

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

**AUDIT REPORT**

**JUNE 30, 2011**

**WILKINSON HADLEY KING & CO. LLP  
CPA's and Advisors  
218 W. Douglas Avenue  
El Cajon, California 92020**

## Introductory Section

Holtville Unified School District  
 Audit Report  
 For The Year Ended June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
<b>FINANCIAL SECTION</b>		
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.....	34	Exhibit B-1
Adult Education Fund.....	35	Exhibit B-2
Schedule of Funding Progress - Health Benefits Plan.....	36	
<u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	37	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	38	Exhibit C-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	39	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	40	Exhibit C-4
Debt Service Funds:		
Combining Balance Sheet - Nonmajor Debt Service Funds.....	41	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Debt Service Funds.....	42	Exhibit C-6

Holtville Unified School District  
 Audit Report  
 For The Year Ended June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
<b>Capital Projects Funds:</b>		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	43	Exhibit C-7
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	44	Exhibit C-8
 <b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>		
Local Education Agency Organization Structure.....	45	
Schedule of Average Daily Attendance.....	46	Table D-1
Schedule of Instructional Time.....	47	Table D-2
Schedule of Financial Trends and Analysis.....	48	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	49	Table D-4
Schedule of Charter Schools.....	50	Table D-5
Schedule of Expenditures of Federal Awards .....	51	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	52	
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> .....	53	
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.....	55	
Auditor's Report on State Compliance.....	57	
Schedule of Findings and Questioned Costs .....	59	
Summary Schedule of Prior Audit Findings.....	61	

## Financial Section

**WILKINSON HADLEY KING & CO. LLP**

CPA's and Advisors  
218 W. Douglas Avenue  
El Cajon, California 92020

**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, 2011, 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, 2011, 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 November 23, 2011, 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 and individual nonmajor fund 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 2010-11*, published by the Education Audit Appeals Panel, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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  
November 23, 2011

**HOLTVILLE UNIFIED SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2011  
(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 for the entire world, 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, 2011, 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 2010-11 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 \$580,763 was due to the fact that without construction and/or modernization present, total depreciation of assets (-\$587,963), was larger than new assets purchased/acquired (+\$15,200). Total capital assets at June 30, 2011 summed to \$21,486,881, while total net assets (including cash, accounts receivables, stores, and prepaid expenses) were \$26,569,726.

\* District-wide, total revenues increased between and 2010-11 and 2009-10 by approximately \$1,076,938 (see Table A-1). A large portion of this increase relates to one-time dollars received from the American Recovery and Reinvestment Act (ARRA) and disaster relief funds from the Federal Emergency Management Administration (FEMA).

\* Enrollment in 2010-11 decreased compared to the 2009-10 school year by 67 students district-wide, bringing the total 2010-11 HUSD enrollment to 1,644 students. Similarly, ADA figures also decreased, bringing the 2010-11 HUSD P-2 ADA down to 1,569 from the 2009-10 total of 1,636.

*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 2010-11 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, the District 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 the District's financial position.

It is also important to note that in the District-Wide Financial Statements, all of the District'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 2010-11 compared to the prior year.

Table A-1  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2011**

<b>REVENUES</b>	<b>2009-10</b>	<b>2010-11</b>
Program Revenues		
Charges for Services	0	0
Operating Grants and Contributions	4,260,080	4,382,798
Capital Grants and Contributions	0	0
General Revenues		
Federal and State Aid not restricted	8,336,875	9,134,721
Property Taxes	2,202,742	2,307,687
Other General Revenues	176,663	228,092
Total Revenues	14,976,360	16,053,298
<b>EXPENDITURES</b>		
Instruction	8,973,589	8,752,347
Supervision of Instruction	77,057	83,926
Library, Media, and Technology	154,619	184,633
School Site Administration	1,124,517	1,083,534
Pupil Services	1,701,821	1,867,294
General Administration & Data Processing	1,856,526	1,464,494
Maintenance and Operations & Facility Acquisition	1,371,758	1,451,534
Debt Service	598,070	410,890
Other Outgo	157,989	135,248
Total Expenditures	16,015,946	15,433,900
<b>Increase/Decrease in Net Assets</b>	-1,039,586	619,398
Net Asset Beginning	16,501,260	15,461,674
Prior Year Adjustment (in Notes)	0	217,149
Net Asset Ending	15,461,674	16,298,221

The graph below illustrates the changes to net assets from the 2010-11 fiscal year to the 2010-11 fiscal year.

Table A-2		
<b>STATEMENT OF NET ASSETS</b>		
	June 30, 2010	June 30, 2011
<b>ASSETS</b>		
Cash & Current Assets (ie. AR)	4,190,606	5,082,845
Capital Assets	22,067,644	21,486,881
<b>Total Assets</b>	<b>26,258,250</b>	<b>26,569,726</b>
<b>LIABILITIES</b>		
Long-Term Debt	9,981,709	9,959,043
Other Liabilities	814,867	312,462
<b>Total Liabilities</b>	<b>10,796,576</b>	<b>10,271,505</b>
<b>TOTAL NET ASSETS</b>	<b>15,461,674</b>	<b>16,298,221</b>
<b>DISTRIBUTION OF NET ASSETS</b>		
Invested in Capital Assets	12,129,552	11,564,313
Restricted for Capital Projects	452,555	630,560
Other Restricted	751,219	881,536
Non-Restricted	2,128,348	3,221,812
<b>TOTAL NET ASSETS</b>	<b>15,461,674</b>	<b>16,298,221</b>

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 increased in order to meet the demands on the operating budget to make monthly payroll. 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, 2011. 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		
<b>ADDITIONS TO ASSETS</b>		
Addition	Designation	Value
Joint Use Project	Work in Progress	\$331,804

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-term, 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 2010-11 school year. However, looking at the following chart (Table A-4), the performance of each of the District’s funds shows that certain areas within the District’s budget performed better than others.

