

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

AUDIT REPORT

JUNE 30, 2012

**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, 2012

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	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 Assets.....	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 Assets - 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 - Healthcare 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
Debt Service Funds:		
Combining Balance Sheet - Nonmajor Debt Service Funds.....	41	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Debt Service Funds.....	42	Exhibit C-4
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	43	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Capital Projects Funds.....	44	Exhibit C-6
Fiduciary Funds:		
Agency Funds:		
Combining Statement of Fiduciary Assets and Liabilities.....	45	Exhibit C-7

Holtville Unified School District
 Audit Report
 For The Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	46	
Schedule of Average Daily Attendance.....	47	Table D-1
Schedule of Instructional Time.....	48	Table D-2
Schedule of Financial Trends and Analysis.....	49	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	50	Table D-4
Schedule of Charter Schools.....	51	Table D-5
Schedule of Expenditures of Federal Awards	52	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	54	
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>	55	
Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control over Compliance In Accordance With OMB Circular A-133.....	57	
Independent Auditor's Report on State Compliance.....	59	
Schedule of Findings and Questioned Costs	61	
Summary Schedule of Prior Audit Findings.....	66	

Financial Section

Wilkinson Hadley King & Co. LLP

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

Independent Auditor's Report on Financial Statements

Board of Trustees
Holtville Unified School District
Holtville, California

Members of the Board of Trustees:

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 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Holtville Unified School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, 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* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Holtville Unified School District's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 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 2011-12*, published by the Education Audit Appeals Panel, and is also not a required part of the financial statements. The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 12, 2012

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012
(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, 2012, 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 2011-12 fiscal year. Note that this report should be read with the actual financial statements, which follow this section.

KEY FINANCIAL POINTS

* As was the case in the prior fiscal year, the HUSD capital assets (net of depreciation) decreased. The decrease of \$444,088 was due to the fact that without construction and/or modernization present, total depreciation of assets (-\$582,965), was larger than new assets purchased/acquired (+\$138,877). Total capital assets at June 30, 2012 summed to \$22,454,015, while total assets (including cash, accounts receivables, stores, and prepaid expenses) were \$27,581,069.

* District-wide, total revenues decreased between and 2011-12 and 2010-11 by \$1,403,500 (see Table A-1). This decrease reflects the large cuts suffered by the District due to the current economic crisis, along with cumulative decreases in District Average Daily Attendance (ADA), which have been compounding the past few years.

* Enrollment in 2011-12 decreased compared to the 2010-11 school year by 48 students district-wide, bringing the total 2011-12 HUSD October 1st enrollment to 1,596 students. Similarly, ADA figures also decreased, bringing the 2011-12 HUSD P-2 ADA down to 1,527 from the 2010-11 total of 1,574.

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 Assets**, 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 2011-12 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 assets, 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 2011-12 compared to the prior year.

Table A-1
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 & 2012

REVENUES	2010-11	2011-12
Program Revenues		
Charges for Services	0	0
Operating Grants and Contributions	4,382,798	3,784,781
Capital Grants and Contributions	0	0
General Revenues		
Federal and State Aid not restricted	9,134,721	8,603,641
Property Taxes	2,307,687	2,130,706
Other General Revenues	228,092	130,670
Total Revenues	16,053,298	14,649,798
EXPENDITURES		
Instruction	8,752,347	8,193,291
Supervision of Instruction	83,926	98,012
Library, Media, and Technology	184,633	211,045
School Site Administration	1,083,534	975,310
Pupil Services	1,867,294	1,839,508
General Administration & Data Processing	1,464,494	1,541,042
Maintenance and Operations & Facility Acquisition	1,451,534	1,456,018
Debt Service	410,890	509,006
Other Outgo	135,248	139,543
Total Expenditures	15,433,900	14,962,776
Increase/Decrease in Net Assets	619,398	(312,978)
Net Asset Beginning	15,461,674	16,298,221
Prior Year Adjustment (in Notes)	217,149	103891
Net Asset Ending	16,298,221	15,836,333

The table below illustrates the changes to net assets from the 2010-11 fiscal year to the 2011-12 fiscal year.

Table A-2		
STATEMENT OF NET ASSETS		
	June 30, 2011	June 30, 2012
ASSETS		
Cash & Current Assets (ie. AR)	5,082,845	5,127,054
Capital Assets	21,486,881	22,454,015
Total Assets	26,569,726	27,581,069
LIABILITIES		
Long-Term Debt	9,959,043	10,966,582
Other Liabilities	312,462	525,353
Total Liabilities	10,271,505	11,491,935
TOTAL NET ASSETS	16,298,221	16,089,134
DISTRIBUTION OF NET ASSETS		
Invested in Capital Assets	11,564,313	11,531,451
Restricted for Capital Projects	630,560	390,475
Other Restricted	881,536	969,972
Non-Restricted	3,221,812	3,197,236
TOTAL NET ASSETS	16,298,221	16,089,134

The above illustrates that the District's assets are holding steady, and have increased slightly. While capital assets have stabilized (due primarily to lack of activity in construction/modernization), the District's Current Assets decreased due to all of the cuts in revenues. While Current Assets do contain cash, also included is Accounts Receivables. As the State's deferral grows at the end of the fiscal year, there is more pressure on the District to maintain adequate cashflows to make payrolls. This causes the balance of the Current Assets classification to appear over-inflated, due to the large deferral (represented as an Accounts Receivable).

The Work in Progress designation refers to projects begun, but not completed as of June 30, 2012. As can be seen in Table A-3 below, the only project to remain in the Work in Progress account is the Joint Use Project at Holtville High School, which was originally lumped into the Holtville High Modernization Project. Because this project is currently stalled, it has been separated from the primary modernization of the school site. The District has chosen to maintain the Joint Use Project on the books because recent events have sparked the possibility that the project could be revisited

Table A-3		
ADDITIONS TO ASSETS		
Addition	Designation	Value
Joint Use Project	Work in Progress	\$339,004
HHS Sports Field Lighting Project	Work in Progress	\$582,645
HHS Sports Court Project	Work in Progress	\$828,577
TOTAL WORK IN PROGRESS		\$1,750,226

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 2011-12 school year. However, looking at the following chart (Table A-4), the performance of each of the District’s funds shows that certain areas within the District’s budget performed better than others.

