

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

**AUDIT REPORT**

**JUNE 30, 2013**

**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, 2013

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	10	Exhibit A-1
Statement of Activities.....	11	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	12	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	14	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	17	Exhibit A-6
Statement of Fiduciary Net Position - Fiduciary Funds.....	18	Exhibit A-7
Notes to the Financial Statements .....	19	
 <u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	36	Exhibit B-1
Cafeteria Fund.....	37	Exhibit B-2
Schedule of Funding Progress - Health Benefits Plan.....	38	
 <u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	39	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	40	Exhibit C-2
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	41	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Capital Projects Funds.....	42	Exhibit C-4
Fiduciary Funds:		
Agency Funds:		
Combining Statement of Fiduciary Assets and Liabilities.....	43	Exhibit C-5

Holtville Unified School District  
 Audit Report  
 For The Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
<b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>		
Local Education Agency Organization Structure.....	44	
Schedule of Average Daily Attendance.....	45	Table D-1
Schedule of Instructional Time.....	46	Table D-2
Schedule of Financial Trends and Analysis.....	47	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	48	Table D-4
Schedule of Charter Schools.....	49	Table D-5
Schedule of Expenditures of Federal Awards .....	50	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	51	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	52	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	54	
Independent Auditor's Report on State Compliance.....	56	
Schedule of Findings and Questioned Costs .....	58	
Summary Schedule of Prior Audit Findings.....	60	

## Financial Section

**Wilkinson Hadley King & Co. LLP**

CPA's and Advisors  
218 W. Douglas Ave.  
El Cajon, California

**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, 2013, 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.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holtville Unified School District as of June 30, 2013, 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**

As described in Note A to the financial statements, in 2013, Holtville Unified School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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, budgetary comparison information and schedule of funding progress for OPEB benefits 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 and individual nonmajor fund 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 2012-13*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund 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 and individual nonmajor fund 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 16, 2013 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 16, 2013



**HOLTVILLE UNIFIED SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2013  
(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, 2013, 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 2012-13 fiscal year. Note that this report should be read with the actual financial statements, which follow this section.

*KEY FINANCIAL POINTS*

\* Total Assets increased in 2012-13 over 2011-12 by approximately \$234,000. Coupling this increase with a decrease in Total Liabilities of approximately \$82,000, Total Net position increased in 2012-13 by approximately \$316,000. See Table A-2.

\* District-wide, total revenues increase between 2011-12 and 2012-13 by approximately \$490,000 (see Table A-1). This increase reflects an improvement in the California State Budget, which has been bolstered by improvement in tax collection.

\* Enrollment in 2012-13 decreased compared to the 2011-12 school year by 10 students district-wide, bringing the total 2012-13 HUSD October 1<sup>st</sup> enrollment to 1,586 students. Similarly, ADA also decreased, bringing the 2012-13 HUSD P-2 ADA down to 1,516.

*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 2012-13 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 2012-13 compared to the prior year.

Table A-1 <b>STATEMENT OF ACTIVITIES JUNE 30, 2013</b>		
<b>REVENUES</b>	<b>2011-12</b>	<b>2012-13</b>
Program Revenues		
Operating Grants and Contributions	3,784,781	3,817,942
General Revenues		
Federal and State Aid not restricted	8,603,641	8,431,412
Property Taxes	2,130,706	2,669,615
Other General Revenues	130,670	220,753
Total Revenues	14,649,798	15,139,722
<b>EXPENDITURES</b>		
Instruction	8,193,291	7,851,490
Supervision of Instruction	98,012	494,728
Library, Media, and Technology	211,045	177,835
School Site Administration	975,310	1,125,736
Pupil Services	1,839,508	2,099,128
General Administration & Data Processing	1,541,042	1,049,563
Maintenance and Operations & Facility Acquisition	1,456,018	1,633,062
Debt Service	509,006	338,609
Other Outgo	139,543	53,190
Total Expenditures	14,962,776	14,823,341
<b>Increase/Decrease in Net Asset</b>	(312,978)	316,381
Net Asset Beginning	16,298,221	16,189,133
Prior Year Adjustment (in Notes)	103,891	0
Net Asset Ending	16,189,133	16,405,514

The following graph illustrates the changes to net position from the 2011-12 fiscal year to the 2012-13 fiscal year.

Table A-2		
<b>STATEMENT OF NET POSITION</b>		
	June 30, 2012	June 30, 2013
<b>ASSETS</b>		
Cash & Current Assets (i.e. AR)	5,127,054	5,845,065
Capital Assets	22,454,015	21,970,174
<b>Total Assets</b>	<b>27,581,069</b>	<b>27,815,239</b>
<b>LIABILITIES</b>		
Long-Term Debt	10,966,582	10,860,936
Other Liabilities	525,353	548,789
<b>Total Liabilities</b>	<b>11,491,935</b>	<b>11,409,725</b>
<b>TOTAL NET POSITION</b>	<b>16,089,134</b>	<b>16,405,514</b>
<b>DISTRIBUTION OF NET POSITION</b>		
Invested in Capital Assets	11,531,451	11,160,667
Restricted for Capital Projects	390,475	185,726
Other Restricted	969,972	2,009,406
Non-Restricted	3,197,236	3,049,715
<b>TOTAL NET POSITION</b>	<b>16,089,134</b>	<b>16,405,514</b>

The above illustrates that the District, from a global view, has performed well in 2012-13 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		
<b>ADDITIONS TO ASSETS</b>		
Addition	Designation	Value
HHS Multi-Purpose Building	Work in Progress	\$335,504
Finley Sports Courts	Work in Progress	\$74,923
<b>TOTAL WORK IN PROGRESS</b>		<b>\$410,427</b>

The Work in Progress designation refers to projects begun, but not completed as of June 30, 2013. As can be seen in Table A-3 below, two projects 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, and the Finley Sports Courts Project, which was set to be completed in August of 2013.