Table A-4

**CHANGES IN DISTRICT FUND BALANCES**

<b>FUND #</b>	<b>BEG BAL (7/1/10)</b>	<b>END BAL (6/30/11)</b>	<b>CHANGE IN FUND</b>
General Fund (#010)	2,327,429	3,398,528	1,071,099
Adult Education Fund (#110)	74,279	53,476	(20,803)
Cafeteria Fund (#130)	314,969	411,436	96,467
Deferred Maintenance Fund (#140)	0	0	0
Special Reserve Fund (#170)	0	0	0
Building Fund (#210)	405,916	592,698	186,782
Capital Facilities Fund (#250)	66,421	37,790	(28,631)
State School Bldg Lease-Purch Fund (#300)	0	0	0
Bond Interest and Redemption Fund (#510)	27,120	31,752	4,632
Tax Override Fund (#530)	6,396	6,443	47
Debt Service Fund (#560)	60,811	67,355	6,544

In looking at the above, it is important to note that the General Fund, the account that houses the bulk of the District's operations, shows an increase in fund balance of approximately \$1.07 million. This occurred, in spite of the terrible economic situation and severe cuts, due in large part because of additional, one-time dollars brought on by the American Recovery and Reinvestment Act (ARRA) and disaster-relief monies from the Federal Emergency Management Administration (FEMA). These dollars over-inflated the 2010-11 bottom line by approximately \$600,000.

The Cafeteria Fund has continued to show positive gains, despite cuts in Federal and State Reimbursement percentages paid to the District. 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. This will continue to be a challenge as cuts continue to be made at the State level for meal reimbursements. However, 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 gain due to the issuance of approximately \$536,000 in additional bonds. These bonds are currently being used to repay a construction bridge loan that was taken out during the District's modernization phase of four school sites. 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 2011-12 show that enrollment is sliding downward again, and Average Daily Attendance (ADA) needs to be monitored to stay ahead of the decline.
  
- We are still in one of the worst economic times in recent history. The fiscal health of our State, the country, and the globe has all begun to come into question. Unfortunately, the current economic policy of our national and state leadership shows little effectiveness in reversing the tide, and until our government representatives curb national debt and enact policy that creates and not destroys jobs, it is likely that our economy will remain in this slump for a couple more years. This translates to worsening budgets for schools.

## *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 immediately follow the Basic Financial Statements, and should be examined along with this report to form a more complete picture of the District's financial state.

## *CONTACTING THE DISTRICT'S FINANCIAL MANAGERS*

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

## Basic Financial Statements

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Governmental Activities
<b>ASSETS:</b>	
Cash in County Treasury	\$ 1,745,877
Cash in Revolving Fund	2,500
Accounts Receivable	2,994,298
Stores Inventories	12,555
Prepaid Expenses	327,615
Capital Assets	
Land	153,012
Improvements	547,036
Buildings	26,482,042
Equipment	1,669,712
Work In Progress	339,004
Less Accumulated Depreciation	(7,703,925)
Total Assets	<u>26,569,726</u>
<b>LIABILITIES:</b>	
Accounts Payable	269,484
Deferred Revenues	42,978
Long-term Liabilities	
Due Within One Year	412,881
Due in More Than One Year	9,546,162
Total Liabilities	<u>10,271,505</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	11,564,313
Restricted For:	
Capital Projects	630,560
Debt Service	99,107
Educational Programs	364,550
Other Purposes (expendable)	417,879
Unrestricted	3,221,812
Total Net Assets	<u>\$ 16,298,221</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		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
<b>Governmental Activities:</b>					
Instruction	\$ 8,752,347	\$ -	\$ 2,516,127	\$ -	\$ (6,236,220)
<b>Instruction-Related Services:</b>					
Instructional Supervision and Administration	83,926	-	83,926	-	-
Instructional Library, Media and Technology	184,633	-	176,167	-	(8,466)
School Site Administration	1,083,534	-	7,095	-	(1,076,439)
<b>Pupil Services:</b>					
Home-to-School Transportation	439,716	-	329,404	-	(110,312)
Food Services	832,616	-	923,153	-	90,537
All Other Pupil Services	594,962	-	234,987	-	(359,975)
<b>General Administration:</b>					
Administration	1,464,494	-	66,776	-	(1,397,718)
Plant Services	1,451,534	-	17,934	-	(1,433,600)
Ancillary Services	132,264	-	-	-	(132,264)
Interest on Long-Term Debt	410,890	-	-	-	(410,890)
Other Outgo	2,984	-	27,229	-	24,245
<b>Total Expenses</b>	<b>\$ 15,433,900</b>	<b>\$ -</b>	<b>\$ 4,382,798</b>	<b>\$ -</b>	<b>\$ (11,051,102)</b>
<b>General Revenues:</b>					
<b>Taxes and Subventions:</b>					
Taxes Levied for General Purposes					1,843,953
Taxes Levied for Debt Service					350,544
Taxes Levied for Other Specific Purposes					113,190
Federal and State Aid Not Restricted to Specific Programs					9,134,721
Interest and Investment Earnings					20,374
Interagency Revenues					52,978
Miscellaneous					154,740
<b>Total General Revenues</b>					<b>11,670,500</b>
<b>Change in Net Assets</b>					<b>619,398</b>
<b>Net Assets Beginning, as previously reported</b>					<b>15,461,674</b>
<b>Prior Year Adjustment (Note P)</b>					<b>217,149</b>
<b>Net Assets Beginning, as adjusted</b>					<b>15,678,823</b>
<b>Net Assets Ending</b>					<b>\$ 16,298,221</b>

The accompanying notes are an integral part of this statement.

