970,164	\$ 901,277
Less Bond Premium	(88,516)	(51,356)	(78,269)	(93,276)	(209,825)
Net Interest	\$ 3,112,530	\$ 1,210,665	\$ 2,815,323	\$ 876,888	\$ 691,452
Par Amount of Bonds	\$ 3,000,000	\$ 970,000	\$ 536,408	\$ 980,000	\$ 2,065,000
Periods	30	30	30	25	15
Effective Interest Rate	3.46%	4.16%	17.49%	3.58%	2.23%

5. Accreted Interest

Accreted interest in the Long-Term Obligation Activity chart represents amounts that have compounded as of June 30, 2014 for the bonds which were issued as capital appreciation bonds. Accreted interest in the repayment schedule represents the entire amount that will be repaid in the years the accreted interest becomes due.

6. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2014, as follows:

<u>Year Ending June 30:</u>	
2015	\$ 33,326
2016	9,750
2017	9,750
2018	9,750
2019	9,750
2020-2024	227,240
Total Minimum Rentals	299,566
Less Amount Representing Interest	(72,330)
Net Present Value of Minimum Lease Payments	\$ 227,236

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

7. Certificates of Participation

On August 1, 2007, the District issued \$1,000,000 in Certificates of Participation as Qualified Zone Academy Bonds (QZABs) to provide funds to finance certain capital improvements, equipment and other educational development programs of the District. The District is required to make a scheduled deposit of \$54,817 each year through the maturity date of August 16, 2022. Accumulated interest earned on the account provides the additional funding required to pay the bonds in full upon maturity. The escrow account accrues interest at a fixed rate of 2.74%. As of June 30, 2013 the escrow account carried an accrued balance of \$293,394. The District does not have a legal right to claim cash in the escrow account and is not obligated to make payments in excess of the scheduled deposit amounts. Scheduled deposit and escrow balances are as follows:

<u>Year Ending June 30,</u>	Required Deposit	Scheduled Escrow Balance
2015	\$ 54,817	\$ 422,296
2016	54,817	489,417
2017	54,817	558,376
2018	54,817	629,214
2019	54,817	718,233
2020-2024	219,271	1,000,000
Totals	<u>\$ 493,356</u>	

On September 20, 2011 the District issued \$1,530,000 of Certificates of Participation (COPs). The COPs are a part of the Qualified School Construction Program as a part of the American Recovery and Reinvestment Act of 2009 (ARRA) which subsidizes interest payments on the COPs. The COPs were issued to finance the costs of capital improvements of the District and to pay the issuance costs associated with the COPs. The COPs were issued pursuant to a trust agreement, dated September 1, 2011, by and among the Bank of New York Mellon Trust Company, as trustee, the California School Boards Association Finance Corporation (the Corporation), and the District. Pursuant to a Site Lease, dated as of September 1, 2011, the District will lease the site and improvements comprising generally the District transportation/maintenance facility to the Corporation, and will lease the Property back from the Corporation pursuant to a Lease/Purchase Agreement, dated as of September 1, 2011. The payments on the COPs made by the District represent lease payments for possession and use of the property. The COPs bear an interest rate of 4.625 - 6.75% which is subsidized at a rate of 4.55%. The COPs mature on September 1, 2028. The annual requirements for payments on the COPs outstanding at June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	Principal	Interest	Less Subsidy Payments	Total
2015	\$ 90,000	\$ 83,981	\$ (63,473)	\$ 110,508
2016	90,000	79,819	(59,377)	110,442
2017	90,000	75,657	(55,283)	110,374
2018	90,000	71,494	(51,187)	110,307
2019	90,000	66,712	(47,093)	109,619
2020-2024	470,000	249,804	(172,219)	547,585
2025-2029	520,000	89,438	(60,288)	549,150
Totals	<u>\$ 1,440,000</u>	<u>\$ 716,905</u>	<u>\$ (508,920)</u>	<u>\$ 1,647,985</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

