

**HOLTVILLE UNIFIED SCHOOL DISTRICT  
BUILDING FUND – PROPOSITION 39  
GENERAL OBLIGATION BONDS**

**AUDIT REPORT**

**JUNE 30, 2012**

**HOLTVILLE UNIFIED SCHOOL DISTRICT  
MEASURE E BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
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**HOLTVILLE UNIFIED SCHOOL DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE E  
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING**

On November 5, 2002 the Holtville Unified School District was successful in obtaining authorization from District voters to issue up to \$8,000,000 in General Obligation Bonds pursuant to a 55% vote in a Bond election under Measure E. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Independent Citizens' Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

The Holtville Unified School District Measure E Independent Citizens' Oversight Committee as of June 30, 2012 was comprised of the following members:

Donna Brady	Member
Pete Mellinger	Member
Mary Bornt	Member
David Bradshaw	Member
Betty Predmore	Member
Raquel Alcaraz	Member
Patricia Salcio	Member
Mariana Garewal	Member
Jerry Brittsan	Member
Terry Allegranza	Member

## INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and  
Citizens' Oversight Committee  
Holtville Unified School District  
Holtville, California**

We have audited the accompanying statement of financial position of Measure E Building Fund (21-39) of Holtville Unified School District as of June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governments* issued by the American Institute of Certified Public Accountants and the standards applicable to financial audits 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 significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note B, the financial statements present only Building Fund (21-39) which is specific to Measure E and are not intended to present fairly the financial position and results of operations of Holtville Unified School District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Measure E Building Fund (21-39) of Holtville Unified School District as of June 30, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with the provisions of Proposition 39, we have also issued our report dated February 1, 2013, on performance. The purpose of that report is to determine with reasonable assurance that the proceeds from the sale of the bonds were only used for the purposes set forth in the ballot measure. The report is an integral part of an audit performed in accordance with the performance requirements for the Proposition 39 Measure E General Obligation Bonds and should be considered in assessing the results of our audit.

In accordance with Government Auditing Standards, we have also issued our report date February 1, 2013, on our consideration of Holtville Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and other matters.

The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 not be considered in assessing the results of our audit.

El Cajon, California  
February 1, 2013

**FINANCIAL SECTION**

**HOTLVILLE UNIFIED SCHOOL DISTRICT  
MEASURE E BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
BALANCE SHEET  
JUNE 30, 2012**

**ASSETS**

**Current Assets**

Cash in county treasury	\$ 45,971
Accounts receivable	<u>78</u>

**TOTAL ASSETS** 46,049

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

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**FUND BALANCE**

Assigned for capital projects	<u>46,049</u>
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**TOTAL LIABILITIES AND FUND BALANCE** \$ 46,049

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

**HOLTVILLE UNIFIED SCHOOL DISTRICT  
 MEASURE E BUILDING FUND (21-39)  
 GENERAL OBLIGATION BONDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2012**

<b>REVENUES</b>		
Interest income		\$ <u>834</u>
<b>EXPENDITURES</b>		
Operating expenses:		
Capital outlay		<u>484,518</u>
<b>TOTAL EXPENDITURES</b>		<u>484,518</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>		(483,684)
<b>NET CHANGE IN FUND BALANCE</b>		(483,684)
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>529,733</u>
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 46,049</u>

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



**HOLTVILLE UNIFIED SCHOOL DISTRICT  
MEASURE E BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**A. Definition of the Fund**

The Building Fund (21-39) was formed to account for the financing improvement and modernization of current schools for Holtville Unified School District (District), through expenditures of general obligation bonds issued under General Obligation Bonds Election of 2002, Series 2003, Series 2005, Series 2007 and Series 2010. Fund (21-39) is one of the Building Funds of the District.

**B. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

*Financial Reporting Entity*

The accompanying financial statements are used to account for the transactions of the Building Fund (21-39) specific to Measure E as defined in Note A and are not intended to present fairly the financial position and results of operations of Holtville Unified School District in conformity with accounting principles generally accepted in the United States of America.

*Basis of Accounting*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The Building Fund (21-39) is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

*Budgets and Budgetary Accounting*

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**HOLTVILLE UNIFIED SCHOOL DISTRICT  
MEASURE E BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**B. Summary of Significant Accounting Policies (Continued)**

*Encumbrances*

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

*Cash in County Treasury*

In accordance with Education Code §41001, the District maintains a substantial amount of 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 fair value, in accordance with the requirements of GASB Statement No. 31.

Interest earned is deposited quarterly into participating funds. 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 §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 San Diego County Treasury was not available.

*Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

**HOLTVILLE UNIFIED SCHOOL DISTRICT  
MEASURE E BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**B. Summary of Significant Accounting Policies (Continued)**

*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.

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.

**HOLTVILLE UNIFIED SCHOOL DISTRICT  
MEASURE E BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**C. Cash and Investments**

*Cash in County Treasury*

The District maintains significantly all of its cash in the Imperial County Treasury as part of the common investment pool. As of June 30, 2012, the portion of cash in county treasury attributed to Building Fund (21-39) was \$45,971. The fair value of Building Fund (21-39)'s portion of this pool as of that date, as provided by the pool sponsor, was \$46,106. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

*Investments*

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

*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 their 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  
MEASURE E BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**C. Cash and Investments (continued)**

*Analysis of Specific Deposit and Investment Risks (continued)*

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. 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 that 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.

f. *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 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.

**HOLTVILLE UNIFIED SCHOOL DISTRICT  
MEASURE E BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**D. Accounts Receivable**

Accounts Receivable at June 30, 2012 consisted of:

Interest	\$ 78
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**F. General Obligation Bonds**

The 2002 Measure E General Obligation Bonds were authorized by an election of the registered voters of the Holtville Unified School District held on November 5, 2002. The total amount authorized was \$8,000,000. Proceeds from the sale of the bonds will be used for the purpose of financing improvement and modernization of current school sites within the district. The first set of the bonds, series 2003, were issued on March 11, 2003 in the amount of \$2,500,000. The second series of bonds were issued on June 8, 2005 in the amount of \$3,000,000. The third series of bonds were issued on June 21, 2007 in the amount of \$970,000. The fourth series of bonds were issued on August 19, 2010 in the amount of \$536,408.

The outstanding bonded debt of the District as of June 30, 2012 is as follows:

Date of Issuance	Type	Rate	Maturity Date	Original Issue Amount	Amount Outstanding 7/1/2011	Issued Current Year	Redeemed	Amount Outstanding 6/30/2012
2003	General Obligation	2.00-6.00%	2027	\$ 2,500,000	\$ 2,220,000	\$ -	\$ 50,000	\$ 2,170,000
2005	General Obligation	3.50-5.50%	2034	3,000,000	2,860,000	-	30,000	2,830,000
2007	General Obligation	3.00-5.00%	2036	970,000	955,000	-	5,000	950,000
2010	Accreted Interest	4.56-12.00%	Various	536,408	536,408	-	-	536,408
2010	Premium	N/A	2041	-	234,416	-	9,299	225,117
2011	Accreted Interest	4.56-12.00%	Various	-	15,316	38,881	-	54,197
Total				\$ 7,006,408	\$ 6,821,140	\$ 38,881	\$ 94,299	\$ 6,765,722

**HOLTVILLE UNIFIED SCHOOL DISTRICT  
MEASURE E BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**F. General Obligation Bonds (Continued)**

The annual requirements to amortize the general obligation bonds payable , net of bond premium, outstanding as of June 30, 2012 is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted interest Due</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 95,000	\$ -	\$ 221,599	\$ 316,599
2014	95,000	-	277,759	372,759
2015	110,000	-	273,708	383,708
2016	125,000	-	269,172	394,172
2017	140,000	-	263,962	403,962
2018-2022	858,198	1,802	1,221,865	2,081,865
2023-2027	1,288,334	16,666	977,456	2,282,456
2028-2032	1,646,234	228,766	626,465	2,501,465
2033-2037	1,869,543	655,457	220,236	2,745,236
2038-2042	259,100	1,990,900	-	2,250,000
2043-2047	-	-	-	-
Total	<u>\$ 6,486,409</u>	<u>\$ 2,893,591</u>	<u>\$ 4,352,222</u>	<u>\$ 13,732,222</u>

Accreted Interest

Accreted interest in the Long-Term Obligation Activity chart represents amounts that have compounded as of June 30, 2012 for the bonds which were used as capital appreciation bonds. Accreted interest in the payment schedule represents the entire amount that will be repaid in the years the accreted interest becomes due.

**G. Construction Commitments**

As of June 30, 2012, the District Building Fund (21-39) did not have any commitments with respect to unfinished capital projects.