**HOLTVILLE UNIFIED SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2011

	General Fund	Adult Education Fund
<b>ASSETS:</b>		
Cash in County Treasury	\$ 731,752	\$ 64,187
Cash in Revolving Fund	2,500	-
Accounts Receivable	2,755,461	64,313
Due from Other Funds	80,335	-
Stores Inventories	-	-
<b>Total Assets</b>	<b><u>\$ 3,570,048</u></b>	<b><u>\$ 128,500</u></b>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 100,771	\$ -
Due to Other Funds	27,771	75,024
Deferred Revenue	42,978	-
<b>Total Liabilities</b>	<b><u>171,520</u></b>	<b><u>75,024</u></b>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	2,500	-
Stores Inventories	-	-
Restricted Fund Balances	311,074	-
Assigned Fund Balances	371,175	53,476
Unassigned:		
Reserve for Economic Uncertainty	408,636	-
Other Unassigned	2,305,143	-
<b>Total Fund Balance</b>	<b><u>3,398,528</u></b>	<b><u>53,476</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 3,570,048</u></b>	<b><u>\$ 128,500</u></b>

The accompanying notes are an integral part of this statement.

Building Fund	Other Governmental Funds	Total Governmental Funds
\$ 571,601	\$ 378,338	\$ 1,745,878
-	-	2,500
1,315	173,209	2,994,298
19,782	8,000	108,117
-	12,555	12,555
<u>\$ 592,698</u>	<u>\$ 572,102</u>	<u>\$ 4,863,348</u>
\$ -	\$ 4,004	\$ 104,775
-	5,322	108,117
-	-	42,978
<u>-</u>	<u>9,326</u>	<u>255,870</u>
-	-	2,500
-	12,555	12,555
-	398,881	709,955
592,698	151,340	1,168,689
-	-	408,636
-	-	2,305,143
<u>592,698</u>	<u>562,776</u>	<u>4,607,478</u>
<u>\$ 592,698</u>	<u>\$ 572,102</u>	<u>\$ 4,863,348</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 \$ 4,607,478

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	29,190,806	
Accumulated depreciation	(7,703,925)	
Net		21,486,881

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: 327,615

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: (164,710)

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	6,805,822	
Net OPEB obligation	24,314	
Compensated absences payable	12,163	
Certificates of participation payable	831,026	
Other long-term debt	15,316	
Capital leases payable	2,270,402	
Total		(9,959,043)

Net assets of governmental activities - statement of net assets \$ 16,298,221

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, 2011**

	General Fund	Adult Education Fund
	<u>                    </u>	<u>                    </u>
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ 6,783,412	\$ -
Local Sources	1,871,023	-
Federal Revenue	2,088,604	64,555
Other State Revenue	3,285,891	-
Other Local Revenue	663,352	1,279
Total Revenues	<u>14,692,282</u>	<u>65,834</u>
Expenditures:		
Instruction	8,167,550	85,357
Instruction - Related Services	1,312,166	1,280
Pupil Services	1,012,713	-
Ancillary Services	128,826	-
General Administration	1,461,540	-
Plant Services	1,406,024	-
Debt Service:		
Principal	116,610	-
Interest	15,753	-
Total Expenditures	<u>13,621,182</u>	<u>86,637</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,071,100</u>	<u>(20,803)</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	-	-
Proceeds From Sale of Bonds	-	-
Other Sources	(1)	-
Total Other Financing Sources (Uses)	<u>(1)</u>	<u>-</u>
Net Change in Fund Balance	1,071,099	(20,803)
Fund Balance, July 1	2,327,429	74,279
Fund Balance, June 30	<u>\$ 3,398,528</u>	<u>\$ 53,476</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>
\$ -	\$ -	\$ 6,783,412
-	-	1,871,023
-	809,053	2,962,212
-	75,363	3,361,254
4,639	406,126	1,075,396
<u>4,639</u>	<u>1,290,542</u>	<u>16,053,297</u>
-	-	8,252,907
-	-	1,313,446
-	826,685	1,839,398
-	-	128,826
-	-	1,461,540
44,265	-	1,450,289
-	299,422	416,032
-	387,294	403,047
<u>44,265</u>	<u>1,513,401</u>	<u>15,265,485</u>
<u>(39,626)</u>	<u>(222,859)</u>	<u>787,812</u>
-	310,000	310,000
(310,000)	-	(310,000)
536,408	-	536,408
-	-	(1)
<u>226,408</u>	<u>310,000</u>	<u>536,407</u>
186,782	87,141	1,324,219
405,916	475,635	3,283,259
<u>\$ 592,698</u>	<u>\$ 562,776</u>	<u>\$ 4,607,478</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, 2011

Net change in fund balances - total governmental funds	\$ 1,324,219
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>	
<p>Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>	
Expenditures for capital outlay	15,200
Depreciation Expense	<u>(595,963)</u>
Net	(580,763)
<p>Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:</p>	
	416,032
<p>Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issuance premium or discount, were:</p>	
	(536,408)
<p>Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:</p>	
	(2,984)
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:</p>	
	5,065
<p>Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:</p>	
	(1,172)
<p>Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year the difference between OPEB costs and actual employer contributions was:</p>	
	8,314
<p>Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or a discount, the premium or discount is recognized as an Other Financing Source or as an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:</p>	
	<u>(12,905)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 619,398</u>

The accompanying notes are an integral part of this statement.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<u>Agency Fund</u>	<u>Student Body Fund</u>
<b>ASSETS:</b>		
Cash on Hand and in Banks	\$ 111,993	
<b>Total Assets</b>	<u>\$ 111,993</u>	
<b>LIABILITIES:</b>		
Due to Student Groups	\$ 111,993	
<b>Total Liabilities</b>	<u>111,993</u>	
<b>NET ASSETS:</b>		
<b>Total Net Assets</b>	<u>\$ -</u>	

The accompanying notes are an integral part of this statement.



**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**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, 2011**

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.

**Building Fund.** This fund accounts for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

**Adult Education Fund.** This fund is used to account for the transactions associated with the District's adult education program.

In addition, the District reports the following fund types:

**Special Revenue Funds.** These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**Debt Service Funds.** These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

**Capital Projects Funds.** These funds account for the acquisition and/or construction of all major governmental fixed assets.

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

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

b. Measurement Focus, Basis of Accounting

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

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

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.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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.