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 2012-13 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**

<b>FUND #</b>	<b>BEG BAL (7/1/12)</b>	<b>END BAL (6/30/13)</b>	<b>CHANGE IN FUND</b>
General Fund (#010)	3,306,757	3,501,530	194,773
Adult Education Fund (#110)	65,445	2,815	(62,630)
Cafeteria Fund (#130)	485,848	508,963	23,115
Building Fund (#210)	6,485	135,909	129,424
Capital Facilities Fund (#250)	25,332	22,942	(2,390)
Special Reserve Fund (#400)	8,021	356	(7,665)
Bond Interest and Redemption Fund (#510)	27,260	49,819	77,079
Debt Service Fund (#560)	148,366	721,939	573,573

In looking at the above, it is important to note that the General Fund, the account that houses the bulk of the District's operations, shows an increase in fund balance of approximately \$195,000. The increase to the General Fund represents the improved revenues at the State level that positively impacted school budgets.

The Adult Education account, which has been severely cut due to the flexibility provisions that were enacted during the State's fiscal crisis, saw a large decrease in 2012-13. HUSD continues to support the program, but currently only receives limited Federal Funds to operate adult classes. The rest of the financial resources must come from the District's General Fund.

The Cafeteria Fund has continued to show positive gains. The District CBO and Director of Cafeteria have worked together to make cuts that have made the Cafeteria run in the black, while still meeting all of the new, rigorous nutritional challenges placed on the District by the State. The District has taken measures to ensure that the Cafeteria is correctly staffed, and will continue to monitor the fiscal situation of its Food Services Program closely.

The Building Fund (#210) showed a gain in 2012-13 as the final bonding authority under the District's 2003 \$8 million bond was issued. During 2012-13, the District re-financed earlier issuances to take advantage of low interest rates, while also creating more room under the Prop 39 interest limitations in order to issue the remaining authority under the 2003 election.

One last fund change to note is the large increase in the Debt Service Fund balance. This was due to a large settlement with the Holtville RDA for past due pass-through income, as well as a delayed apportionment from the Office of Public School Construction. Since the Debt Service Fund is currently paying the Principal and Interest charges on the District's facilities Certificate of Participation, the large influx of funds was sent to that fund for debt elimination.

#### *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.
- The national economy is still fragile. While many profess that a recovery has taken place, all agree that it has not been a robust recovery. The fiscal health of our State, the country, and the globe appears to still in question. With that in mind, government agencies must be vigilant in maintaining sound fiscal policy.

#### *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. 6<sup>th</sup> Street, Holtville, CA 92250.

## Basic Financial Statements

**HOLTVILLE UNIFIED SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
<b>ASSETS:</b>	
Cash	\$ 2,927,148
Receivables	2,441,391
Stores	13,924
Prepaid Debt Issue Costs	462,602
Capital Assets:	
Land	153,012
Land Improvements	2,017,381
Buildings	26,523,202
Equipment	1,762,584
Work in Progress	410,427
Less Accumulated Depreciation	(8,896,432)
Total Assets	<u>27,815,239</u>
<b>LIABILITIES:</b>	
Accounts Payable	537,727
Unearned Revenue	11,062
Long-Term Liabilities:	
Due Within One Year	304,963
Due in More Than One Year	10,555,973
Total Liabilities	<u>11,409,725</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	11,160,667
Restricted for:	
Capital Projects	185,726
Debt Service	799,018
Educational Programs	233,508
Other Purposes (Expendable)	497,854
Other Purposes (Nonexpendable)	479,026
Unrestricted	3,049,715
Total Net Position	<u>\$ 16,405,514</u>

The accompanying notes are an integral part of this statement.



**HOLTVILLE UNIFIED SCHOOL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Functions	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position  Governmental Activities
<b>Governmental Activities:</b>			
Instruction	\$ 7,851,490	\$ 1,514,490	\$ (6,337,000)
Instruction-Related Services:			
Instructional Supervision and Administration	494,728	275,409	(219,319)
Instructional Library, Media and Technology	177,835	167,664	(10,171)
School Site Administration	1,125,736	5,593	(1,120,143)
Pupil Services:			
Home-to-School Transportation	469,344	371,696	(97,648)
Food Services	942,227	958,573	16,346
All Other Pupil Services	687,557	371,518	(316,039)
Other General Administration	1,049,563	98,198	(951,365)
Plant Services	1,381,443	54,801	(1,326,642)
Ancillary Services	251,619	-	(251,619)
Interest on Long-Term Debt	338,609	-	(338,609)
Debt Issue Costs	53,190	-	(53,190)
Total Expenses	<u>\$ 14,823,341</u>	<u>\$ 3,817,942</u>	<u>\$ (11,005,399)</u>
 General Revenues:			
Taxes and Subventions:			
Taxes Levied for General Purposes			1,714,937
Taxes Levied for Debt Service			396,421
Taxes Levied for Other Specific Purposes			558,257
Federal and State Aid, Not Restricted			8,431,412
Interest and Investment Earnings			12,314
Interagency Revenues			51,522
Miscellaneous			156,917
Total General Revenues			<u>11,321,780</u>
			Change in Net Position 316,381
			Net Position Beginning <u>16,089,133</u>
			Net Position Ending <u>\$ 16,405,514</u>

The accompanying notes are an integral part of this statement.