N. Joint Ventures (Joint Powers Agreements)

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

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

Complete financial information for IVPL can be obtained by contacting the JPA at 1225 Main Street, El Centro, California, 92244. The District's condensed share of audited financial information for IVPL for the year ended June 30, 2014 is as follows:

Contributions	\$ 90,708
Paid Losses	(55,660)
Change in Net Position	<u>35,048</u>
Net Position - Beginning of Year	1,315
Net Position - End of Year	<u>\$ 36,363</u>

O. Employee Retirement Systems

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

PERS:

Plan Description

The District contributes to the School Employer 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. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$241,193, \$229,618 and \$221,962, respectively, and equal 100% of the required contributions for each year.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$600,243, \$545,738 and \$529,154, respectively, and equal 100% of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to STRS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$378,626 (5.204002% of salaries subject to STRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

P. Postemployment Benefits Other Than Pension Benefits

The Holtville Unified School District (District) administers a single-employer healthcare plan (Plan). The plan provides medical benefits to eligible retirees and their eligible dependents to age 65. Eligibility for retiree health benefits requires retirement from the District after attaining age 60 with at least 5 years of eligible service. The District's contribution for medical coverage is \$300 per month towards healthcare premiums for an eligible retiree, spouse, and dependents. District-paid benefits continue for the earlier of 2 years or until age 65. Confidential employees who retire after age 55 with at least 20 years of District service receive benefits equal to those provided to active Confidential employees until age 65. Membership of the plan consists of approximately 96 eligible active employees and 11 eligible retirees.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Teachers Association (CTA) and the local California School Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013-14, the District contributed \$76,653 to the Plan, all of which was used for current premiums.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 74,448
Interest on net OPEB obligation	1,926
Adjustment to annual required contribution	<u>(2,506)</u>
Annual OPEB Cost	73,868
Contribution made	<u>(76,653)</u>
Change in net OPEB obligation	<u>(2,785)</u>
Net OPEB obligation, beginning of year	35,731
Net OPEB obligation, end of year	<u><u>\$ 32,946</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012, 2013 and 2014 were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	\$ 74,082	90.46%	\$ 31,381
2013	73,796	93.06%	35,731
2014	73,868	103.77%	32,946

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the July 1, 2011 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Medical cost trend rates ranged from an initial rate of 8.0% reduced to a rate of 5.0% after five years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2011 of 27 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

Q. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

R. Adjustment to Beginning Net Position

The District implemented GASB Statement No. 65 during the current fiscal year which resulted in an accounting change in the treatment of debt issue costs. Under previous standards, debt issue costs were recorded as prepaid expenses and amortized over the life of the debt. Under newly implemented standards all debt issue costs, except for prepaid insurance, are expensed in the period the debt is issued. The resulting accounting change required a restatement of beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 16,405,514
Change in accounting policy	<u>(330,566)</u>
Net Position, Beginning (As Restated)	<u>\$ 16,074,948</u>

S. Subsequent Events

New Accounting Pronouncement

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions 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 Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50 Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions are also addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for the purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer (as defined by this statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for the 2014-15 fiscal year.

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

GASB Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this statement are required to be applied with the provisions of Statement No. 68 which is effective for the 2014-15 fiscal year.

