

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

AUDIT REPORT

JUNE 30, 2010

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020**

Introductory Section

Holtville Unified School District
 Audit Report
 For The Year Ended June 30, 2010

TABLE OF CONTENTS

	Page	Exhibit/Table
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	10	Exhibit A-1
Statement of Activities.....	11	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	12	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	13	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	14	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	15	Exhibit A-6
Statement of Fiduciary Net Assets - Fiduciary Funds.....	16	Exhibit A-7
Notes to the Financial Statements	17	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	30	Exhibit B-1
Adult Education Fund.....	31	Exhibit B-2
Schedule of Funding Progress - Pension Plan.....	32	
<u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	33	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	34	Exhibit C-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	35	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	36	Exhibit C-4
Debt Service Funds:		
Combining Balance Sheet - Nonmajor Debt Service Funds.....	37	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Debt Service Funds.....	38	Exhibit C-6

Holtville Unified School District
 Audit Report
 For The Year Ended June 30, 2010

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	39	Exhibit C-7
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	40	Exhibit C-8
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	41	
Schedule of Average Daily Attendance.....	42	Table D-1
Schedule of Instructional Time.....	43	Table D-2
Schedule of Financial Trends and Analysis.....	44	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	45	Table D-4
Schedule of Charter Schools.....	46	Table D-5
Schedule of Expenditures of Federal Awards	47	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	48	
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>	49	
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.....	51	
Auditor's Report on State Compliance.....	53	
Schedule of Findings and Questioned Costs	55	
Summary Schedule of Prior Audit Findings.....	58	

Financial Section

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 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, 2010, 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, 2010, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010, 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 introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 2009-10*, published by the Education Audit Appeals Panel, and is also not a required part of the financial statements. The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

William Bradley King & Co. LLP

El Cajon, California
December 13, 2010

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2010
(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, 2010, 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 2009-10 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 \$571,088 was due to the fact that without construction and/or modernization present, total depreciation of assets (\$600,428), was larger than new assets purchased/acquired (\$29,340). Total assets at June 30, 2010 summed \$22,067,644.

* District-wide, total revenues decreased between and 2009-10 and 2008-09 by approximately \$1,703,629 (see Table A-1). This decrease reflects the large cuts suffered by the District due to the current economic crisis, along with cumulative decreases in District Average Daily Attendance (ADA), which have been compounding the past few years.

* Enrollment in 2009-10 increased over the 2008-09 school year by 10 students district-wide, for a total of 1,710 students. However, ADA figures decreased, due primarily because of fluctuating enrollment, 1,649 in 2008-09 to 1641 in 2009-10.

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 2009-10 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 2009-10 compared to the prior year.

Table A-1 STATEMENT OF ACTIVITIES JUNE 30, 2009		
REVENUES	2008-09	2009-10
Program Revenues		
Charges for Services	32,444	0
Operating Grants and Contributions	5,268,449	4,260,080
Capital Grants and Contributions	0	0
General Revenues		
Federal and State Aid not restricted	8,756,676	8,336,875
Property Taxes	2,209,525	2,202,742
Other General Revenues	412,895	176,663
Total Revenues	16,679,989	14,976,360
EXPENDITURES		
Instruction	10,196,703	8,973,589
Supervision of Instruction	121,255	77,057
Library, Media, and Technology	114,437	154,619
School Site Administration	1,136,971	1,124,517
Pupil Services	1,722,005	1,701,821
General Administration & Data Processing	1,149,878	1,856,526
Maintenance and Operations & Facility Acquisition	1,962,245	157,989
Debt Service	424,265	598,070
Other Outgo	236,136	1,371,758
Total Expenditures	17,063,895	16,015,946
Increase/Decrease in Net Assets	-383,906	-1,039,586
Net Asset Beginning	17,251,345	16,666,650
Net Asset Ending	16,666,650	15,461,674

The table below illustrates the changes to net assets from the 2008-09 fiscal year to the 2009-10 fiscal year.

Table A-2		
STATEMENT OF NET ASSETS		
	June 30, 2009	June 30, 2010
ASSETS		
Cash & Current Assets	4,910,585	4,190,606
Capital Assets	22,638,732	22,067,644
Total Assets	27,549,317	26,258,250
LIABILITIES		
Long-Term Debt	10,044,798	9,981,709
Other Liabilities	837,869	814,867
Total Liabilities	10,882,667	10,796,576
TOTAL NET ASSETS	16,666,650	15,461,674
DISTRIBUTION OF NET ASSETS		
Invested in Capital Assets	12,755,355	12,129,552
Restricted for Capital Projects	782,215	452,555
Other Restricted	1,939,352	751,219
Non-Restricted	1,189,728	2,128,348
TOTAL NET ASSETS	16,666,650	15,461,674

The above further illustrates that the District's assets are decreasing due to two factors – a) the poor economy and b) the stabilization of capital assets. For cash and current assets, the poor economy will force the State of California to make extreme cuts to schools, resulting in lower cash and current assets to be recorded. In addition, the District's capital assets will not see large gains as in previous years, as the District is no longer engaged in construction and modernization projects.