**OTHER INDEPENDENT AUDITOR'S REPORTS**



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

**Governing Board Members and  
Citizens Oversight Committee  
Holtville Unified School District  
Holtville, California**

We have audited the financial statements of Measure E Building Fund (21-39) of Holtville Unified School District (District) for the year ended June 30, 2012, and have issued our report thereon dated February 1, 2013. 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 opinion 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 the 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 according, 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, the Citizens Oversight Committee, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

El Cajon, California  
February 1, 2013

**Governing Board Members and  
Citizens Bond Oversight Committee  
Holtville Unified School District  
Holtville, California**

## **INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE**

We have audited the financial statements of the Measure E Building Fund (21-39) of Holtville Unified School District as of and for the fiscal year ended June 30, 2012 and have issued our report thereon dated February 1, 2013. Our audit was made in accordance with generally accepted auditing standards in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition 39 Measure E General Obligation Bond for the fiscal year ended June 30, 2012. The objective of the audit of compliance applicable to Holtville Unified School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Measure E Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure to modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve facilities of the District as noted in the bond project list.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

### **Internal Control Evaluation**

#### Procedure Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding Measure E resources
- Prevent material misstatement in the Measure E Building Fund (21-39) financial statements
- Ensure all expenditures are properly allocated

- Ensure adequate separation of duties exists in the accounting of Measure E funds
- Verify that a separate Building Fund of the District has been established to account for the receipt of bonds proceeds and expenditures of the funds for July 1, 2011 through June 30, 2012.
- Verify through examination of the bond issue settlement statement and accounting records that the net proceeds from the sale of the General Obligation Bonds were recorded in the separate fund of the District and any amounts set aside for debt service were deposited into the related bond interest and redemption fund.

Purchase requisitions are required for all expenditures. All requisitions are reviewed for proper supporting documentation. The requisitions then get approval from the Chief Business Official. The Chief Business Official verifies that all expenditures are properly recorded by project and expense category. When the purchase requisition has gone through the approval process, it will then be turned into a purchase order. Purchase orders are then processed via the District's normal purchase order system.

Purchase orders are then provided to the vendor who then proceeds to perform the requested service or provide the requested item. After the service is performed or item received and subsequent invoice is received requesting payment, the Chief Business Official verifies the services were performed or the items were received and then invoices are processed for payment. The District has established a separate Building Fund to properly account for the receipt of bond proceeds and expenditures. The District has properly recorded receipts of bond proceeds within the Building Fund.

#### Results of Procedures Performed

The results of our audit determined the internal control procedures as implemented are sufficient to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations.

#### **Facilities Site Walkthrough**

##### Procedures Performed:

We performed a walkthrough of various sites of the District to verify that Measure E funds expended for the year ended June 30, 2012 were for valid facilities acquisition and construction purposes. We toured various sites where the construction work occurred.

##### Results of Procedures Performed:

During our visit to the various sites where the construction work occurred, we were given an explanation by management, familiar with the construction work, of the work performed. Based on our review of the sites and the explanation of management, it appears the construction work performed was consistent with the Bond Project List.

#### **Tests of Expenditures**

##### Procedures Performed:

We tested expenditures to determine whether Measure E funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project List and the Measure E ballot measure language. Our testing included a sample of vendors and payroll payments, totaling approximately \$484,518 or approximately 100% of total expenditures for the year.

Results of Procedures Performed:

We found no instances where expenditures tested were not in compliance with the terms of Proposition D ballot measure and applicable state laws and regulations.

**Tests of Contracts and Bid Procedures**

Procedures Performed:

We reviewed the District's board minutes for approval of construction contracts and change orders, if any, to determine compliance with the District's policy and Public Contract Code provisions related to biddings and contracting.

Results of Procedures Performed:

We noted no instances where the District was out of compliance with respect to contracts and bidding procedures.

**Citizens' Oversight Committee**

Procedures Performed:

We have reviewed the minutes of the Citizens' Oversight Committee meetings and have attended committee meetings to verify compliance with Education Code sections 15278 through 15282.

Results of Procedures Performed:

We have determined the Holtville Unified School District's Measure E Independent Citizens' Oversight Committee and its involvement is in compliance with Education Code sections 15278 through 15282.

Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied, in all material respects, with the compliance requirements for the Measure E Building Fund (21-39), for the fiscal year ended June 30, 2012.

This report is intended solely for the information and use of the District's Governing Board, the Measure E Independent Citizens' Oversight Committee, management, others within the entity, and the taxpayers of Cajon Valley Union School District and is not intended to be and should not be used by anyone other than these specified parties.

El Cajon, California  
February 1, 2013

## **FINDINGS AND RECOMMENDATION SECTION**

**HOLTVILLE UNIFIED SCHOOL DISTRICT  
MEASURE E BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2012**

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There were no findings to report.

**HOLTVILLE UNIFIED SCHOOL DISTRICT  
MEASURE E BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2012**

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There were no findings reported in the June 30, 2011 audit.