Required Supplementary Information

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

HOLTVILLE UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 6,731,882	\$ 8,130,549	\$ 7,879,892	\$ (250,657)
Education Protection Account Funds	-	1,681,930	1,681,930	-
Local Sources	1,720,837	1,213,250	1,491,404	278,154
Federal Revenue	1,121,746	1,323,862	1,253,877	(69,985)
Other State Revenue	2,785,986	1,326,359	1,332,139	5,780
Other Local Revenue	485,827	539,497	587,829	48,332
Total Revenues	<u>12,846,278</u>	<u>14,215,447</u>	<u>14,227,071</u>	<u>11,624</u>
Expenditures:				
Current:				
Certificated Salaries	6,965,751	7,573,611	7,561,745	11,866
Classified Salaries	1,883,819	2,024,924	2,098,336	(73,412)
Employee Benefits	2,411,770	2,429,332	2,319,966	109,366
Books And Supplies	556,749	1,120,583	972,088	148,495
Services And Other Operating Expenditures	1,281,747	1,708,151	1,329,136	379,015
Other Outgo	-	114,995	119,835	(4,840)
Direct Support/Indirect Costs	(54,709)	(64,110)	(55,498)	(8,612)
Capital Outlay	-	18,250	22,116	(3,866)
Debt Service:				
Principal	44,402	49,500	51,930	(2,430)
Interest	1,675	4,500	4,695	(195)
Total Expenditures	<u>13,091,204</u>	<u>14,979,736</u>	<u>14,424,349</u>	<u>555,387</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(244,926)</u>	<u>(764,289)</u>	<u>(197,278)</u>	<u>567,011</u>
Other Financing Sources (Uses):				
Transfers Out	(110,000)	(110,000)	(110,000)	-
Total Other Financing Sources (Uses)	<u>(110,000)</u>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>(354,926)</u>	<u>(874,289)</u>	<u>(307,278)</u>	<u>567,011</u>
Fund Balance, July 1	3,501,530	3,501,530	3,501,530	-
Fund Balance, June 30	<u>\$ 3,146,604</u>	<u>\$ 2,627,241</u>	<u>\$ 3,194,252</u>	<u>\$ 567,011</u>

The notes to required supplementary information are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

EXHIBIT B-2

CAFETERIA FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 830,000	\$ 890,000	\$ 915,561	\$ 25,561
Other State Revenue	75,000	77,000	76,065	(935)
Other Local Revenue	17,500	22,500	21,437	(1,063)
Total Revenues	<u>922,500</u>	<u>989,500</u>	<u>1,013,063</u>	<u>23,563</u>
Expenditures:				
Current:				
Classified Salaries	283,926	300,234	289,626	10,608
Employee Benefits	110,386	110,694	91,300	19,394
Books And Supplies	600,000	605,000	505,927	99,073
Services And Other Operating Expenditures	36,000	38,500	20,315	18,185
Direct Support/Indirect Costs	54,709	56,064	48,170	7,894
Total Expenditures	<u>1,085,021</u>	<u>1,110,492</u>	<u>955,338</u>	<u>155,154</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(162,521)</u>	<u>(120,992)</u>	<u>57,725</u>	<u>178,717</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(162,521)</u>	<u>(120,992)</u>	<u>57,725</u>	<u>178,717</u>
Fund Balance, July 1	508,963	508,963	508,963	-
Fund Balance, June 30	<u>\$ 346,442</u>	<u>\$ 387,971</u>	<u>\$ 566,688</u>	<u>\$ 178,717</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS-HEALTH BENEFITS PLAN

YEAR ENDED JUNE 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/01/2008	\$ -	\$ 578,928	\$ 578,928	-	\$ 10,419,463	5.6%
7/01/2011	-	775,617	775,617	-	8,918,647	8.7%