Table A-4

CHANGES IN DISTRICT FUND BALANCES

FUND #	BEG BAL (7/1/11)	END BAL (6/30/12)	CHANGE IN FUND
General Fund (#010)	3,398,529	3,306,757	(91,772)
Adult Education Fund (#110)	53,476	65,444	11,968
Cafeteria Fund (#130)	411,436	489,277	77,841
Building Fund (#210)	592,698	375,122	(235,576)
Capital Facilities Fund (#250)	37,790	25,332	(12,458)
Special Reserve Fund (#400)	8,000	8,021	21
Bond Interest and Redemption Fund (#510)	31,752	27,260	(4,492)
Tax Override Fund (#530)	6,458	0	(6,458)
Debt Service Fund (#560)	67,355	148,366	81,011

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 a decrease in fund balance of approximately \$92,000. This deficit is attributed to large cuts suffered by school districts since the economic collapse. HUSD is taking all measures to continually make internal cuts to mitigate the losses in State revenues.

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.

In addition, the Building Fund (#210) showed a large loss due to the payments made on the District's debt service that was generated against the issuance of the bond for construction done on modernization projects throughout the District. This loan had to be drawn upon as the District's tax base has not grown large enough to substantiate the issuance of the total \$8 million in voter-approved bond funding for modernization.

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:

- Early indications in the 2012-13 show that enrollment is stable, and Average Daily Attendance (ADA) needs to be continually monitored.
- We are still in one of the worst economic times in recent history. The fiscal health of our State, the country, and the globe is still in question. Unfortunately, the current economic policy of our government's leadership shows little effectiveness in reversing the tide. Until our representatives curb national debt and enact policy that creates a favorable job climate, it is likely that our economy will remain stagnant. This translates to worsening budgets for schools, and HUSD is preparing for it.

NOTES TO THE FINANCIAL STATEMENTS

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGERS

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

Basic Financial Statements

HOLTVILLE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS:	
Cash	\$ 1,246,807
Investments	-
Receivables	3,493,816
Due from (to) Other Funds	-
Stores	22,972
Prepaid Debt Issue Costs	363,459
Other Current Assets	-
Capital Assets:	
Land	153,012
Land Improvements	547,036
Buildings	26,482,042
Equipment	1,808,589
Work in Progress	1,750,226
Less Accumulated Depreciation	(8,286,890)
Total Assets	<u>27,581,069</u>
LIABILITIES:	
Accounts Payable	524,106
Current Loans	-
Deferred Revenue	1,247
Long-Term Liabilities:	
Due Within One Year	420,857
Due in More Than One Year	10,545,725
Total Liabilities	<u>11,491,935</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	11,531,451
Restricted for:	
Capital Projects	390,475
Debt Service	175,626
Educational Programs	237,125
Other Purposes (Expendable)	531,749
Other Purposes (Nonexpendable)	25,472
Unrestricted	3,197,236
Total Net Assets	<u>\$ 16,089,134</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Governmental Activities:			
Instruction	\$ 8,193,292	\$ 1,688,401	\$ (6,504,891)
Instruction-Related Services:			
Instructional Supervision and Administration	98,012	97,987	(25)
Instructional Library, Media and Technology	211,045	189,213	(21,832)
School Site Administration	975,310	7,228	(968,082)
Pupil Services:			
Home-to-School Transportation	453,751	466,567	12,816
Food Services	829,015	900,336	71,321
All Other Pupil Services	556,742	337,899	(218,843)
Other General Administration	1,541,042	59,300	(1,481,742)
Plant Services	1,456,018	37,850	(1,418,168)
Ancillary Services	139,543	-	(139,543)
Interest on Long-Term Debt	489,168	-	(489,168)
Debt Issue Costs	19,838	-	(19,838)
Total Expenses	<u>\$ 14,962,776</u>	<u>\$ 3,784,781</u>	<u>\$ (11,177,995)</u>

General Revenues:

Taxes and Subventions:

Taxes Levied for General Purposes	1,665,252
Taxes Levied for Debt Service	363,887
Taxes Levied for Other Specific Purposes	101,567
Federal and State Aid, Not Restricted	8,603,641
Interest and Investment Earnings	14,218
Interagency Revenues	66,978
Miscellaneous	49,474
Total General Revenues	<u>10,865,017</u>

Change in Net Assets (312,978)

Net Assets Beginning, as previously reported	16,298,221
Prior Year Adjustment (Note P)	103,891
Net Assets Beginning, as adjusted	<u>16,402,112</u>
Net Assets Ending	<u>\$ 16,089,134</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	General Fund	Cafeteria Fund
ASSETS:		
Cash in County Treasury	\$ 216,796	\$ 304,445
Cash in Revolving Fund	2,500	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	3,312,184	166,064
Due from Other Funds	1,516	-
Stores Inventories	-	22,972
Total Assets	<u>\$ 3,532,996</u>	<u>\$ 493,481</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 123,425	\$ 3,809
Due to Other Funds	101,567	395
Deferred Revenue	1,247	-
Total Liabilities	<u>226,239</u>	<u>4,204</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	2,500	-
Stores Inventories	-	22,972
Restricted Fund Balances	237,125	466,305
Assigned Fund Balances	-	-
Unassigned:		
Reserve for Economic Uncertainty	3,067,132	-
Total Fund Balance	<u>3,306,757</u>	<u>489,277</u>
Total Liabilities and Fund Balances	<u>\$ 3,532,996</u>	<u>\$ 493,481</u>

The accompanying notes are an integral part of this statement.

Building Fund	Other Governmental Funds	Total Governmental Funds
\$ 213,622	\$ 158,807	\$ 893,670
-	-	2,500
350,637	-	350,637
355	15,213	3,493,816
-	101,567	103,083
-	-	22,972
<u>\$ 564,614</u>	<u>\$ 275,587</u>	<u>\$ 4,866,678</u>
\$ 207,492	\$ 43	\$ 334,769
-	1,121	103,083
-	-	1,247
<u>207,492</u>	<u>1,164</u>	<u>439,099</u>
-	-	2,500
-	-	22,972
357,122	-	1,060,552
-	274,423	274,423
-	-	3,067,132
<u>357,122</u>	<u>274,423</u>	<u>4,427,579</u>
<u>\$ 564,614</u>	<u>\$ 275,587</u>	<u>\$ 4,866,678</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances - governmental funds balance sheet \$ 4,427,579

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

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

Capital assets relating to governmental activities, at historical cost	30,740,905	
Accumulated depreciation	(8,286,890)	
Net		22,454,015

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 assets are: 363,459

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: (189,337)

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

General obligation bonds payable	6,765,723	
Net OPEB obligation	31,381	
Compensated absences payable	12,637	
Certificates of participation payable	2,132,990	
Capital leases payable	2,023,851	
Total		(10,966,582)