# HOLTVILLE UNIFIED SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Cafeteria Fund
<b>ASSETS:</b>		
Cash in County Treasury	\$ 1,462,743	\$ 402,463
Cash in Revolving Fund	2,500	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	2,259,302	168,517
Due from Other Funds	50,718	-
Stores Inventories	-	13,924
Prepaid Expenditures	1,338	-
Total Assets	<u>3,776,601</u>	<u>584,904</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 264,009	\$ 30,229
Due to Other Funds	-	45,712
Unearned Revenue	11,062	-
Total Liabilities	<u>275,071</u>	<u>75,941</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	2,500	-
Stores Inventories	-	13,924
Prepaid Items	1,338	-
Restricted Fund Balances	233,508	495,039
Committed Fund Balances	-	-
Assigned Fund Balances	-	-
Unassigned:		
Reserve for Economic Uncertainty	3,264,184	-
Total Fund Balance	<u>3,501,530</u>	<u>508,963</u>
Total Liabilities and Fund Balances	<u>\$ 3,776,601</u>	<u>\$ 584,904</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 210,575	\$ 721,908	\$ 100,443	\$ 2,898,132
-	-	-	2,500
26,519	-	-	26,519
257	31	13,282	2,441,389
-	-	-	50,718
-	-	-	13,924
-	-	-	1,338
<u>237,351</u>	<u>721,939</u>	<u>113,725</u>	<u>5,434,520</u>
\$ 74,923	\$ -	\$ 5,527	\$ 374,688
-	-	5,006	50,718
-	-	-	11,062
<u>74,923</u>	<u>-</u>	<u>10,533</u>	<u>436,468</u>
-	-	-	2,500
-	-	-	13,924
-	-	-	1,338
-	-	-	728,547
-	-	2,815	2,815
162,428	721,939	100,377	984,744
-	-	-	3,264,184
<u>162,428</u>	<u>721,939</u>	<u>103,192</u>	<u>4,998,052</u>
<u>\$ 237,351</u>	<u>\$ 721,939</u>	<u>\$ 113,725</u>	<u>\$ 5,434,520</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

Total fund balances - governmental funds balance sheet \$ 4,998,052

Amounts reported for assets and liabilities 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	30,866,606	
Accumulated depreciation	(8,896,432)	
Net		21,970,174

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 are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net position are: 461,264

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: (163,040)

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	7,882,812	
Net OPEB obligation	38,516	
Compensated absences payable	12,914	
Certificates of participation payable	2,078,172	
Capital leases payable	848,522	
Total		(10,860,936)

Net position of governmental activities - statement of net position \$ 16,405,514

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, 2013

	General Fund	Cafeteria Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ 6,298,402	\$ -
Local Sources	1,730,233	-
Federal Revenue	1,238,058	908,165
Other State Revenue	3,334,905	76,555
Other Local Revenue	1,082,749	14,858
Total Revenues	<u>13,684,347</u>	<u>999,578</u>
Expenditures:		
Instruction	7,260,448	-
Instruction - Related Services	1,762,221	-
Pupil Services	1,138,485	939,874
Ancillary Services	188,396	-
General Administration	1,008,753	40,018
Plant Services	1,342,468	-
Debt Service:		
Principal	69,623	-
Interest	4,546	-
Debt Issue Costs	-	-
Total Expenditures	<u>12,774,940</u>	<u>979,892</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>909,407</u>	<u>19,686</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	(714,634)	-
Proceeds From Sale of Bonds	-	-
Other Sources	-	-
Total Other Financing Sources (Uses)	<u>(714,634)</u>	<u>-</u>
Net Change in Fund Balance	194,773	19,686
Fund Balance, July 1	3,306,757	489,277
Fund Balance, June 30	<u>\$ 3,501,530</u>	<u>\$ 508,963</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 6,298,402
-	-	-	1,730,233
-	-	13,183	2,159,406
-	-	13,920	3,425,380
7,299	118	421,276	1,526,300
<u>7,299</u>	<u>118</u>	<u>448,379</u>	<u>15,139,721</u>
-	-	85,088	7,345,536
-	-	913	1,763,134
-	-	-	2,078,359
-	-	-	188,396
-	-	-	1,048,771
165,944	-	7,681	1,516,093
3,095,000	98,170	119,978	3,382,771
92,106	89,058	257,585	443,295
150,995	-	-	150,995
<u>3,504,045</u>	<u>187,228</u>	<u>471,245</u>	<u>17,917,350</u>
<u>(3,496,746)</u>	<u>(187,110)</u>	<u>(22,866)</u>	<u>(2,777,629)</u>
-	760,683	-	760,683
(46,049)	-	-	(760,683)
3,045,000	-	-	3,045,000
303,102	-	-	303,102
<u>3,302,053</u>	<u>760,683</u>	<u>-</u>	<u>3,348,102</u>
(194,693)	573,573	(22,866)	570,473
357,121	148,366	126,058	4,427,579
<u>\$ 162,428</u>	<u>\$ 721,939</u>	<u>\$ 103,192</u>	<u>\$ 4,998,052</u>

**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, 2012

Net change in fund balances - total governmental funds	\$ 570,473
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>	
<p>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:</p>	(483,841)
<p>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:</p>	3,382,771
<p>Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issuance premium or discount, were:</p>	(3,651,621)
<p>Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:</p>	401,324
<p>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:</p>	(15,370)
<p>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:</p>	(277)
<p>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:</p>	(7,135)
<p>Amortization of debt issue premium or discount: 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 is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:</p>	120,057
Change in net position of governmental activities - statement of activities	\$ <u>316,381</u>

The accompanying notes are an integral part of this statement.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash in County Treasury	\$ 1,028
Cash on Hand and in Banks	131,278
Accounts Receivable	1
Total Assets	<u>132,307</u>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 131,278
Total Liabilities	<u>131,278</u>
<b>NET POSITION:</b>	
Total Net Position	<u>\$ 1,029</u>

The accompanying notes are an integral part of this statement.



**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

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, 2013

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).

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-withoption- to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

Debt Service Fund. This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt. The principal source in this fund is Other Authorized Interfund Transfers In. Expenditures are most commonly made in the 7400 object codes for debt service.