Combining Statements and Budget Comparisons as Supplementary Information

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

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue Fund <u>Adult Education Fund</u>	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 32,124	\$ 153,482	\$ 15,147	\$ 200,753
Cash with a Fiscal Agent/Trustee	-	-	15,992	15,992
Accounts Receivable	10,022	124	13	10,159
Total Assets	<u>42,146</u>	<u>153,606</u>	<u>31,152</u>	<u>226,904</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 7,009	\$ -	\$ -	\$ 7,009
Due to Other Funds	35,088	-	-	35,088
Total Liabilities	<u>42,097</u>	<u>-</u>	<u>-</u>	<u>42,097</u>
Fund Balance:				
Committed Fund Balances	49	82,258	-	82,307
Assigned Fund Balances	-	71,348	31,152	102,500
Total Fund Balance	<u>49</u>	<u>153,606</u>	<u>31,152</u>	<u>184,807</u>
Total Liabilities and Fund Balances	<u>\$ 42,146</u>	<u>\$ 153,606</u>	<u>\$ 31,152</u>	<u>\$ 226,904</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Fund		Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds (See Exhibit A-5)
	Adult Education Fund						
Revenues:							
LCFF Sources:							
Local Sources	\$ 83,174	\$ -		\$ -			\$ 83,174
Federal Revenue	10,000	-		-			10,000
Other State Revenue	2,311	3,463		-			5,774
Other Local Revenue	160	412,731		9,279			422,170
Total Revenues	<u>95,645</u>	<u>416,194</u>		<u>9,279</u>			<u>521,118</u>
Expenditures:							
Instruction	62,424	-		-			62,424
Instruction - Related Services	28,659	-		-			28,659
General Administration	7,328	-		-			7,328
Plant Services	-	-		153,326			153,326
Debt Service:							
Principal	-	857,447		-			857,447
Interest	-	314,159		10,527			324,686
Total Expenditures	<u>98,411</u>	<u>1,171,606</u>		<u>163,853</u>			<u>1,433,870</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,766)</u>	<u>(755,412)</u>		<u>(154,574)</u>			<u>(912,752)</u>
Other Financing Sources (Uses):							
Transfers In	-	110,000		-			110,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>110,000</u>		<u>-</u>			<u>110,000</u>
Net Change in Fund Balance	<u>(2,766)</u>	<u>(645,412)</u>		<u>(154,574)</u>			<u>(802,752)</u>
Fund Balance, July 1	2,815	799,018		185,726			987,559
Fund Balance, June 30	<u>\$ 49</u>	<u>\$ 153,606</u>		<u>\$ 31,152</u>			<u>\$ 184,807</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2014

	Bond Interest & Redemption Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 82,198	\$ 71,284	\$ 153,482
Accounts Receivable	60	64	124
Total Assets	<u>82,258</u>	<u>71,348</u>	<u>153,606</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Committed Fund Balances	\$ 82,258	\$ -	\$ 82,258
Assigned Fund Balances	-	71,348	71,348
Total Fund Balance	<u>82,258</u>	<u>71,348</u>	<u>153,606</u>
Total Liabilities and Fund Balances	<u>\$ 82,258</u>	<u>\$ 71,348</u>	<u>\$ 153,606</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Bond Interest & Redemption Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	\$ 3,463	\$ -	\$ 3,463
Other Local Revenue	412,311	420	412,731
Total Revenues	<u>415,774</u>	<u>420</u>	<u>416,194</u>
Expenditures:			
Debt Service:			
Principal	100,000	757,447	857,447
Interest	310,595	3,564	314,159
Total Expenditures	<u>410,595</u>	<u>761,011</u>	<u>1,171,606</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,179</u>	<u>(760,591)</u>	<u>(755,412)</u>
Other Financing Sources (Uses):			
Transfers In	-	110,000	110,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>110,000</u>	<u>110,000</u>
Net Change in Fund Balance	5,179	(650,591)	(645,412)
Fund Balance, July 1	77,079	721,939	799,018
Fund Balance, June 30	<u>\$ 82,258</u>	<u>\$ 71,348</u>	<u>\$ 153,606</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2014