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	5-15
Office Equipment	5-15
Computer Equipment	5-15

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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 incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for 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.

h. Fund Balance Reserves and Designations

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.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement #54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) is merged with the General Fund for purposes of presentation in the audit report.

k. 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.

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

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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, 2011, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Debt service-principal	\$ 4,397
Adult Education Fund:	
Certificated salaries	20,359
Employee benefits	1,802
Books and supplies	4,231

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 (\$1,745,878 as of June 30, 2011). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$1,745,878. 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 (\$111,993 as of June 30, 2011) and in the revolving fund (\$2,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. 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. At year end, the District was not exposed to credit risk.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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. At year end, the District was not exposed to interest rate risk.

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.

4. Investment Accounting Policy

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

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

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**E. Accounts Receivable**

Accounts receivable at June 30, 2011 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other	Total
Federal Government:					
Federal programs	\$ 338,766	\$ 217,208	-	\$ -	\$ 555,974
State Government:					
Lottery	193,741	-	-	-	193,741
Revenue Limit	1,951,422	-	-	-	1,951,422
Other state programs	232,185	14,583	-	-	246,768
Local Sources:					
Interest	4,373	475	1,402	169	6,419
Other local	34,974	5,000	-	-	39,974
Totals	<u>\$ 2,755,461</u>	<u>\$ 232,266</u>	<u>\$ 1,402</u>	<u>\$ 169</u>	<u>\$ 2,994,298</u>

**F. Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 153,012	\$ -	\$ -	\$ 153,012
Work in progress	331,804	7,200	-	339,004
Total capital assets not being depreciated	<u>484,816</u>	<u>7,200</u>	<u>-</u>	<u>492,016</u>
Capital assets being depreciated:				
Buildings	26,482,042	-	-	26,482,042
Improvements	539,036	8,000	-	547,036
Equipment	1,669,712	-	-	1,669,712
Total capital assets being depreciated	<u>28,690,790</u>	<u>8,000</u>	<u>-</u>	<u>28,698,790</u>
Less accumulated depreciation for:				
Buildings	(5,601,427)	(501,326)	-	(6,102,753)
Improvements	(267,783)	(21,689)	-	(289,472)
Equipment	(1,238,752)	(72,948)	-	(1,311,700)
Total accumulated depreciation	<u>(7,107,962)</u>	<u>(595,963)</u>	<u>-</u>	<u>(7,703,925)</u>
Total capital assets being depreciated, net	<u>21,582,828</u>	<u>(587,963)</u>	<u>-</u>	<u>20,994,865</u>
Governmental activities capital assets, net	<u>\$ 22,067,644</u>	<u>\$ (580,763)</u>	<u>\$ -</u>	<u>\$ 21,486,881</u>

Depreciation was charged to functions as follows:

Instruction	\$ 507,754
Instruction-Related Services	38,296
Pupil Services	29,093
Ancillary Services	3,438
General Administration	668
Plant Services	16,714
	<u>\$ 595,963</u>



**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**G. Interfund Balances and Activites**

**1. Due To and From Other Funds**

Balances due to and due from other funds at June 30, 2011, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
Special Reserve Fund	General Fund	\$ 8,000
Building Fund	General Fund	19,772
General Fund	Adult Education Fund	75,024
Building Fund	State School Building Fund	10
General Fund	Cafeteria Fund	5,241
General Fund	Deferred Maintenance Fund	71
	Total	<u>\$ 108,118</u>

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

**2. Transfers To and From Other Funds**

Transfers to and from other funds at June 30, 2011, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Building Fund	Debt Service Fund	\$ 310,000
	Total	<u>\$ 310,000</u>

**H. 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.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax anticipation notes	\$ -	\$ 840,000	\$ 840,000	\$ -

**I. Accounts Payable**

Accounts payable at June 30, 2011 consisted of:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>other Funds</u>	<u>Total</u>
Vendor payables	\$ 72,293	\$ 4,004	\$ -	\$ 76,297
Payroll and related benefits	28,477	-	-	28,477
Totals	<u>\$ 100,770</u>	<u>\$ 4,004</u>	<u>\$ -</u>	<u>\$ 104,774</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

J. 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, 2011, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 6,100,000	\$ 536,408	\$ 65,000	\$ 6,571,408	\$ 85,000
Unamortized bond premium	165,446	78,269	9,299	234,416	9,735
Accreted interest	-	15,316	-	15,316	-
Capital leases	2,566,617	-	296,215	2,270,402	246,551
Certificates of participation	888,876	-	57,850	831,026	59,432
OPEB	32,628	-	8,314	24,314	-
Compensated absences *	10,991	1,172	-	12,163	12,163
<b>Total governmental activities</b>	<b>\$ 9,764,558</b>	<b>\$ 631,165</b>	<b>\$ 436,678</b>	<b>\$ 9,959,045</b>	<b>\$ 412,881</b>
* Other long-term liabilities					

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation, OPEB, and bond premium, and accreted interest at June 30, 2011 are as follows:

Year Ending June 30,	Governmental Activities			Total
	Principal	Interest	Accreted Interest	
2012	\$ 343,714	\$ 389,905	-	\$ 733,619
2013	344,104	374,678	-	718,782
2014	285,888	360,451	-	646,339
2015	310,173	347,116	-	657,289
2016	311,333	332,634	-	643,967
2017-2021	1,873,454	1,431,450	1,802	3,306,706
2022-2026	1,366,418	1,095,089	10,679	2,472,186
2027-2031	1,535,418	644,397	164,582	2,344,397
2032-2036	1,862,515	307,918	532,485	2,702,918
2037-2041	620,956	8,800	2,184,044	2,813,800
<b>Totals</b>	<b>\$ 8,853,973</b>	<b>\$ 5,292,438</b>	<b>2,893,592</b>	<b>\$ 17,040,003</b>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2011, as follows:

<u>Year Ending June 30:</u>	
2012	\$ 351,369
2013	342,184
2014	273,582
2015	273,582
2016	250,006
2017-2021	1,250,027
2022-2026	125,003
Total Minimum Lease Payments	\$ 2,865,753
Less Amount Representing Interest	(595,351)
Net Present Value of Minimum Lease Payments	<u>\$ 2,270,402</u>

4. Certificates of Participation

Future commitments for certificates of participation as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 59,433	-	\$ 59,433
2013	61,056	-	61,056
2014	62,733	-	62,733
2015	64,438	-	64,438
2016	66,222	-	66,222
2017-2021	359,274	-	359,274
2022-2026	157,870	-	157,870
Totals	<u>\$ 831,026</u>	<u>-</u>	<u>\$ 831,026</u>

5. 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.