Net assets of governmental activities - statement of net assets \$ 16,089,134

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, 2012

	General Fund	Cafeteria Fund
	<u> </u>	<u> </u>
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ 6,486,068	\$ -
Local Sources	1,688,354	-
Federal Revenue	1,496,165	854,072
Other State Revenue	3,141,225	73,017
Other Local Revenue	637,183	11,806
Total Revenues	<u>13,448,995</u>	<u>938,895</u>
Expenditures:		
Instruction	7,668,400	-
Instruction - Related Services	1,246,068	-
Pupil Services	1,082,503	825,679
Ancillary Services	135,004	-
General Administration	1,505,007	35,375
Plant Services	1,618,569	-
Debt Service:		
Debt Issue Costs	-	-
Principal	67,568	-
Interest	9,349	-
Total Expenditures	<u>13,332,468</u>	<u>861,054</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>116,527</u>	<u>77,841</u>
Other Financing Sources (Uses):		
Transfers In	6,458	-
Transfers Out	(214,757)	-
Other Sources	-	-
Total Other Financing Sources (Uses)	<u>(208,299)</u>	<u>-</u>
Net Change in Fund Balance	(91,772)	77,841
Fund Balance, July 1	3,398,529	411,436
Fund Balance, June 30	<u>\$ 3,306,757</u>	<u>\$ 489,277</u>

The accompanying notes are an integral part of this statement.

<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 6,486,068
-	-	1,688,354
31,134	14,938	2,396,309
-	(203,669)	3,010,573
2,031	417,451	1,068,471
<u>33,165</u>	<u>228,720</u>	<u>14,649,775</u>
-	16,856	7,685,256
-	1,598	1,247,666
-	-	1,908,182
-	-	135,004
-	-	1,540,382
1,240,539	37,765	2,896,873
125,000	-	125,000
-	318,761	386,329
-	425,649	434,998
<u>1,365,539</u>	<u>800,629</u>	<u>16,359,690</u>
<u>(1,332,374)</u>	<u>(571,909)</u>	<u>(1,709,915)</u>
446,838	742,359	1,195,655
(880,040)	(100,858)	(1,195,655)
1,530,000	-	1,530,000
<u>1,096,798</u>	<u>641,501</u>	<u>1,530,000</u>
(235,576)	69,592	(179,915)
592,698	204,831	4,607,494
<u>\$ 357,122</u>	<u>\$ 274,423</u>	<u>\$ 4,427,579</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 \$ (179,915)

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

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

	1,550,099	
Expenditures for capital outlay	(582,965)	
Depreciation Expense	<u> </u>	
Net		967,134

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: 386,368

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: (1,530,000)

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: 105,162

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: (63,485)

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: (474)

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: (7,067)

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: 9,299

Change in net assets of governmental activities - statement of activities \$ (312,978)

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Agency Funds
ASSETS:	
Cash in County Treasury	\$ 749,247
Cash on Hand and in Banks	108,370
Accounts Receivable	2,143
Total Assets	<u>\$ 859,760</u>
LIABILITIES:	
Due to Student Groups	\$ 108,370
Current Loans	749,247
Total Liabilities	<u>857,617</u>
NET ASSETS:	
Unrestricted Net Assets	2,143
Total Net Assets	<u>\$ 2,143</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 assets 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, 2012

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).

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, 2012

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, 2012

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. Deferred Revenue

Deferred 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 assets.

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, 2012

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, 2012

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 Assets of Individual Funds**

Following are funds having deficit fund balances or fund net assets 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, 2012, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Classified Salaries	\$ 531
Capital Outlay	36,303
Cafeteria Fund:	
Classified Salaries	6,621
Books and Supplies	18,021

General Fund: The district had unexpected expenditures in purchases of equipment as well as classified salaries.

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

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 (\$1,642,917 as of June 30, 2012). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$1,642,917. 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 (\$108,370 as of June 30, 2012) 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.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

3. Investments:

The District's investments at June 30, 2012 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Dreyfus Treasury Obligations	<30 days	\$ 350,637
Total Investments		\$ <u>350,637</u>

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 AA+ 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.

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 \$1,642,917.

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.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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, 2012 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other	Total
Federal Government:					
Federal programs	\$ 219,586	\$ 190,722	-	\$ -	\$ 410,308
State Government:					
Lottery	121,386	-	-	-	121,386
Revenue Limit	2,622,447	-	-	-	2,622,447
Other state programs	279,880	-	-	-	279,880
Local Sources:					
Interest	2,446	96	451	2,222	5,215
Other local	66,439	-	-	-	66,439
Totals	<u>\$ 3,312,184</u>	<u>\$ 190,818</u>	<u>\$ 451</u>	<u>\$ 2,222</u>	<u>\$ 3,505,675</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, 2012

F. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 153,012	\$ -	\$ -	\$ 153,012
Work in progress	339,004	1,411,222	-	1,750,226
Total capital assets not being depreciated	<u>492,016</u>	<u>1,411,222</u>	<u>-</u>	<u>1,903,238</u>
Capital assets being depreciated:				
Buildings	26,482,042	-	-	26,482,042
Improvements	547,036	-	-	547,036
Equipment	1,669,712	138,877	-	1,808,589
Total capital assets being depreciated	<u>28,698,790</u>	<u>138,877</u>	<u>-</u>	<u>28,837,667</u>
Less accumulated depreciation for:				
Buildings	(6,102,753)	(495,763.00)	-	(6,598,516.00)
Improvements	(289,472.00)	(21,689.00)	-	(311,161.00)
Equipment	(1,311,700.00)	(65,513.00)	-	(1,377,213.00)
Total accumulated depreciation	<u>(7,703,925)</u>	<u>(582,965)</u>	<u>-</u>	<u>(8,286,890)</u>
Total capital assets being depreciated, net	<u>20,994,865</u>	<u>(444,088)</u>	<u>-</u>	<u>20,550,777</u>
Governmental activities capital assets, net	<u>\$ 21,486,881</u>	<u>\$ 967,134</u>	<u>\$ -</u>	<u>\$ 22,454,015</u>

Depreciation was charged to functions as follows:

Instruction	\$ 500,969
Instruction-Related Services	37,053
Pupil Services	23,073
Ancillary Services	3,821
General Administration	668
Plant Services	17,381
	<u>\$ 582,965</u>