	Building Fund	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 114	\$ 14,677	\$ 356	\$ 15,147
Cash with a Fiscal Agent/Trustee	15,992	-	-	15,992
Accounts Receivable	-	13	-	13
Total Assets	<u>16,106</u>	<u>14,690</u>	<u>356</u>	<u>31,152</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Assigned Fund Balances	\$ 16,106	\$ 14,690	\$ 356	\$ 31,152
Total Fund Balance	<u>16,106</u>	<u>14,690</u>	<u>356</u>	<u>31,152</u>
Total Liabilities and Fund Balances	<u>\$ 16,106</u>	<u>\$ 14,690</u>	<u>\$ 356</u>	<u>\$ 31,152</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Building Fund	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 132	\$ 9,147	\$ -	\$ 9,279
Total Revenues	<u>132</u>	<u>9,147</u>	<u>-</u>	<u>9,279</u>
Expenditures:				
Plant Services	135,927	17,399	-	153,326
Debt Service:				
Interest	10,527	-	-	10,527
Total Expenditures	<u>146,454</u>	<u>17,399</u>	<u>-</u>	<u>163,853</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(146,322)</u>	<u>(8,252)</u>	<u>-</u>	<u>(154,574)</u>
Net Change in Fund Balance	(146,322)	(8,252)	-	(154,574)
Fund Balance, July 1	162,428	22,942	356	185,726
Fund Balance, June 30	<u>\$ 16,106</u>	<u>\$ 14,690</u>	<u>\$ 356</u>	<u>\$ 31,152</u>

Other Supplementary Information

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

Supplementary Information Section

HOLTVILLE UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2014

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

Governing Board

Name	Office	Term and Term Expiration
Kevin Grizzle	President	Four year term Expires December 2017
Jared Garewal	Clerk	Four year term Expires December 2015
John Hawk	Member	Four year term Expires December 2015
Matt Hester	Member	Four year term Expires December 2017
Ben Abatti, Jr.	Member	Four year term Expires December 2017

Administration

Celso Ruiz
Superintendent

Mitchell Drye
Director
Federal Projects/Technology

John-Paul Wells
Chief Business Official

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2014

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3: Regular ADA	421.40	N/A	423.75	N/A
Grades 4-6: Regular ADA	320.37	N/A	320.57	N/A
Grades 7 and 8: Regular ADA	242.45	N/A	241.84	N/A
Grades 9-12: Regular ADA	508.62	N/A	505.93	N/A
ADA Totals	<u>1,492.84</u>	<u>N/A</u>	<u>1,492.09</u>	<u>N/A</u>

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

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2014

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2013-14 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	35,000	51,870	178	-	Complied
Kindergarten	36,000	35,000	51,870	178	-	Complied
Grade 1	50,400	49,000	51,989	178	-	Complied
Grade 2	50,400	49,000	51,989	178	-	Complied
Grade 3	50,400	49,000	51,670	178	-	Complied
Grade 4	54,000	52,500	53,380	178	-	Complied
Grade 5	54,000	52,500	53,380	178	-	Complied
Grade 6	54,000	52,500	59,715	178	-	Complied
Grade 7	54,000	52,500	59,740	178	-	Complied
Grade 8	54,000	52,500	59,740	178	-	Complied
Grade 9	64,800	63,000	67,610	178	-	Complied
Grade 10	64,800	63,000	67,610	178	-	Complied
Grade 11	64,800	63,000	67,610	178	-	Complied
Grade 12	64,800	63,000	67,610	178	-	Complied

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

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

The District has neither met nor exceeded its target funding.

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2014

TABLE D-3

General Fund	Budget 2015 (see note 1)	2014	2013	2012
Revenues and other financial sources	\$ 14,707,988	\$ 14,603,386	\$ 14,026,707	\$ 13,766,826
Expenditures, other uses and transfers out	14,978,958	14,910,664	13,831,934	13,858,598
Change in fund balance (deficit)	(270,970)	(307,278)	194,773	(91,772)
Ending fund balance	<u>\$ 2,923,282</u>	<u>\$ 3,194,252</u>	<u>\$ 3,501,530</u>	<u>\$ 3,306,757</u>
Available reserves (see note 2)	<u>\$ 2,917,237</u>	<u>\$ 2,952,276</u>	<u>\$ 3,268,023</u>	<u>\$ 3,067,132</u>
Available reserves as a percentage of total outgo (see note 3)	<u>19.5%</u>	<u>20.3%</u>	<u>24.2%</u>	<u>22.6%</u>
Total long-term debt	<u>\$ 9,751,046</u>	<u>\$ 10,032,327</u>	<u>\$ 10,860,936</u>	<u>\$ 10,966,582</u>
Average daily attendance at P-2	<u>1,495</u>	<u>1,493</u>	<u>1,516</u>	<u>1,527</u>

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

The fund balance of the general fund has decreased by \$112,505 (3.4%) over the past two years. The fiscal year 2014-2015 budget projects a decrease of \$270,970 (8.5%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has decreased by \$934,255 (8.5%) over the past two years.