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.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

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

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

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. 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 when incurred.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

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, 2013

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.

j. 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.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

k. GASB 63 Implementation

The District has implemented GASB Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The purpose of this pronouncement is to improve financial reporting by standardizing the presentation of deferred inflows and outflows of resources and their effects on a government's net position. Transactions that result in consumption or acquisition of net assets in one period that are applicable to future periods as deferred outflows and inflows of resources which are distinguished from assets and liabilities. Net position is the difference between 1) assets and deferred outflows of resources; and 2) liabilities and deferred inflows of resources. For the year ended June 30, 2013 the District did not have any items which would be considered deferred outflows and inflows of resources.

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

C. Excess of Expenditures Over Appropriations

As of June 30, 2013, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Debt Service - Principal	\$ 3,379
Cafeteria Fund:	
Classified Salaries	7,415

General Fund: The district elected to pay additional principal on debt service.

Cafeteria Fund: The district had unexpected expenditures for personnel and did not account for non-cash expenditures associated with commodities in the budget process.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

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 (\$2,899,157 as of June 30, 2013). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$2,899,157. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$131,278 as of June 30, 2013) 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, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Dreyfus Treasury Obligations	<30 days	\$ 26,519
Total Investments		\$ 26,519

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

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 Treasury. The District maintains an investment with the Imperial Investment Pool with a fair value of \$2,899,157.

e. Foreign Currency Risk

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

5. Investment Accounting Policy

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

The District's investments in external investment pools are reported 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.

E. Accounts Receivable

Accounts receivable at June 30, 2013 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other	Total
Federal Government:					
Federal programs	\$ 352,417	\$ 154,326	-	\$ -	\$ 506,743
State Government:					
Lottery	134,715	-	-	-	134,715
Revenue Limit	1,462,379	-	-	-	1,462,379
Other state programs	272,879	27,356	-	-	300,235
Local Sources:					
Interest	2,450	25	280	101	2,856
Other local	34,462	-	-	-	34,462
Totals	<u>\$ 2,259,302</u>	<u>\$ 181,707</u>	<u>\$ 280</u>	<u>\$ 101</u>	<u>\$ 2,441,390</u>

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



**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

F. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 153,012	\$ -	\$ -	\$ 153,012
Work in progress	1,750,226	74,923	1,414,722	410,427
Total capital assets not being depreciated	<u>1,903,238</u>	<u>74,923</u>	<u>1,414,722</u>	<u>563,439</u>
Capital assets being depreciated:				
Buildings	26,482,042	41,160	-	26,523,202
Improvements	593,041	1,450,840	26,500	2,017,381
Equipment	1,762,584	-	-	1,762,584
Total capital assets being depreciated	<u>28,837,667</u>	<u>1,492,000</u>	<u>26,500</u>	<u>30,303,167</u>
Less accumulated depreciation for:				
Buildings	(6,598,516)	(497,578)	-	(7,096,094)
Improvements	(311,544)	(77,667)	(26,500)	(362,711)
Equipment	(1,376,830)	(60,797)	-	(1,437,627)
Total accumulated depreciation	<u>(8,286,890)</u>	<u>(636,042)</u>	<u>(26,500)</u>	<u>(8,896,432)</u>
Total capital assets being depreciated, net	<u>20,550,777</u>	<u>855,958</u>	<u>-</u>	<u>21,406,735</u>
Governmental activities capital assets, net	<u>\$ 22,454,015</u>	<u>\$ 930,881</u>	<u>\$ 1,414,722</u>	<u>\$ 21,970,174</u>

Depreciation was charged to functions as follows:

Instruction	\$ 498,819
Instruction-Related Services	35,165
Pupil Services	21,081
Ancillary Services	63,223
General Administration	668
Plant Services	17,086
	<u>\$ 636,042</u>

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Adult Education Fund	\$ 5,000	Temporary Loan
General Fund	Adult Education Fund	6	PERS
General Fund	Cafeteria Fund	40,019	Reimburse Expenses
General Fund	Cafeteria Fund	3,940	OPEB
General Fund	Cafeteria Fund	1,753	Health and Welfare
	Total	<u>\$ 50,718</u>	

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

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2013, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 714,634	Debt Service
Building Fund	Debt Service Fund	46,049	Debt Service
	Total	<u>\$ 760,683</u>	

H. Accounts Payable

Accounts payable at June 30, 2013 consisted of:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Other Funds</u>	<u>Total</u>
Vendor payables	\$ 161,266	\$ 26,990	\$ 74,923	-	\$ 263,179
Payroll and related benefits	102,743	8,766	-	-	111,509
Totals	<u>\$ 264,009</u>	<u>\$ 35,756</u>	<u>\$ 74,923</u>	<u>-</u>	<u>\$ 374,688</u>

I. Unearned Revenue

Unearned revenue at June 30, 2013 consisted of:

	<u>General Fund</u>
Federal programs	<u>\$ 11,062</u>

J. 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.

In February 2012, the District entered into the Imperial County School Districts 2012 Pooled Mid Year Tax and Revenue Anticipation Notes (TRANS) in the amount of \$745,000. The notes matured on August 31, 2012 and bore an interest rate of 1.7%. The notes were sold to supplement the District's cash flows.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax anticipation notes	\$ 745,000	\$ -	\$ 745,000	\$ -

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

**K. 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, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 6,486,409	\$ 3,045,000	\$ 2,210,000	\$ 7,321,409	100,000
Unamortized bond premium	225,117	303,101	62,679	465,539	25,947
Accreted interest	54,197	41,667	-	95,864	-
Capital leases	2,023,851	-	1,175,329	848,522	21,286
Certificates of participation	2,132,990	-	54,817	2,078,173	144,817
Net OPEB obligation	31,381	73,976	66,841	38,516	-
Compensated absences *	12,637	276	-	12,913	12,913
<b>Total governmental activities</b>	<b>\$ 10,966,582</b>	<b>\$ 3,464,020</b>	<b>\$ 3,569,666</b>	<b>\$ 10,860,936</b>	<b>\$ 304,963</b>

\* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

**2. Debt Service Requirements**

Debt service requirements on long-term debt, net of certificates of participation, bond premium and OPEB obligation, at June 30, 2013 are as follows:

Year Ending June 30,	Governmental Activities			
	Principal	Accreted Interest	Interest	Total
2014	\$ 134,199	\$ -	\$ 335,606	\$ 469,805
2015	102,402	-	346,685	449,087
2016	95,000	-	343,040	438,040
2017	110,000	-	340,180	450,180
2018	130,000	-	336,470	466,470
2019-2023	1,758,032	1,802	1,486,184	3,246,018
2024-2028	1,520,183	19,817	1,142,754	2,682,754
2029-2033	2,099,689	305,311	725,731	3,130,731
2034-2038	2,063,987	1,026,013	203,960	3,293,960
2039-2043	169,352	1,540,648	-	1,710,000
<b>Totals</b>	<b>\$ 8,182,844</b>	<b>\$ 2,893,591</b>	<b>\$ 5,260,610</b>	<b>\$ 16,337,045</b>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

3. General Obligation Bonds

General obligation bonds at June 30, 2013 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2002 Election Series A	02/26/2003	2.0-4.625%	08/01/2027	\$ 2,500,000
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 General Obligation	11/08/2012	2.00-5.00%	08/01/2037	2,065,000
Total GO Bonds				<u>\$ 10,051,409</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2002 Election Series A	\$ 2,170,000	\$ -	\$ 2,170,000	\$ -
2002-A Bond Premium	36,732	-	36,732	-
2002 Election Series B	2,830,000	-	30,000	2,800,000
2002-B Bond Premium	70,204	-	3,052	67,152
2002 Election Series C	950,000	-	10,000	940,000
2002-C Bond Premium	44,272	-	1,771	42,501
2002 Election Series D	536,409	-	-	536,409
2002-D Bond Premium	73,909	-	2,180	71,729
2002-D Accreted Interest	54,197	41,667	-	95,864
2002 Election Series E	-	980,000	-	980,000
2002-E Premium	-	93,276	5,830	87,446
2012 General Obligation	-	2,065,000	-	2,065,000
2012 Premium	-	209,825	13,114	196,711
Total GO Bonds	<u>\$ 6,765,723</u>	<u>\$ 3,389,768</u>	<u>\$ 2,272,679</u>	<u>\$ 7,882,812</u>

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2014	\$ 100,000	\$ -	\$ 295,760	\$ 395,760
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
2019-2023	953,198	1,802	1,408,691	2,363,691
2024-2028	1,520,183	19,817	1,142,754	2,682,754
2029-2033	2,099,689	305,311	725,731	3,130,731
2034-2038	2,063,987	1,026,013	203,960	3,293,960
2039-2043	169,352	1,540,648	-	1,710,000
Totals	<u>\$ 7,321,409</u>	<u>\$ 2,893,591</u>	<u>\$ 4,991,873</u>	<u>\$ 15,206,873</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

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.

5. Accreted Interest

Accreted interest in the Long-Term Obligation Activity chart represents amounts that have compounded as of June 30, 2013 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, 2013, as follows:

<u>Year Ending June 30:</u>	
2014	\$ 61,132
2015	61,132
2016	37,556
2017	37,556
2018	37,556
2019-2023	<u>882,327</u>
Total Minimum Rentals	1,117,259
Less Amount Representing Interest	<u>(268,737)</u>
Net Present Value of Minimum Lease Payments	<u>\$ 848,522</u>

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
2014	\$ 54,817	\$ 356,973
2015	54,817	422,296
2016	54,817	489,417
2017	54,817	558,376
2018	54,817	629,214
2019-2023	<u>274,088</u>	1,000,000
Totals	<u>\$ 548,173</u>	

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

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, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Less Subsidy Payments</u>	<u>Total</u>
2014	\$ 90,000	\$ 88,144	\$ (67,568)	\$ 110,576
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
2019-2023	465,000	278,210	(193,488)	549,722
2024-2028	505,000	124,031	(83,606)	545,425
2029-2033	110,000	3,713	(2,503)	111,210
Totals	<u>\$ 1,530,000</u>	<u>\$ 805,049</u>	<u>\$ (576,485)</u>	<u>\$ 1,758,564</u>

L. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSR). 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.

Combined condensed audited financial information of the District's share of the JPA for the year ended June 30, 2013 is as follows:

Total Assets	\$	48
Total Liabilities	-	
Total Fund Balance		48
Total Cash Receipts		87
Total Cash Disbursements		21,514
Net Change in Fund Balance		(21,427)

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

M. 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 2012-13 was 11.417% 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, 2013, 2012 and 2011 were \$229,618, \$221,962 and \$233,298, respectively, and equal 100% of the required contributions for each year.

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 2012-13 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, 2013, 2012 and 2011 were \$545,738, \$529,154 and \$555,660, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$359,887.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

**N. 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 2012-13, the District contributed \$66,841 to the Plan, all of which was used for current premiums.

**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	1,569
Adjustment to annual required contribution	<u>(2,041)</u>
Annual OPEB Cost	73,976
Contribution made	<u>(66,841)</u>
Change in net OPEB obligation	7,135
Net OPEB obligation, beginning of year	31,381
Net OPEB obligation, end of year	<u>\$ 38,516</u>

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

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 73,976	93.06%	\$ 38,516

**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.



**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

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.

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.

O. 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.

P. Subsequent Events

Effective for the fiscal year beginning July 1, 2013 the District is implementing GASB Statement Number 65, Items Previously Reported as Assets and Liabilities. The purpose of this pronouncement is to improve financial reporting by clarifying the appropriate use of the financial statement elements of deferred inflows and outflows of resources to ensure consistency in financial reporting. With implementation of this pronouncement, the District will recognize certain items previously reported as assets or liabilities as outflows of resources or inflows of resources.