6. Accreted Interest

Accreted interest in the Long-Term Obligation Activity chart represents amounts that have compounded as of June 30, 2011 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.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**K. Joint Ventures (Joint Powers Agreements)**

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRM). 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, 2011 is as follows:

Total Assets	\$	24,109
Total Liabilities		11,394
Total Fund Balance		12,715
Total Cash Receipts		846,160
Total Cash Disbursements		349,644
Net Change in Fund Balance		496,516

**L. 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 2010-11 was 10.707% 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, 2011, 2010 and 2009 were \$233,298, \$222,762 and \$211,308, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$0.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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 2010-11 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, 2011, 2010 and 2009 were \$555,660, \$570,679 and \$624,917, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$298,800.

M. 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 123 eligible active employees and 4 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 2010-11, the District contributed \$69,514 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	\$ 63,988
Interest on net OPEB obligation	1,631
Adjustment to annual required contribution	(4,419)
Contribution made	(69,514)
Change in net OPEB obligation	(8,314)
Net OPEB obligation, beginning of year	32,628
Net OPEB obligation, end of year	<u>\$ 24,314</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 63,988	1.09%	\$ 24,314

**Funding Status and Funding Progress**

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

**Actuarial Methods and Assumptions**

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

In the July 1, 2008 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.

**N. 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.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

O. Construction Commitments

As of June 30, 2011 the District had no commitments with respect to unfinished capital projects:

P. Adjustment to Beginning Net Assets

The beginning fund balance as reported on the government-wide Statement of Activities was adjusted by \$217,149 which was related to the overstatement of the District's capital leases payable.

Beginning Net Assets - Originally Stated	\$	15,461,674
Prior year capital leases payable understatement		<u>217,149</u>
Beginning Net Assets - As Restated	\$	<u>15,678,823</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 6,343,173	\$ 6,697,752	\$ 6,783,412	\$ 85,660
Local Sources	1,860,237	1,951,309	1,871,023	(80,286)
Federal Revenue	1,395,954	2,420,824	2,088,604	(332,220)
Other State Revenue	3,070,992	3,409,720	3,285,891	(123,829)
Other Local Revenue	402,213	645,270	663,352	18,082
Total Revenues	<u>13,072,569</u>	<u>15,124,875</u>	<u>14,692,282</u>	<u>(432,593)</u>
Expenditures:				
Current:				
Certificated Salaries	6,963,555	6,952,190	6,930,867	21,323
Classified Salaries	2,016,304	2,199,136	2,121,651	77,485
Employee Benefits	2,463,142	2,730,734	2,620,781	109,953
Books And Supplies	443,284	738,714	565,281	173,433
Services And Other Operating Expenditures	1,410,295	1,894,738	1,239,239	655,499
Capital Outlay	-	147,546	11,000	136,546
Debt Service:				
Principal	109,756	112,213	116,610	(4,397)
Interest	15,031	16,574	15,753	821
Total Expenditures	<u>13,421,367</u>	<u>14,791,845</u>	<u>13,621,182</u>	<u>1,170,663</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(348,798)</u>	<u>333,030</u>	<u>1,071,100</u>	<u>738,070</u>
Other Financing Sources (Uses):				
Other Sources	-	-	(1)	(1)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Net Change in Fund Balance	<u>(348,798)</u>	<u>333,030</u>	<u>1,071,099</u>	<u>738,069</u>
Fund Balance, July 1	<u>2,347,131</u>	<u>2,347,131</u>	<u>2,327,429</u>	<u>(19,702)</u>
Fund Balance, June 30	<u>\$ 1,998,333</u>	<u>\$ 2,680,161</u>	<u>\$ 3,398,528</u>	<u>\$ 718,367</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**

**EXHIBIT B-2**

ADULT EDUCATION FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Federal Revenue	\$ 98,431	\$ 64,136	\$ 64,555	\$ 419
Other Local Revenue	-	-	1,279	1,279
<b>Total Revenues</b>	<u>98,431</u>	<u>64,136</u>	<u>65,834</u>	<u>1,698</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Certificated Salaries	77,473	46,427	66,786	(20,359)
Classified Salaries	4,000	4,000	1,434	2,566
Employee Benefits	9,298	6,411	8,213	(1,802)
Books And Supplies	3,537	4,693	8,924	(4,231)
Services And Other Operating Expenditures	4,123	3,080	1,280	1,800
<b>Total Expenditures</b>	<u>98,431</u>	<u>64,611</u>	<u>86,637</u>	<u>(22,026)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(475)</u>	<u>(20,803)</u>	<u>(20,328)</u>
<b>Other Financing Sources (Uses):</b>				
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(475)</u>	<u>(20,803)</u>	<u>(20,328)</u>
Fund Balance, July 1	74,279	74,279	74,279	-
Fund Balance, June 30	<u>\$ 74,279</u>	<u>\$ 73,804</u>	<u>\$ 53,476</u>	<u>\$ (20,328)</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS-HEALTH BENEFITS PLAN  
 YEAR ENDED JUNE 30, 2011

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)
6/30/09	\$ -	\$ 578,928	\$ 578,928	-	\$ 10,419,463	5.6%
6/30/10	-	578,928	578,928	-	7,093,761	8.2%
6/30/11	-	578,928	578,928	-	9,396,739	6.2%