G. Interfund Balances and Activites

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2012, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Debt Service Fund	General Fund	\$ 101,567	Debt Service Payments
General Fund	Adult Education Fund	1,121	Reimburse Expenses
General Fund	Cafeteria Fund	395	Reimburse Expenses
	Total	<u>\$ 103,083</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, 2012

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2012, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Tax Override Fund	\$ 6,458	Closeout Inactive Fund
General Fund	Debt Service Fund	214,757	Reimburse Expenses
Building Fund	Building Fund	176,219	Temporary Loan
Building Fund	Building Fund	176,219	Repayment of Temporary Loan
Building Fund	State School Building Lease Fund	222,602	Reimburse Expenses
Building Fund	Debt Service Fund	305,000	Debt Payments
	Total	<u>\$ 1,101,255</u>	

H. Accounts Payable

Accounts payable at June 30, 2012 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	\$ 82,115	\$ 3,818	\$ 207,492	33	\$ 293,458
Payroll and related benefits	41,312	-	-	-	41,312
Totals	<u>\$ 123,427</u>	<u>\$ 4,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,770</u>

I. Deferred Revenue

Deferred revenue at June 30, 2012 consisted of:

	<u>General Fund</u>
Federal programs	<u>\$ 1,247</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 July 2011, the District entered into the Imperial County School Districts 2011-12 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$824,850. The notes matured on April 30, 2012 and bore an interest rate of 2%. The notes were sold to supplement the District's cash flows.

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 mature on August 31, 2012 and bear 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	\$ -	\$ 1,569,850	\$ 824,850	\$ 745,000

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 6,571,409	\$ -	\$ 85,000	\$ 6,486,409	95,000
Unamortized bond premium	234,416	-	9,299	225,117	9,299
Accreted Interest	15,316	38,881	-	54,197	-
Capital leases	2,270,402	-	246,551	2,023,851	249,104
Certificates of participation	657,807	1,530,000	54,817	2,132,990	54,817
Net OPEB Obligation	24,314	74,082	67,015	31,381	-
Compensated absences *	12,163	92,808	92,334	12,637	12,637
Total governmental activities	<u>\$ 9,785,827</u>	<u>\$ 1,735,771</u>	<u>\$ 555,016</u>	<u>\$ 10,966,582</u>	<u>\$ 420,857</u>

* 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, 2012 are as follows:

Year Ending June 30,	Governmental Activities			
	Principal	Accreted Interest	Interest	Total
2013	\$ 356,741	\$ -	\$ 314,679	\$ 671,420
2014	285,888	-	360,453	646,341
2015	310,173	-	347,117	657,290
2016	311,333	-	332,845	644,178
2017	335,309	-	318,659	653,968
2018-2022	1,860,242	1,802	1,344,848	3,206,892
2023-2027	1,288,334	16,666	977,456	2,282,456
2028-2032	1,646,234	228,766	626,465	2,501,465
2033-2037	1,869,543	655,457	220,236	2,745,236
2038-2042	259,100	1,990,900	-	2,250,000
Totals	<u>\$ 8,522,897</u>	<u>\$ 2,893,591</u>	<u>\$ 4,842,758</u>	<u>\$ 16,259,246</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

3. General Obligation Bonds

General obligation bonds at June 30, 2012 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
Total GO Bonds				<u>\$ 7,006,409</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2002 Election Series A	\$ 2,220,000	\$ -	\$ 50,000	\$ 2,170,000
2002-A Bond Premium	39,028	-	2,296	36,732
2002 Election Series B	2,860,000	-	30,000	2,830,000
2002-B Bond Premium	73,256	-	3,052	70,204
2002 Election Series C	955,000	-	5,000	950,000
2002-C Bond Premium	46,043	-	1,771	44,272
2002 Election Series D	536,409	-	-	536,409
2002-D Bond Premium	76,089	-	2,180	73,909
2002-D Accreted Interest	15,316	38,881	-	54,197
Total GO Bonds	<u>\$ 6,821,141</u>	<u>\$ 38,881</u>	<u>\$ 94,299</u>	<u>\$ 6,765,723</u>

The annual requirements to amortize the bonds outstanding at June 30, 2012 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2013	\$ 95,000	\$ -	\$ 221,599	\$ 316,599
2014	95,000	-	277,759	372,759
2015	110,000	-	273,708	383,708
2016	125,000	-	269,172	394,172
2017	140,000	-	263,962	403,962
2018-2022	858,198	1,802	1,221,865	2,081,865
2023-2027	1,288,334	16,666	977,456	2,282,456
2028-2032	1,646,234	228,766	626,465	2,501,465
2033-2037	1,869,543	655,457	220,236	2,745,236
2038-2042	259,100	1,990,900	-	2,250,000
Totals	<u>\$ 6,486,409</u>	<u>\$ 2,893,591</u>	<u>\$ 4,352,222</u>	<u>\$ 13,732,222</u>

4. Unamortized Bond Premium

General obligation bonds issued in the years ended June 30, 2003, 2005 and 2007 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 to be amortized for the 2003 bond are \$2,296 through August 2027. Amounts to be amortized for the 2005 bonds are \$3,052 through August 2034. Amounts to be amortized for the 2007 bonds are \$1,771 through August 2036. Amounts to be amortized for the 2010 bonds are \$2,616 through August 2040.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

5. Accreted Interest

Accreted interest in the Long-Term Obligation Activity chart represents amounts that have compounded as of June 30, 2012 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, 2012, as follows:

<u>Year Ending June 30:</u>	
2013	\$ 342,184
2014	273,582
2015	273,582
2016	250,006
2017	250,006
2018-2022	<u>1,125,027</u>
Total Minimum Rentals	2,514,387
Less Amount Representing Interest	<u>(490,536)</u>
Net Present Value of Minimum Lease Payments	<u><u>\$ 2,023,851</u></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, 2012 the escrow account carried an accrued balance of \$234,553. 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
2013	\$ 54,817	\$ 293,394
2014	54,817	356,973
2015	54,817	422,296
2016	54,817	489,417
2017	54,817	558,376
2018-2022	274,087	932,503
2023	<u>54,818</u>	1,000,000
Totals	<u><u>\$ 602,990</u></u>	

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Less Subsidy Payments</u>	<u>Total</u>
2013	\$ -	\$ 90,226	\$ (69,615)	\$ 20,611
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
2018-2022	460,000	305,342	(214,532)	550,810
2023-2027	495,000	157,424	(106,356)	546,068
2028-2032	215,000	14,682	(9,896)	219,786
Totals	<u>\$ 1,530,000</u>	<u>\$ 895,275</u>	<u>\$ (646,100)</u>	<u>\$ 1,779,175</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, 2012 is as follows:

Total Assets	\$ 21,498
Total Liabilities	48
Total Fund Balance	21,450
Total Cash Receipts	945
Total Cash Disbursements	3,522
Net Change in Fund Balance	(2,577)

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 2011-12 was 10.923% 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, 2012, 2011 and 2010 were \$221,962, \$233,298 and \$222,762, 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 2011-12 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, 2012, 2011 and 2010 were \$529,154, \$555,660 and \$570,679, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$324,260.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 2011-12, the District contributed \$67,015 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	1,216
Adjustment to annual required contribution	<u>(1,582)</u>
Annual OPEB Cost	74,082
Contribution made	<u>(67,015)</u>
Change in net OPEB obligation	7,067
Net OPEB obligation, beginning of year	24,314
Net OPEB obligation, end of year	<u>\$ 31,381</u>

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

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	\$ 74,082	90.46%	\$ 31,381

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, 2012

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 prorated. 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.

Construction Commitments

As of June 30, 2012 the district had the following construction commitments for unfinished capital projects:

	<u>Commitments</u>	<u>Expected Date of Completion*</u>
High School Scoreboard	\$ 12,439	July 2012

*Expected date of completion subject to change

P. Adjustment to Beginning Net Assets

Adjustments were made to government-wide beginning net assets as follows:

Beginning Net Assets, As Originally Stated	\$ 16,298,221
Adjustments for:	
Corrections to long term debt	176,209
Corrections to prepaid debt issue costs	<u>(69,318)</u>
Beginning Net Assets, As Restated	<u>\$ 16,405,112</u>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 6,357,822	\$ 6,505,229	\$ 6,486,068	\$ (19,161)
Local Sources	1,947,854	1,714,015	1,688,354	(25,661)
Federal Revenue	1,269,877	1,678,730	1,496,165	(182,565)
Other State Revenue	2,862,404	3,131,218	3,141,225	10,007
Other Local Revenue	459,315	567,213	637,183	69,970
Total Revenues	<u>12,897,272</u>	<u>13,596,405</u>	<u>13,448,995</u>	<u>(147,410)</u>
Expenditures:				
Current:				
Certificated Salaries	6,692,882	6,828,967	6,667,041	161,926
Classified Salaries	2,011,085	1,964,237	1,964,768	(531)
Employee Benefits	2,492,993	2,467,261	2,441,762	25,499
Books And Supplies	430,325	745,710	534,907	210,803
Services And Other Operating Expenditures	1,348,250	1,915,228	1,416,409	498,819
Direct Support/Indirect Costs	-	(39,140)	(35,375)	(3,765)
Capital Outlay	-	229,736	266,039	(36,303)
Debt Service:				
Principal	66,407	79,624	67,568	12,056
Interest	16,934	11,067	9,349	1,718
Total Expenditures	<u>13,058,876</u>	<u>14,202,690</u>	<u>13,332,468</u>	<u>870,222</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(161,604)</u>	<u>(606,285)</u>	<u>116,527</u>	<u>722,812</u>
Other Financing Sources (Uses):				
Transfers In	-	6,458	6,458	-
Transfers Out	<u>(198,132)</u>	<u>(226,380)</u>	<u>(214,757)</u>	<u>11,623</u>
Total Other Financing Sources (Uses)	<u>(198,132)</u>	<u>(219,922)</u>	<u>(208,299)</u>	<u>11,623</u>
Net Change in Fund Balance	<u>(359,736)</u>	<u>(826,207)</u>	<u>(91,772)</u>	<u>734,435</u>
Fund Balance, July 1	<u>3,398,529</u>	<u>3,398,529</u>	<u>3,398,529</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 3,038,793</u>	<u>\$ 2,572,322</u>	<u>\$ 3,306,757</u>	<u>\$ 734,435</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT**EXHIBIT B-2**CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 650,000	\$ 800,000	\$ 854,072	\$ 54,072
Other State Revenue	60,000	70,000	73,017	3,017
Other Local Revenue	37,500	22,000	11,806	(10,194)
Total Revenues	<u>747,500</u>	<u>892,000</u>	<u>938,895</u>	<u>46,895</u>
Expenditures:				
Current:				
Classified Salaries	263,726	267,826	274,447	(6,621)
Employee Benefits	108,434	97,377	90,147	7,230
Books And Supplies	420,500	436,500	454,521	(18,021)
Services And Other Operating Expenditures	14,000	19,550	6,564	12,986
Direct Support/Indirect Costs	-	39,140	35,375	3,765
Total Expenditures	<u>806,660</u>	<u>860,393</u>	<u>861,054</u>	<u>(661)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,160)</u>	<u>31,607</u>	<u>77,841</u>	<u>46,234</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(59,160)</u>	<u>31,607</u>	<u>77,841</u>	<u>46,234</u>
Fund Balance, July 1	411,436	411,436	411,436	-
Fund Balance, June 30	<u>\$ 352,276</u>	<u>\$ 443,043</u>	<u>\$ 489,277</u>	<u>\$ 46,234</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS-HEALTH BENEFITS PLAN
 YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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, 2012

	Special Revenue Fund <u>Adult Education Fund</u>	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 51,541	\$ 73,975	\$ 33,291	\$ 158,807
Accounts Receivable	15,034	84	95	15,213
Due from Other Funds	-	101,567	-	101,567
Total Assets	<u>\$ 66,575</u>	<u>\$ 175,626</u>	<u>\$ 33,386</u>	<u>\$ 275,587</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 10	\$ -	\$ 33	\$ 43
Due to Other Funds	1,121	-	-	1,121
Total Liabilities	<u>1,131</u>	<u>-</u>	<u>33</u>	<u>1,164</u>
Fund Balance:				
Assigned Fund Balances	<u>65,444</u>	<u>175,626</u>	<u>33,353</u>	<u>274,423</u>
Total Fund Balance	<u>65,444</u>	<u>175,626</u>	<u>33,353</u>	<u>274,423</u>
Total Liabilities and Fund Balances	<u>\$ 66,575</u>	<u>\$ 175,626</u>	<u>\$ 33,386</u>	<u>\$ 275,587</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Fund Adult Education Fund	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 14,938	\$ -	\$ -	\$ 14,938
Other State Revenue	15,000	3,933	(222,602)	(203,669)
Other Local Revenue	484	362,439	54,528	417,451
Total Revenues	<u>30,422</u>	<u>366,372</u>	<u>(168,074)</u>	<u>228,720</u>
Expenditures:				
Instruction	16,856	-	-	16,856
Instruction - Related Services	1,598	-	-	1,598
Plant Services	-	-	37,765	37,765
Debt Service:				
Principal	-	289,561	29,200	318,761
Interest	-	425,649	-	425,649
Total Expenditures	<u>18,454</u>	<u>715,210</u>	<u>66,965</u>	<u>800,629</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,968</u>	<u>(348,838)</u>	<u>(235,039)</u>	<u>(571,909)</u>
Other Financing Sources (Uses):				
Transfers In	-	519,757	222,602	742,359
Transfers Out	-	(100,858)	-	(100,858)
Total Other Financing Sources (Uses)	<u>-</u>	<u>418,899</u>	<u>222,602</u>	<u>641,501</u>
Net Change in Fund Balance	11,968	70,061	(12,437)	69,592
Fund Balance, July 1	53,476	105,565	45,790	204,831
Fund Balance, June 30	<u>\$ 65,444</u>	<u>\$ 175,626</u>	<u>\$ 33,353</u>	<u>\$ 274,423</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2012