## 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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 5,808,846	\$ 6,297,338	\$ 6,298,402	\$ 1,064
Local Sources	1,705,353	1,751,001	1,730,233	(20,768)
Federal Revenue	1,168,750	1,366,050	1,238,058	(127,992)
Other State Revenue	3,191,590	3,900,604	3,334,905	(565,699)
Other Local Revenue	344,003	506,805	1,082,749	575,944
Total Revenues	<u>12,218,542</u>	<u>13,821,798</u>	<u>13,684,347</u>	<u>(137,451)</u>
Expenditures:				
Current:				
Certificated Salaries	6,825,202	6,993,301	6,888,818	104,483
Classified Salaries	1,869,992	1,911,601	1,890,963	20,638
Employee Benefits	2,424,696	2,427,974	2,292,868	135,106
Books And Supplies	443,657	744,322	538,995	205,327
Services And Other Operating Expenditures	1,426,108	1,404,796	1,129,145	275,651
Direct Support/Indirect Costs	(13,214)	(44,580)	(40,018)	(4,562)
Debt Service:				
Principal	66,244	66,244	69,623	(3,379)
Interest	6,004	6,004	4,546	1,458
Total Expenditures	<u>13,048,689</u>	<u>13,509,662</u>	<u>12,774,940</u>	<u>734,722</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(830,147)</u>	<u>312,136</u>	<u>909,407</u>	<u>597,271</u>
Other Financing Sources (Uses):				
Transfers Out	(100,000)	(714,634)	(714,634)	-
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(714,634)</u>	<u>(714,634)</u>	<u>-</u>
Net Change in Fund Balance	<u>(930,147)</u>	<u>(402,498)</u>	<u>194,773</u>	<u>597,271</u>
Fund Balance, July 1	3,306,757	3,306,757	3,306,757	-
Fund Balance, June 30	<u>\$ 2,376,610</u>	<u>\$ 2,904,259</u>	<u>\$ 3,501,530</u>	<u>\$ 597,271</u>

# HOLTVILLE UNIFIED SCHOOL DISTRICT

EXHIBIT B-2

CAFETERIA FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 800,000	\$ 850,500	\$ 908,165	\$ 57,665
Other State Revenue	70,000	76,000	76,555	555
Other Local Revenue	2,000	15,500	14,858	(642)
Total Revenues	<u>872,000</u>	<u>942,000</u>	<u>999,578</u>	<u>57,578</u>
Expenditures:				
Current:				
Classified Salaries	278,057	277,222	284,637	(7,415)
Employee Benefits	100,064	107,745	93,891	13,854
Books And Supplies	470,000	580,000	533,665	46,335
Services And Other Operating Expenditures	11,500	33,750	27,681	6,069
Direct Support/Indirect Costs	13,214	44,580	40,018	4,562
Total Expenditures	<u>872,835</u>	<u>1,043,297</u>	<u>979,892</u>	<u>63,405</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(835)</u>	<u>(101,297)</u>	<u>19,686</u>	<u>120,983</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(835)</u>	<u>(101,297)</u>	<u>19,686</u>	<u>120,983</u>
Fund Balance, July 1	489,277	489,277	489,277	-
Fund Balance, June 30	<u>\$ 488,442</u>	<u>\$ 387,980</u>	<u>\$ 508,963</u>	<u>\$ 120,983</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS-HEALTH BENEFITS PLAN

YEAR ENDED JUNE 30, 2013

<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, 2013

	Special Revenue Fund	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
	Adult Education Fund	Bond Interest & Redemption Fund		
<b>ASSETS:</b>				
Cash in County Treasury	\$ 158	\$ 77,010	\$ 23,275	\$ 100,443
Accounts Receivable	13,190	69	23	13,282
Total Assets	<u>13,348</u>	<u>77,079</u>	<u>23,298</u>	<u>113,725</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 5,527	\$ -	\$ -	\$ 5,527
Due to Other Funds	5,006	-	-	5,006
Total Liabilities	<u>10,533</u>	<u>-</u>	<u>-</u>	<u>10,533</u>
Fund Balance:				
Committed Fund Balances	2,815	-	-	2,815
Assigned Fund Balances	-	77,079	23,298	100,377
Total Fund Balance	<u>2,815</u>	<u>77,079</u>	<u>23,298</u>	<u>103,192</u>
Total Liabilities and Fund Balances	<u>\$ 13,348</u>	<u>\$ 77,079</u>	<u>\$ 23,298</u>	<u>\$ 113,725</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Fund <u>Adult Education Fund</u>	Debt Service Fund <u>Bond Interest &amp; Redemption Fund</u>	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 13,183	\$ -	\$ -	\$ 13,183
Other State Revenue	10,000	3,920	-	13,920
Other Local Revenue	188	394,262	26,826	421,276
Total Revenues	<u>23,371</u>	<u>398,182</u>	<u>26,826</u>	<u>448,379</u>
Expenditures:				
Instruction	85,088	-	-	85,088
Instruction - Related Services	913	-	-	913
Plant Services	-	-	7,681	7,681
Debt Service:				
Principal	-	90,778	29,200	119,978
Interest	-	257,585	-	257,585
Total Expenditures	<u>86,001</u>	<u>348,363</u>	<u>36,881</u>	<u>471,245</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(62,630)</u>	<u>49,819</u>	<u>(10,055)</u>	<u>(22,866)</u>
Net Change in Fund Balance	(62,630)	49,819	(10,055)	(22,866)
Fund Balance, July 1	65,445	27,260	33,353	126,058
Fund Balance, June 30	<u>\$ 2,815</u>	<u>\$ 77,079</u>	<u>\$ 23,298</u>	<u>\$ 103,192</u>