## **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, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-4)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 235,244	\$ 105,381	\$ 37,713	\$ 378,338
Accounts Receivable	172,953	169	87	173,209
Due from Other Funds	-	-	8,000	8,000
Stores Inventories	12,555	-	-	12,555
<b>Total Assets</b>	<b>\$ 420,752</b>	<b>\$ 105,550</b>	<b>\$ 45,800</b>	<b>\$ 572,102</b>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 4,004	\$ -	\$ -	\$ 4,004
Due to Other Funds	5,312	-	10	5,322
<b>Total Liabilities</b>	<b>9,316</b>	<b>-</b>	<b>10</b>	<b>9,326</b>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	12,555	-	-	12,555
Restricted Fund Balances	398,881	-	-	398,881
Assigned Fund Balances	-	105,550	45,790	151,340
<b>Total Fund Balance</b>	<b>411,436</b>	<b>105,550</b>	<b>45,790</b>	<b>562,776</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 420,752</b>	<b>\$ 105,550</b>	<b>\$ 45,800</b>	<b>\$ 572,102</b>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-6)
<b>Revenues:</b>				
Federal Revenue	\$ 809,053	\$ -	\$ -	\$ 809,053
Other State Revenue	71,373	3,990	-	75,363
Other Local Revenue	42,798	354,749	8,579	406,126
Total Revenues	<u>923,224</u>	<u>358,739</u>	<u>8,579</u>	<u>1,290,542</u>
<b>Expenditures:</b>				
Pupil Services	826,685	-	-	826,685
Debt Service:				
Principal	-	270,222	29,200	299,422
Interest	-	387,294	-	387,294
Total Expenditures	<u>826,685</u>	<u>657,516</u>	<u>29,200</u>	<u>1,513,401</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>96,539</u>	<u>(298,777)</u>	<u>(20,621)</u>	<u>(222,859)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	310,000	-	310,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>310,000</u>	<u>-</u>	<u>310,000</u>
Net Change in Fund Balance	96,539	11,223	(20,621)	87,141
Fund Balance, July 1	314,897	94,327	66,411	475,635
Fund Balance, June 30	<u>\$ 411,436</u>	<u>\$ 105,550</u>	<u>\$ 45,790</u>	<u>\$ 562,776</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2011

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 235,173	\$ 71	\$ 235,244
Accounts Receivable	172,953	-	172,953
Stores Inventories	12,555	-	12,555
<b>Total Assets</b>	<u>\$ 420,681</u>	<u>\$ 71</u>	<u>\$ 420,752</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 4,004	\$ -	\$ 4,004
Due to Other Funds	5,241	71	5,312
<b>Total Liabilities</b>	<u>9,245</u>	<u>71</u>	<u>9,316</u>
<b>Fund Balance:</b>			
<b>Nonspendable Fund Balances:</b>			
Stores Inventories	12,555	-	12,555
<b>Restricted Fund Balances</b>	<u>398,881</u>	<u>-</u>	<u>398,881</u>
<b>Total Fund Balance</b>	<u>411,436</u>	<u>-</u>	<u>411,436</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 420,681</u>	<u>\$ 71</u>	<u>\$ 420,752</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
<b>Revenues:</b>			
Federal Revenue	\$ 809,053	\$ -	\$ 809,053
Other State Revenue	71,373	-	71,373
Other Local Revenue	42,726	72	42,798
Total Revenues	<u>923,152</u>	<u>72</u>	<u>923,224</u>
<b>Expenditures:</b>			
Pupil Services	826,685	-	826,685
Total Expenditures	<u>826,685</u>	<u>-</u>	<u>826,685</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>96,467</u>	<u>72</u>	<u>96,539</u>
<b>Net Change in Fund Balance</b>	96,467	72	96,539
Fund Balance, July 1	314,969	(72)	314,897
Fund Balance, June 30	<u>\$ 411,436</u>	<u>\$ -</u>	<u>\$ 411,436</u>



**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 JUNE 30, 2011

	Bond Interest & Redemption Fund	Tax Override Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-1)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 31,738	\$ 6,443	\$ 67,200	\$ 105,381
Accounts Receivable	14	-	155	169
Total Assets	<u>\$ 31,752</u>	<u>\$ 6,443</u>	<u>\$ 67,355</u>	<u>\$ 105,550</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Assigned Fund Balances	\$ 31,752	\$ 6,443	\$ 67,355	\$ 105,550
Total Fund Balance	<u>31,752</u>	<u>6,443</u>	<u>67,355</u>	<u>105,550</u>
Total Liabilities and Fund Balances	<u>\$ 31,752</u>	<u>\$ 6,443</u>	<u>\$ 67,355</u>	<u>\$ 105,550</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, 2011

	Bond Interest & Redemption Fund	Tax Override Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
<b>Revenues:</b>				
Other State Revenue	\$ 3,990	\$ -	\$ -	\$ 3,990
Other Local Revenue	353,335	47	1,367	354,749
Total Revenues	<u>357,325</u>	<u>47</u>	<u>1,367</u>	<u>358,739</u>
<b>Expenditures:</b>				
<b>Debt Service:</b>				
Principal	65,000	-	205,222	270,222
Interest	287,693	-	99,601	387,294
Total Expenditures	<u>352,693</u>	<u>-</u>	<u>304,823</u>	<u>657,516</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,632</u>	<u>47</u>	<u>(303,456)</u>	<u>(298,777)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	310,000	310,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>310,000</u>	<u>310,000</u>
Net Change in Fund Balance	4,632	47	6,544	11,223
Fund Balance, July 1	27,120	6,396	60,811	94,327
Fund Balance, June 30	<u>\$ 31,752</u>	<u>\$ 6,443</u>	<u>\$ 67,355</u>	<u>\$ 105,550</u>