	Bond Interest & Redemption Fund	Tax Override Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 27,255	\$ -	\$ 46,720	\$ 73,975
Accounts Receivable	5	-	79	84
Due from Other Funds	-	-	101,567	101,567
Total Assets	<u>\$ 27,260</u>	<u>\$ -</u>	<u>\$ 148,366</u>	<u>\$ 175,626</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Assigned Fund Balances	\$ 27,260	\$ -	\$ 148,366	\$ 175,626
Total Fund Balance	<u>27,260</u>	<u>-</u>	<u>148,366</u>	<u>175,626</u>
Total Liabilities and Fund Balances	<u>\$ 27,260</u>	<u>\$ -</u>	<u>\$ 148,366</u>	<u>\$ 175,626</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Bond Interest & Redemption Fund	Tax Override Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:				
Other State Revenue	\$ 3,933	\$ -	\$ -	\$ 3,933
Other Local Revenue	361,612	-	827	362,439
Total Revenues	<u>365,545</u>	<u>-</u>	<u>827</u>	<u>366,372</u>
Expenditures:				
Debt Service:				
Principal	85,000	-	204,561	289,561
Interest	285,037	-	140,612	425,649
Total Expenditures	<u>370,037</u>	<u>-</u>	<u>345,173</u>	<u>715,210</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,492)</u>	<u>-</u>	<u>(344,346)</u>	<u>(348,838)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	519,757	519,757
Transfers Out	-	(6,458)	(94,400)	(100,858)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(6,458)</u>	<u>425,357</u>	<u>418,899</u>
Net Change in Fund Balance	(4,492)	(6,458)	81,011	70,061
Fund Balance, July 1	31,752	6,458	67,355	105,565
Fund Balance, June 30	<u>\$ 27,260</u>	<u>\$ -</u>	<u>\$ 148,366</u>	<u>\$ 175,626</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2012

	Capital Facilities Fund	State School Buildir Lease-Purchase Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 25,291	\$ -	\$ 8,000	\$ 33,291
Accounts Receivable	41	-	54	95
Total Assets	<u>\$ 25,332</u>	<u>\$ -</u>	<u>\$ 8,054</u>	<u>\$ 33,386</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 33	\$ 33
Total Liabilities	<u>-</u>	<u>-</u>	<u>33</u>	<u>33</u>
Fund Balance:				
Assigned Fund Balances	25,332	-	8,021	33,353
Total Fund Balance	<u>25,332</u>	<u>-</u>	<u>8,021</u>	<u>33,353</u>
Total Liabilities and Fund Balances	<u>\$ 25,332</u>	<u>\$ -</u>	<u>\$ 8,054</u>	<u>\$ 33,386</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, 2012

	Capital Facilities Fund	State School Buildir Lease-Purchase Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other State Revenue	\$ -	\$ (222,602)	\$ -	\$ (222,602)
Other Local Revenue	16,742	-	37,786	54,528
Total Revenues	<u>16,742</u>	<u>(222,602)</u>	<u>37,786</u>	<u>(168,074)</u>
Expenditures:				
Plant Services	-	-	37,765	37,765
Debt Service:				
Principal	29,200	-	-	29,200
Total Expenditures	<u>29,200</u>	<u>-</u>	<u>37,765</u>	<u>66,965</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,458)</u>	<u>(222,602)</u>	<u>21</u>	<u>(235,039)</u>
Other Financing Sources (Uses):				
Transfers In	-	222,602	-	222,602
Total Other Financing Sources (Uses)	<u>-</u>	<u>222,602</u>	<u>-</u>	<u>222,602</u>
Net Change in Fund Balance	(12,458)	-	21	(12,437)
Fund Balance, July 1	37,790	-	8,000	45,790
Fund Balance, June 30	<u>\$ 25,332</u>	<u>\$ -</u>	<u>\$ 8,021</u>	<u>\$ 33,353</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2012

	Tax Revenue Anticipation Fund	Student Body Fund	Total Agency Funds (See Exhibit A-7)
ASSETS:			
Cash in County Treasury	\$ 749,247	\$ -	\$ 749,247
Cash on Hand and in Banks	-	108,370	108,370
Accounts Receivable	2,143	-	2,143
Total Assets	<u>\$ 751,390</u>	<u>\$ 108,370</u>	<u>\$ 859,760</u>
LIABILITIES:			
Due to Student Groups	\$ -	\$ 108,370	\$ 108,370
Current Loans	749,247	-	749,247
Total Liabilities	<u>749,247</u>	<u>108,370</u>	<u>857,617</u>
NET ASSETS:			
Total Net Assets	<u>\$ 2,143</u>	<u>\$ -</u>	<u>\$ 2,143</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, 2012

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>
Matt Hester	President	Four year term Expires December 2015
Ben Abatti, Jr.	Member	Four year term Expires December 2013
Kevin Grizzle	Member	Four year term Expires December 2013
John Hawk	Clerk	Four year term Expires December 2013
Jared Garewal	Member	Four year term Expires December 2015