**HOLTVILLE UNIFIED SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2013

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 22,919	\$ 356	\$ 23,275
Accounts Receivable	23	-	23
Total Assets	<u>22,942</u>	<u>356</u>	<u>23,298</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Assigned Fund Balances	\$ 22,942	\$ 356	\$ 23,298
Total Fund Balance	<u>22,942</u>	<u>356</u>	<u>23,298</u>
Total Liabilities and Fund Balances	<u>\$ 22,942</u>	<u>\$ 356</u>	<u>\$ 23,298</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, 2013

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 26,810	\$ 16	\$ 26,826
Total Revenues	<u>26,810</u>	<u>16</u>	<u>26,826</u>
Expenditures:			
Plant Services	-	7,681	7,681
Debt Service:			
Principal	29,200	-	29,200
Total Expenditures	<u>29,200</u>	<u>7,681</u>	<u>36,881</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,390)</u>	<u>(7,665)</u>	<u>(10,055)</u>
Net Change in Fund Balance	(2,390)	(7,665)	(10,055)
Fund Balance, July 1	25,332	8,021	33,353
Fund Balance, June 30	<u>\$ 22,942</u>	<u>\$ 356</u>	<u>\$ 23,298</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2013

	Tax Revenue Anticipation Fund	Student Body Fund	Total Agency Funds (See Exhibit A-7)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 1,028	\$ -	\$ 1,028
Cash on Hand and in Banks	-	131,278	131,278
Accounts Receivable	1	-	1
Total Assets	<u>1,029</u>	<u>131,278</u>	<u>132,307</u>
<b>LIABILITIES:</b>			
Due to Student Groups	\$ -	\$ 131,278	\$ 131,278
Total Liabilities	<u>-</u>	<u>131,278</u>	<u>131,278</u>
<b>NET POSITION:</b>			
Total Net Position	<u>\$ 1,029</u>	<u>\$ -</u>	<u>\$ 1,029</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, 2013

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

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

## 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, 2013

**TABLE D-1**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	99.24	N/A	99.00	98.49
Grades 1 through 3	313.10	N/A	313.00	312.94
Grades 4 through 6	326.30	N/A	326.00	325.93
Grades 7 and 8	241.48	N/A	244.00	241.59
Special education	16.53	N/A	16.44	16.44
Elementary totals	<u>996.65</u>	<u>N/A</u>	<u>998.44</u>	<u>995.39</u>
High School:				
Grades 9 through 12, regular classes	492.53	N/A	490.90	487.00
Special education	17.09	N/A	17.00	17.01
Continuation education	9.56	N/A	9.88	9.87
High school totals	<u>519.18</u>	<u>N/A</u>	<u>517.78</u>	<u>513.88</u>
ADA totals	<u>1,515.83</u>	<u>N/A</u>	<u>1,516.22</u>	<u>1,509.27</u>

Note - There were no findings which resulted in revisions to the second period report. See schedule of findings and questioned costs for explanation of revisions for annual report of attendance.

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

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF INSTRUCTIONAL TIME  
 YEAR ENDED JUNE 30, 2013

**TABLE D-2**

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2012-13 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,500	30,625	36,000	35,000	55,540	178	-	Complied
Grade 1	49,875	48,490	50,400	49,000	52,825	178	-	Complied
Grade 2	49,875	48,490	50,400	49,000	52,825	178	-	Complied
Grade 3	49,875	48,490	50,400	49,000	54,515	178	-	Complied
Grade 4	53,310	51,829	54,000	52,500	54,515	178	-	Complied
Grade 5	53,310	51,829	54,000	52,500	53,670	178	-	Complied
Grade 6	59,500	57,847	54,000	52,500	62,751	178	-	Complied
Grade 7	59,500	57,847	54,000	52,500	62,751	178	-	Complied
Grade 8	59,500	57,847	54,000	52,500	62,751	178	-	Complied
Grade 9	65,306	63,492	64,800	63,000	67,940	178	-	Complied
Grade 10	65,306	63,492	64,800	63,000	67,940	178	-	Complied
Grade 11	65,306	63,492	64,800	63,000	67,940	178	-	Complied
Grade 12	65,306	63,492	64,800	63,000	67,940	178	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. This schedule is required of all districts, including basic aid districts.

The district has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.



**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 YEAR ENDED JUNE 30, 2013

**TABLE D-3**

General Fund	Budget 2014 (See Note 1)	2013	2012	2011
Revenues and other financial sources	\$ 14,171,701	\$ 13,684,347	\$ 13,455,453	\$ 14,692,282
Expenditures, other uses and transfers out	14,003,669	13,489,574	13,547,225	13,640,893
Change in fund balance (deficit)	168,032	194,773	(91,772)	1,051,389
Ending fund balance	<u>\$ 3,669,562</u>	<u>\$ 3,501,530</u>	<u>\$ 3,306,757</u>	<u>\$ 3,398,529</u>
Available reserves (See Note 2)	<u>\$ 3,655,409</u>	<u>\$ 3,268,023</u>	<u>\$ 3,067,132</u>	<u>\$ 3,084,995</u>
Available reserves as a percentage of total outgo	<u>26.1%</u>	<u>24.2%</u>	<u>22.6%</u>	<u>22.6%</u>
Total long-term debt	<u>\$ 10,555,973</u>	<u>\$ 10,860,936</u>	<u>\$ 10,966,582</u>	<u>\$ 9,959,045</u>
Average daily attendance at P-2	<u>1,482</u>	<u>1,516</u>	<u>1,527</u>	<u>1,569</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 general fund balance has increased by \$1,154,399 (49.2%) over the past three years. The fiscal year 2013-2014 budget projects an increase of \$168,032 (4.8%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$911,938 over the past two years.

Average daily attendance has decreased by 53 over the past two years.