Average daily attendance has decreased by 34 (2.2%) over the past two years.

Notes:

- 1 Budget 2015 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$376,315, \$342,360, and \$311,373, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013 and 2012.

HOLTVILLE UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

TABLE D-4

	Building Fund
June 30, 2014, annual financial and budget report fund balances	\$ <u>114</u>
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Cash with fiscal agent understatement	<u>15,992</u>
Net adjustments and reclassifications	<u>15,992</u>
June 30, 2014, audited financial statement fund balances	\$ <u><u>16,106</u></u>

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

No charter schools are chartered by Holtville Unified School District.

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2014

TABLE D-6
 Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Programs:			
Medi-Cal Billing Option	93.778	-	\$ 30,061
Total Direct Programs			<u>30,061</u>
Total U. S. Department of Health and Human Services			<u>30,061</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Adult Education Cluster			
Adult Secondary Education	84.002	13978	5,000
Adult Basic Education	84.002A	14508	5,000
Total Adult Education Cluster			<u>10,000</u>
Title I	84.010	14329	463,407
Migrant Education Cluster			
Migrant Education Summer	84.011	10005	100,744
Migrant Education	84.011	14326	187,871
Total Migrant Education Cluster			<u>288,615</u>
Special Education	84.027	13379	247,195
Carl D Perkins Grant	84.048	14894	13,672
Advanced Placement Reimbursement Fee	84.330B	14831	2,205
Title III LEP	84.365	14346	84,575
Title II Teacher Quality	84.367	14341	124,146
Total Passed Through State Department of Education			<u>1,233,815</u>
Total U. S. Department of Education			<u>1,233,815</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	368,562
Commodities* *	10.555	-	48,395
National School Lunch: Section 4	10.555	13391	12,522
National School Lunch: Section 11	10.555	13396	499,487
National School Lunch- Meal Supplements	10.555	13396	34,854
Total Child Nutrition Cluster			<u>963,820</u>
Total Passed Through State Department of Education			<u>963,820</u>
Total U. S. Department of Agriculture			<u>963,820</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,227,696</u>

* Indicates noncash expenditures

The accompanying notes are an integral part of this schedule.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Holtville Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Other Independent Auditor's Reports

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

Board of Trustees
Holtville Unified School District
Holtville, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holtville Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Holtville Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 10, 2014

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Holtville Unified School District
Holtville, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Holtville Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Holtville Unified School District's major federal programs for the year ended June 30, 2014. Holtville Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Holtville Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Holtville Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Holtville Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Holtville Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Holtville Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Holtville Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 10, 2014

Independent Auditor's Report on State Compliance

Board of Trustees
Holtville Unified School District
Holtville, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2014.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for School Districts	10	Yes
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	N/A
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	N/A
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
For Charter Schools:		
Contemporaneous Records of Attendance	8	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A
Facility Grant Program	1	N/A

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

Opinion on State Compliance

In our opinion, Holtville Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2014.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with, *Standards and Procedures for Audits of California K-12 Local Education Agencies* 2013-14, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 10, 2014

Findings and Recommendations Section

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.011	Migrant Education Cluster
84.027	Special Education Cluster
84.367	Title II Teacher Quality

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies? Yes X No

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

HOLTVILLE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2013-1 (10000) Attendance Reporting</p> <p>A clerical error in spreadsheets used to calculate ADA resulted in an overstatement of 7.51 ADA on the Annual Report of Attendance submitted to the California Department of Education.</p> <p>We recommended the district amend and resubmit their Annual Report of Attendance. In addition, we recommended they implement review procedures to ensure accurate reporting.</p>	<p>Implemented</p>	