Administration

Jon LeDoux
Superintendent

Celso Ruiz
Assistant 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, 2012

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	98.40	98.40	98.17	98.17
Grades 1 through 3	309.36	309.36	310.24	310.24
Grades 4 through 6	332.00	332.00	331.19	331.19
Grades 7 and 8	239.33	239.33	238.27	238.27
Special education	20.67	20.67	21.34	21.34
Elementary totals	<u>999.76</u>	<u>999.76</u>	<u>999.21</u>	<u>999.21</u>
High School:				
Grades 9 through 12, regular classes	499.29	503.71	497.14	502.26
Special education	15.67	15.67	15.64	15.64
Continuation education	42.48	7.85	42.31	7.49
High school totals	<u>557.44</u>	<u>527.23</u>	<u>555.09</u>	<u>525.39</u>
ADA totals	<u>1,557.20</u>	<u>1,526.99</u>	<u>1,554.30</u>	<u>1,524.60</u>

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, 2012

TABLE D-2

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2011-12 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,500	29,400	36,000	33,600	42,445	178	-	Complied
Grade 1	49,875	46,550	50,400	47,040	50,475	178	-	Complied
Grade 2	49,875	46,550	50,400	47,040	50,475	178	-	Complied
Grade 3	49,875	46,550	50,400	47,040	50,475	178	-	Complied
Grade 4	53,310	49,756	54,000	50,400	50,757	178	-	Complied
Grade 5	53,310	49,756	54,000	50,400	54,530	178	-	Complied
Grade 6	59,500	55,533	54,000	50,400	60,040	178	-	Complied
Grade 7	59,500	55,533	54,000	50,400	60,915	178	-	Complied
Grade 8	59,500	55,533	54,000	50,400	60,915	178	-	Complied
Grade 9	65,306	60,952	64,800	60,480	67,945	178	-	Complied
Grade 10	65,306	60,952	64,800	60,480	67,945	178	-	Complied
Grade 11	65,306	60,952	64,800	60,480	67,945	178	-	Complied
Grade 12	65,306	60,952	64,800	60,480	67,945	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, 2012

TABLE D-3

General Fund	Budget 2013 (See Note 1)	2012	2011	2010
Revenues and other financial sources	\$ 12,349,331	\$ 13,455,453	\$ 14,692,282	\$ 14,384,783
Expenditures, other uses and transfers out	13,577,121	13,547,225	13,640,893	14,046,759
Change in fund balance (deficit)	(1,227,790)	(91,772)	1,051,389	338,024
Ending fund balance	\$ 2,078,967	\$ 3,306,757	\$ 3,398,529	\$ 2,347,131
Available reserves (See Note 2)	\$ 2,076,466	\$ 3,067,132	\$ 3,084,995	\$ 2,076,988
Available reserves as a percentage of total outgo	15.3%	22.6%	22.6%	14.4%
Total long-term debt	\$ 10,545,725	\$ 10,966,582	\$ 9,959,045	\$ 9,981,709
Average daily attendance at P-2	1,526	1,527	1,569	1,632

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 fund balance has increased by \$1,297,641 over the past three years. The fiscal year 2012-2013 budget projects a decrease of \$1,227,790. For a district of this size, the State recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$984,873 over the past two years.

Average daily attendance has decreased by 105 over the past two years.

Notes:

- 1 Budget 2013 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, 2012

TABLE D-4

	Cafeteria Fund	Building Fund
June 30, 2012, annual financial and budget report fund balances	\$ 485,848	\$ 6,485
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Inventory understatement	13,149	-
Accounts receivable overstatement	(9,720)	-
Cash with fiscal agent understatement	-	350,637
Net adjustments and reclassifications	3,429	350,637
June 30, 2012, audited financial statement fund balances	\$ 489,277	\$ 357,122

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, 2012

TABLE D-5

No charter schools are chartered by Holtville Unified School District.

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

TABLE D-6
Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Programs:			
Childrens Oral Healthcare Access Program	93.110	-	\$ 7,171
Medi-Cal Billing Option	93.778	-	8,355
Total Direct Programs			<u>15,526</u>
Total U. S. Department of Health and Human Services			<u>15,526</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Adult Education	84.002	13978	3,740
Adult Basic Education	84.002A	14508	11,198
Total Adult Education			<u>14,938</u>
Title I	84.010	14329	534,575
ARRA Title I	84.369	15005	33,712
Total Title I Cluster			<u>568,287</u>
Migrant Education	84.011	14326	257,059
Migrant Education Summer	84.011	10005	101,749
Total Migrant Education			<u>358,808</u>
Special Education	84.027	13379	293,752
Special Education Preschool Development	84.027	14894	11,484
Total Special Education			<u>305,236</u>
Title II Technology	84.318	14334	1,561
ARRA Title II EETT	84.386	15019	1,225
Total Technology Cluster			<u>2,786</u>
Advanced Placement Reimbursement Fee	84.330B	14831	1,588
Title III Immigrant Education	84.365	15146	3,621
Title III LEP	84.365	14346	92,888
Total Title III			<u>96,509</u>
Title II Teacher Quality	84.367	14341	72,798
Title II Administration Training	84.367	14344	352
Total Title II			<u>73,150</u>
ARRA Education Jobs Fund	84.410	25152	4,701
Total Passed Through State Department of Education			<u>1,426,003</u>
Total U. S. Department of Education			<u>1,426,003</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

TABLE D-6
Page 2 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	13526	336,453
National School Lunch- Meal Suppliments	10.555	13396	35,109
National School Lunch: Section 11	10.555	13396	378,876
National School Lunch: Section 4	10.555	13391	58,836
			<u>809,274</u>
Commodities*	10.565	-	44,798
Total Passed Through State Department of Education			<u>854,072</u>
Total U. S. Department of Agriculture			<u>854,072</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through US Department of Education:			
FEMA Public Assistance Grants	97.036	10014	57,425
Total Department of Homeland Security			<u>57,425</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>2,353,026</u></u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

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, 2012

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

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 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, 2012, which collectively comprise the Holtville Unified School District's basic financial statements and have issued our report thereon dated December 12, 2012. 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.

Internal Control Over Financial Reporting

Management of Holtville Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Holtville Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Holtville Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Holtville Unified School District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Holtville Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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) 2012-1, 2012-2 and 2012-3.

Holtville Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Holtville Unified School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 12, 2012

Wilkinson Hadley King & Co. LLP

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

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Board of Trustees
Holtville Unified School District
Holtville, California

Members of the Board of Trustees:

Compliance

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 Holtville Unified School District's major federal program for the year ended June 30, 2012. Holtville Unified School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Holtville Unified School District's management. Our responsibility is to express an opinion on Holtville Unified School District's compliance based on our audit.

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. Our audit does not provide a legal determination of Holtville Unified School District's compliance with those requirements.