Notes:

- 1 Budget 2014 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.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
 REPORT WITH AUDITED FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013

**TABLE D-4**

	Building Fund
June 30, 2013, annual financial and budget report fund balances	\$ <u>135,909</u>
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Cash with fiscal agent understatement	<u>26,519</u>
Net adjustments and reclassifications	<u>26,519</u>
June 30, 2013, audited financial statement fund balances	\$ <u><u>162,428</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.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF CHARTER SCHOOLS  
YEAR ENDED JUNE 30, 2013

**TABLE D-5**

No charter schools are chartered by Holtville Unified School District.

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

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2013**

**TABLE D-6**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Direct Programs:			
Medi-Cal MAA	93.778	10013	\$ 26,320
Medi-Cal Billing Option	93.778	-	11,418
Total Medi-Cal Cluster			37,738
Total U. S. Department of Health and Human Services			37,738
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through State Department of Education:			
Adult Education	84.002	13978	4,911
Adult Basic Education	84.002A	14508	8,272
Title I	84.010	14329	444,669
Title I Migrant Education Summer	84.011	10005	123,704
Migrant Education	84.011	14326	184,334
Title I: Even Start Migrant Education	84.011	14768	4,744
Total Migrant Education Cluster			312,782
Special Education	84.027	13379	284,798
Carl D Perkins Grant	84.048	14894	15,610
Title II Technology	84.318	14334	789
Advanced Placement Reimbursement Fee	84.330B	14831	539
Gear Up	84.334A	10088	4,110
Title III LEP	84.365	14346	65,610
Title II Administration Training	84.367	14344	920
Title II Teacher Quality	84.367	14341	70,166
Total Title II			71,086
ARRA Title II EETT	84.386	15019	327
Total Passed Through State Department of Education			1,213,503
Total U. S. Department of Education			1,213,503
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	13526	353,788
Commodities *	10.555	13396	43,928
National School Lunch: Section 4	10.555	13391	71,191
National School Lunch: Section 11	10.555	13396	414,684
National School Lunch- Meal Suppliments	10.555	13396	29,330
Total Child Nutrition Cluster			912,921
Total U. S. Department of Agriculture			912,921
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,164,162</b>

\* Indicates noncash expenditure

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, 2013

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

**Wilkinson Hadley King & Co. LLP**

CPA's and Advisors  
218 W. Douglas Ave.  
El Cajon, California

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, 2013, 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 16, 2013.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2013-1.

## **Holtville Unified School District's Response to Findings**

Holtville Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Holtville Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 16, 2013



**Wilkinson Hadley King & Co. LLP**

CPA's and Advisors  
218 W. Douglas Ave.  
El Cajon, California

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, 2013. 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, 2013.

## 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 16, 2013

**Wilkinson Hadley King & Co. LLP**

CPA's and Advisors  
218 W. Douglas Ave.  
El Cajon, California

**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 2012-13*, 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, 2013.

**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 2012-13* 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 2012-13* 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:

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	No
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
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
Class Size Reduction (Including Charter Schools):		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	N/A
Charter Schools		
Contemporaneous Records of Attendance	1	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

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.

We did not perform testing for full time continuation education because the ADA generated by this program was below the level which required testing.

### 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, 2013. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1.

### Holtville Unified School District's Response to Findings

Holtville Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Holtville Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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 on 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*, 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 16, 2013

## Findings and Recommendations Section

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**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>
84.010	Title I
84.027	Special Education

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?   X   Yes      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, 2013

**B. Financial Statement Findings**

None

**C. Federal Award Findings and Questioned Costs**

None

**D. State Award Findings and Questioned Costs**

Finding 2013-1 (10000)  
Attendance Reporting

Criteria or Specific Requirement

Verify that amounts reported to the California Department of Education are accurately reported in accordance with Education Code Section 46303.

Condition

In our review of attendance reported on the Annual report of attendance we noted that a clerical error in spreadsheets used to calculate ADA resulted in amounts being reported based upon rounded figures rather than actual figures.

Cause

An error in formulas used in the spreadsheet used to calculate ADA for the Annual report of attendance.

Effect

Annual ADA was overstated by 7.51.

Questioned Costs

Estimated questioned costs are \$2,000 in approximate lottery revenue differences.

Recommendations

Correct formulas in spreadsheet and revise the Annual report of attendance. Implement procedures to review attendance reports prior to submission.

LEA's Response

The district will correct attendance reports and implement review procedures to ensure accurate reporting in future periods.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2012-1 Attendance Reporting</p> <p>Attendance in grades 9-12 excluded full time independent study students. In addition, attendance for continuation was calculated incorrectly. The result was an understatement of ADA for grades 9-12 of 4.42 at P2 and 5.12 at annual and an overstatement of continuation education of 34.63 at P2 and 34.82 at annual.</p> <p>We recommended the District revise attendance reports, provide training to individuals calculating ADA, and implement review procedures to ensure accurate reporting.</p>	Partially Implemented	See Current Year Finding
<p>Finding 2012-2 After School Education and Safety Program</p> <p>At Finley Elementary School out of 30 early release forms reviewed, 11 were altered after parents signed, 5 forms were not signed, 1 form did not include an early release time, and 7 forms were completed in pencil. At Holtville Middle School 7 out of 15 early releases tested were not consistent with early release forms completed by parents.</p> <p>Provide training to staff regarding early release forms and proper completion of those forms. Establish a policy to obtain new early release forms if times or reasons for early release change for students. Establish review procedures to ensure early release forms have been completed properly. Work with the software provider in obtaining attendance reports which are based on eligible attendance.</p>	Implemented	
<p>Finding 2012-3 Class Size Reduction</p> <p>Amounts reported on the form J-7CSR were not consistent with supporting schedules of class size provided by the attendance software as a result of clerical errors.</p> <p>Revise form J-7CSR to reflect accurate class sizes. Carefully review all attendance reports for accurate reporting in future periods.</p>	Implemented	