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2011

	Capital Facilities Fund	State School Buildin Lease-Purchase Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 37,703	\$ 10	\$ -	\$ 37,713
Accounts Receivable	87	-	-	87
Due from Other Funds	-	-	8,000	8,000
<b>Total Assets</b>	<u>\$ 37,790</u>	<u>\$ 10</u>	<u>\$ 8,000</u>	<u>\$ 45,800</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>Liabilities:</b>				
Due to Other Funds	\$ -	\$ 10	\$ -	\$ 10
<b>Total Liabilities</b>	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</u>
<b>Fund Balance:</b>				
Assigned Fund Balances	<u>37,790</u>	<u>-</u>	<u>8,000</u>	<u>45,790</u>
<b>Total Fund Balance</b>	<u>37,790</u>	<u>-</u>	<u>8,000</u>	<u>45,790</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 37,790</u>	<u>\$ 10</u>	<u>\$ 8,000</u>	<u>\$ 45,800</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, 2011**

	Capital Facilities Fund	State School Buildin Lease-Purchase Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
<b>Revenues:</b>				
Other Local Revenue	\$ 569	\$ 10	\$ 8,000	\$ 8,579
<b>Total Revenues</b>	<u>569</u>	<u>10</u>	<u>8,000</u>	<u>8,579</u>
<b>Expenditures:</b>				
<b>Debt Service:</b>				
Principal	29,200	-	-	29,200
<b>Total Expenditures</b>	<u>29,200</u>	<u>-</u>	<u>-</u>	<u>29,200</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(28,631)</u>	<u>10</u>	<u>8,000</u>	<u>(20,621)</u>
<b>Net Change in Fund Balance</b>	<u>(28,631)</u>	<u>10</u>	<u>8,000</u>	<u>(20,621)</u>
<b>Fund Balance, July 1</b>	66,421	(10)	-	66,411
<b>Fund Balance, June 30</b>	<u>\$ 37,790</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 45,790</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, 2011

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>
Ben Abatti, Jr.	President	Four year term Expires December 2013
Matt Hester	Clerk	Four year term Expires December 2011
Kevin Grizzle	Member	Four year term Expires December 2013
John Hawk	Member	Four year term Expires December 2013
Terry Allegranza	Member	Four year term Expires December 2011

## 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, 2011**

**TABLE D-1**

	Second Period Report *		Annual Report *	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	115.63	115.63	114.44	114.44
Grades 1 through 3	307.31	307.31	304.81	304.81
Grades 4 through 6	355.91	355.91	354.78	354.78
Grades 7 and 8	246.21	246.21	245.20	245.20
Special education	18.09	18.09	19.38	19.38
Elementary totals	<u>1,043.15</u>	<u>1,043.15</u>	<u>1,038.61</u>	<u>1,038.61</u>
High School:				
Grades 9 through 12, regular classes	494.96	494.96	489.15	489.15
Special education	12.57	12.57	15.12	15.12
Continuation education	18.00	18.00	18.00	18.00
High school totals	<u>525.53</u>	<u>525.53</u>	<u>522.27</u>	<u>522.27</u>
ADA totals	<u>1,568.68</u>	<u>1,568.68</u>	<u>1,560.88</u>	<u>1,560.88</u>

\* There were no revisions to the P2 or Annual attendance report as filed.

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, 2011

**TABLE D-2**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Adjusted &amp; Reduced</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Adjusted &amp; Reduced</u>	<u>2010-11 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	31,500	30,624	36,000	34,999	56,650	180	-	Complied
Grade 1	49,875	48,488	50,400	48,999	53,550	180	-	Complied
Grade 2	49,875	48,488	50,400	48,999	53,550	180	-	Complied
Grade 3	49,875	48,488	50,400	48,999	53,550	180	-	Complied
Grade 4	53,310	51,828	54,000	52,499	54,415	180	-	Complied
Grade 5	53,310	51,828	54,000	52,499	54,415	180	-	Complied
Grade 6	59,500	57,846	54,000	52,499	60,740	180	-	Complied
Grade 7	59,500	57,846	54,000	52,499	60,740	180	-	Complied
Grade 8	59,500	57,846	54,000	52,499	60,740	180	-	Complied
Grade 9	65,306	63,490	64,800	62,999	68,755	180	-	Complied
Grade 10	65,306	63,490	64,800	62,999	68,755	180	-	Complied
Grade 11	65,306	63,490	64,800	62,999	68,755	180	-	Complied
Grade 12	65,306	63,490	64,800	62,999	68,755	180	-	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, 2011

**TABLE D-3**

<u>General Fund</u>	<u>(Budget) 2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues and other financial sources	\$ <u>13,284,994</u>	\$ <u>14,692,282</u>	\$ <u>14,384,783</u>	\$ <u>15,261,282</u>
Expenditures, other uses and transfers out	<u>13,862,795</u>	<u>13,640,893</u>	<u>14,046,759</u>	<u>15,599,915</u>
Change in fund balance (deficit)	<u>(577,801)</u>	<u>1,051,389</u>	<u>338,024</u>	<u>(338,633)</u>
Ending fund balance	\$ <u>2,820,728</u>	\$ <u>3,398,529</u>	\$ <u>2,347,131</u>	\$ <u>2,009,107</u>
Available reserves	\$ <u>2,818,228</u>	\$ <u>3,084,995</u>	\$ <u>2,076,988</u>	\$ <u>1,616,987</u>
Available reserves as a percentage of total outgo	<u>20.3%</u>	<u>22.6%</u>	<u>14.4%</u>	<u>11.2%</u>
Total long-term debt	\$ <u>9,546,164</u>	\$ <u>9,959,045</u>	\$ <u>9,981,709</u>	\$ <u>10,412,704</u>
Average daily attendance at P-2	<u>1,575</u>	<u>1,569</u>	<u>1,632</u>	<u>1,767</u>

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

The district's general fund balance has increased by \$1,050,789 over the past three years. The fiscal year 2011-12 budget projects a decrease of \$577,801. For a district this size the state recommends available reserves of at least 1% of general fund expenditures, other uses and transfers out.