In our opinion, Holtville Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Holtville Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Holtville Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Halley King & Co., LLP

El Cajon, California
December 12, 2012

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:

We have audited the basic financial statements of the Holtville Unified School District ("District") as of and for the year ended June 30, 2012 and have issued our report thereon dated December 12, 2012. 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. We have also audited the District's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule 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	No
Continuation Education	10	Yes
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 Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	N/A

Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	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
Contemporaneous Records of Attendance, For Charter Schools	3	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	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 Independent Study because the ADA reported was below the level which required testing.

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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2012-1, 2012-2 and 2012-3.

Holtville Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Holtville Unified School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 12, 2012

Findings and Recommendations Section

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are
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: Unqualified

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>
10.553, 10.555	Child Nutrition Cluster

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 None Reported

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

Finding 2012-1 (10000)
Attendance Reporting

Criteria or Specific Requirement

Verify that amounts reported to the California Department of Education on the second principal and annual reports of attendance are supported by contemporaneous records of attendance which are clerically accurate and calculated in accordance with Education Code Section 41601.

Condition

Amounts reported for attendance in grades 9-12 excluded full time independent study students. In addition, amounts reported for attendance in continuation education were calculated incorrectly. The district took total hours and divided by number of days and as a result overstated attendance for continuation education.

Context

Education Code Section 41601 establishes definitions and calculations for average daily attendance which is reported to the California Department of Education in three reporting periods.

Cause

The full time independent study program was operated on the same campus as continuation education. The attendance clerk responsible for attendance at that site did not understand the difference between the continuation education program and the independent study program and included both attendance reporting together. In addition, the attendance clerk misunderstood the calculation of continuation education and inadvertently divided total hours by total days.

Effect

Average daily attendance for grades 9-12 are understated by 4.42 at P2 and 5.12 at Annual. Average daily attendance for continuation education is overstated by 34.63 at P2 and 34.82 at Annual.

Questioned Costs

Net overstatement of 30.21 at P2 results in estimated questioned costs of \$196,000.

Recommendation

Revise the second principal and annual reports of attendance to accurately reflect average daily attendance for grades 9-12 and continuation education. Provide training to attendance clerks to ensure they understand the calculation and reporting of attendance. Implement review procedures to ensure accurate reporting prior to submitting attendance reports to the California Department of Education.

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

LEA's Response

The District's student information/attendance program was updated in 2011-12 to align with State data requirements, changing the manner in which the site input the data. Through the audit process, HUSD discovered that the 2011-12 continuation and independent study average daily attendance information was input incorrectly, over-inflating the 2011-12 ADA. The District has revised the P-2 and Annual Attendance Reports to reflect the correct figures, and will provide the school site with training on the new attendance system to ensure that the figures are reported correctly here forward. The District will also ensure that subsequent attendance reports are reviewed and scrutinized more closely to avoid incorrect data being reported.

Finding 2012-2 (40000)
After School Education and Safety Program

Criteria or Specific Requirement

Determine that attendance reported for the after school education and safety program (ASES) is based upon eligible attendance in compliance with the district's early release policy as required by Education Code Section 8483.

Condition

At Finley Elementary School we noted that out of 30 early release forms reviewed 11 forms 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. Attendance reported for these students in our test period totaled 152 days.

At Holtville Middle School, we noted 7 out of 15 early releases tested were not consistent with early release forms completed by the parents.

Context

Education Code Section 8483 requires students participating in the after school education and safety program participate for the entire program time except as consistent with the districts established early release policy. The district has established a policy that students may leave early from the program provided they complete an early release form which documents they have met the requirements for leaving early per district policy.

Cause

At Finley Elementary School there was a misunderstanding in how the early release forms were to be completed. At Holtville Middle School, attendance being reported was being extracted from a computerized attendance system which was supposed to track eligible attendance based upon early release forms entered into the system; however, the system attendance reports showed attendance for all students participating on a given day rather than just eligible students.

Effect

Attendance is overstated at both Finley Elementary School and Holtville Middle School.

Questioned Costs

At Finley Elementary School there are 152 known questionable days from the sample period audited. At Holtville Middle School there are 7 known questionable days from the sample period audited. Both sites have likely additional questionable days of attendance.

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Recommendation

Provide training to staff regarding early release forms and proper completion of those forms. Establish a policy to obtain a new early release form 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. Once eligible attendance has been obtained, amend attendance reports and resubmit to the California Department of Education.

LEA's Response

The District's ASES staff has reviewed the attendance deficiencies with the independent auditor and will ensure that the program staff is properly maintaining accurate early release forms. The District's ASES coordinator will also hold a training to review proper attendance and early release procedures, and will work with the attendance software company where appropriate to ensure that the attendance reports are based on eligible attendance. Once completed, the ASES staff will re-submit attendance reports with corrected figures.

Finding 2012-3 (40000)
 Class Size Reduction

Criteria or Specific Requirement

Verify that amounts reported to the California Department of Education on form J-7CSR are clerically accurate and reconcile to supporting documents for class sizes.

Condition

Amounts reported on the form J-7CSR were not consistent with supporting schedules of class size provided by the attendance software.

Context

Education Code Section 52123 provides for funding to schools who reduce class sizes to a ratio of 20:1 or lower in kindergarten through third grade. The district is required to file form J-7CSR with the California Department of Education showing the average enrollment by class from the first day of school through April 15. The Audit Guide published by the Education Audit Appeals Panel requires that we verify clerical accuracy of the report submitted to the California Department of Education for funding.

Cause

Clerical errors in attendance software resulted in variances in class size calculations once corrected.

Effect

Eligible pupils reported on the form J-7CSR were overstated by 1 pupil, which resulted in overfunding the program by \$1,071. Variances were reported as follows:

Grade	Eligible Students Original	Eligible Students Revised	Change	Questioned Costs
Kindergarten	92	91	(1)	(1,071)
Grade 1	106	105	(1)	(1,071)
Grade 2	80	81	1	1,071
Total	278	277	(1)	(1,071)

Questioned Costs

\$1,071

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Recommendation

Revise the form J-7CSR to reflect accurate class sizes. Carefully review all attendance reports for accurate reporting in future periods.

LEA's Response

The District will re-submit the 2011-12 J-7CSR Form to account for the clerical errors made, and will also ensure that future reports are reviewed carefully by multiple staff prior to submission.

HOLTVILLE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2011-1 (40000) After School Education and Safety Program</p> <p>There were 31 instances of students receiving attendance when they did not meet the early release policy established by the district.</p> <p>We recommended the district adopt procedures to assure students released early have met the early release policy prior to receiving attendance.</p>	<p>Being Implemented</p>	<p>See Current Year Finding</p>