Long-term debt has decreased by \$82,592 over the past three years.

Average daily attendance (ADA) has decreased by 241 over the past three years.

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

TABLE D-4

	Schedule of Long-Term Liabilities
June 30, 2011, annual financial and budget report total liabilities	\$ <u>10,035,297</u>
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
General obligation bonds understatement	1,733
Certificates of participation understatement	173,219
Accreted interest understatement	15,316
Net OPEB obligation understatement	2,522
Capital leases overstatement	<u>(269,042)</u>
Net adjustments and reclassifications	<u>(76,252)</u>
June 30, 2011, audited financial statement total liabilities	\$ <u><u>9,959,045</u></u>

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

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF CHARTER SCHOOLS  
YEAR ENDED JUNE 30, 2011

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, 2011**

**TABLE D-6**  
**Page 1 of 2**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Program:			
Medi-Cal *	93.778	-	\$ 38,334
Total U. S. Department of Health and Human Services			<u>38,334</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
Adult Education	84.002	13978	4,006
Adult Basic Education	84.002A	14508	65,954
Adult Education English Literacy	84.002A	14109	16,100
Title I *	84.010	14329	604,297
Title I Part A Support for Program Improvement *	84.010	14796	93
Migrant Education	84.011	14326	236,183
Title I Migrant Education Summer	84.011	10005	94,521
Special Education *	84.027	13379	292,591
Special Education Preschool Development	84.048	14894	14,241
Even Start	84.213	14331	137,783
Title V Innovative	84.298	14354	1,525
Title II Technology *	84.318	14334	4,184
Gear Up	84.334A	10088	18,093
Title III Immigrant Education	84.365	15146	12,355
Title III LEP	84.365	14346	72,109
Title II Teacher Quality	84.367	14341	28,193
Title II Administration Training	84.367	14344	690
ARRA Title I	84.369	15005	758
ARRA Title II EETT *	84.386	15019	7,042
ARRA State Fiscal Stabilization Funds *	84.394	24997	78,492
ARRA Education Jobs Fund	84.410	25152	316,852
Total Passed Through State Department of Education			<u>2,006,062</u>
Total U. S. Department of Education			<u>2,006,062</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	13396	809,054
Total U. S. Department of Agriculture			<u>\$ 809,054</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through State Department of Education:			
FEMA	97.036	-	\$ 31,809
Total Department of Homeland Security			<u>31,809</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>2,885,259</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, 2011

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 Avenue

El Cajon, California 92020

**Independent Auditor's Report**

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, 2011, which collectively comprise the Holtville Unified School District's basic financial statements and have issued our report thereon dated November 23, 2011. 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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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.

El Cajon, California  
November 23, 2011

**WILKINSON HADLEY KING & CO. LLP**

CPA's and Advisors

218 W. Douglas Avenue

El Cajon, California 92020

**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 each of Holtville Unified School District's major federal programs for the year ended June 30, 2011. Holtville Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 each of its major federal programs for the year ended June 30, 2011.

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.

El Cajon, California  
November 23, 2011

**WILKINSON HADLEY KING & CO. LLP**

CPA's and Advisors  
218 W. Douglas Avenue  
El Cajon, California 92020

**Independent Auditor's Report**

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, 2011 and have issued our report thereon dated November 23, 2011. 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 2010-11*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2011. 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	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	No
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	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	4	Yes
Before School	5	N/A
Contemporaneous Records of Attendance, For Charter Schools	1	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	3	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 and continuation education because the ADA for those program were below the level that requires 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-1.

Holtville Unified School District's response to the finding 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.

El Cajon, California  
November 23, 2011

## Findings and Recommendations Section

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**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>
84.027, 84.391, 84.392	Special Education Cluster
84.011	Migrant Education
84.410	ARRA Education Jobs Fund

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

Auditee qualified as low-risk auditee?   X   Yes      No

**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?	<u>    </u> Yes	<u>  X  </u> No
One or more significant deficiencies identified that are are not considered to be material weaknesses?	<u>    </u> Yes	<u>  X  </u> None Reported

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

**B. Financial Statement Findings**

NONE

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

NONE

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

Finding 2011-1 (40000)  
 After School Education and Safety Program

Criteria or Specific Requirement

For each school selected, determine whether elementary school pupils participated in the full day of the after school program on every day which pupils participated, and determine whether pupils in middle or junior high schools attended the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy.

Condition

In our testing of attendance for the after school program we noted that, for the month tested, there were 31 instances where students were given attendance when they did not meet the requirements for leaving early that were established by the early release policy.

Questioned Costs

The questioned costs are 31 days of attendance for the month of March. (20 days at Holtville Middle School and 11 days at Finley Elementary School.)

Recommendation

We recommend that the District adopt procedures to ensure that students who leave the program early are leaving consistent with their established early release policy before they are given attendance for the day.

LEA's Response

Over the course of the 2010-11 school year the District underwent implementation of a new, bar-coded attendance system to alleviate the difficulties the ASES program was having with early release monitoring. Now that the system is in place and fully implemented, the district will ensure that procedures are followed in accordance with the early release policy.



**HOLTVILLE UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2010-1  ASB - Holtville Middle School</p> <p>Four out of eight expenditures tested did not have all of the required signatures on the ASB purchase order to verify the expenditure had been properly approved.</p> <p>We recommended that the District adopt procedures to require all ASB purchase orders to be signed by the organization or club advisor to ensure that all expenditures have proper approval.</p>	<p>Implemented</p>	
<p>Finding 2010-2  After School Education and Safety Program</p> <p>In our testing of attendance for the after school program we noted that there were instances where students were given attendance even though they did not meet the requirements for leaving early that were listed on their early release policy.</p> <p>We recommended the District adopt procedures to ensure that students who leave the program early are leaving consistent with their established early release policy before they are given attendance for the day.</p>	<p>Partially Implemented</p>	<p>See Current Year Recommendation</p>