The Work in Progress designation refers to projects begun, but not completed as of June 30, 2010. 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. During the 2009-10 school year, the District was successful in obtaining CDE approval for a State grant for Career Technical Education construction funds. These funds can be used for the Multi-Purpose Building in light of the District's intent to use the building as a classroom facility for a Culinary Arts/Hospitality Services Regional Occupation Program (ROP). However, at this time, the District is still awaiting further notification from the Office of Public School Construction (OPSC), to determine if the State has adequate construction funds to green-light the project.

Table A-3		
ADDITIONS TO ASSETS		
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-termed, comparing the data to District-Wide Statements will assist in understanding long-term impact of financial decisions. Note that HUSD uses eight individual governmental funds, which are presented individually in the Fund Financial Statements.

As mentioned above, the Fund Financial Statements provide insight into the performance of individual areas of the District's operations. If one were to look at the District-Wide statements alone and the fact that the District showed substantial gain in assets, this would only tell part of the story for the 2009-10 school year. However, looking at the following chart (Table A-4), the performance of each of the District's funds shows that certain areas within the District's budget performed better than others.

Table A-4
CHANGES IN DISTRICT FUND BALANCES

FUND #	BEG BAL (7/1/09)	END BAL (6/30/10)	CHANGE IN FUND
General Fund (#010)	2,009,107	2,347,131	338,024
Adult Education Fund (#110)	467,920	74,280	-393,640
Cafeteria Fund (#130)	253,542	314,969	61,427
Deferred Maintenance Fund (#140)	-443	0	443
Special Reserve Fund (#170)	365,272	0	-365,272
Building Fund (#210)	717,324	386,134	-331,190
Capital Facilities Fund (#250)	92,950	66,421	-26,529
State School Bldg Lease-Purch Fund (#300)	-62	0	62
Bond Interest and Redemption Fund (#510)	41,888	27,120	-14,768
Tax Override Fund (#530)	6,295	6,396	101
Debt Service Fund (#560)	53,088	60,811	7,723

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 \$273,000. This occurred, in spite of the terrible economic situation and severe cuts, due in large part because of the additional dollars brought on by the American Recovery and Reinvestment Act (ARRA), the draw-down of the Special Reserve Fund, and drastic spending cuts implemented by the District.

Other funds of interest that show large balance reductions over the 2009-10 school year are the Adult Education Fund, the Special Reserve Fund, and the Building Fund. The reason for these reductions, again, points to the severe economic strain that all public agencies are facing in the current climate. For instance, the Adult Education Fund has seen its balance reduced drastically due to the flexibility provisions enacted by the State that allows school districts to use Adult Ed funds to backfill General Fund cuts. As mentioned above, the District Special Reserve was depleted to help ease the strain on the budget (as well as cash concerns). Finally the Building Fund, which houses the District's bond receipts, made a substantial contribution to pay back the bridge loan taken out during construction/modernization of the high school, as the bond funds could not be sold fast enough to cover the construction costs for which they were intended.

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, other funds above include those involved in repayment of bonds and other debt. These funds include the Bond Interest and Redemption Fund, the Tax Override Fund, and the Debt Service Fund. The Bond Interest and Redemption Fund deals with the repayment of the general obligation bonds issued with voter approval and is run by the Imperial County Assessor's Office. The Tax Override Fund is also run by the County, and represents our community's share in collection of dollars to build a new Exceptional Needs Facility that serves all districts in Imperial County. The Debt Service Fund was created in the 2006-07 fiscal year to service the two debt instruments the District has procured to aid construction: the Certificate of Payable (\$2.5 million) and the Qualified Zone Academy Bond (\$1.0 million) – loans taken out to fund construction and 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 2009-10 show that enrollment is sliding backward again, and Average Daily Attendance (ADA) needs to be monitored to stay ahead of the decline.
- 2009-10 continued to show that one of the worst national and State of California economies in recent history is upon us. The fiscal health of our State, the country, and the globe has all begun to come in 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, not destroys, jobs, it is likely that our economy will remain in this slump for a few 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. 6th Street, Holtville, CA 92250.

Basic Financial Statements

HOLTVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 1,892,496
Cash in Revolving Fund	2,500
Accounts Receivable	1,991,064
Stores Inventories	42,295
Prepaid Expenses	262,251
Capital Assets	
Land	153,012
Improvements	539,036
Buildings	26,482,042
Equipment	1,669,712
Work In Progress	331,804
Less Accumulated Depreciation	(7,107,962)
Total Assets	<u>26,258,250</u>
LIABILITIES:	
Accounts Payable	756,210
Deferred Revenues	58,657
Long-term Liabilities	
Due Within One Year	426,394
Due in More Than One Year	9,555,315
Total Liabilities	<u>10,796,576</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	12,129,552
Restricted For:	
Capital Projects	452,555
Debt Service	94,327
Educational Programs	341,923
Other Purposes (expendable)	314,969
Unrestricted	2,128,348
Total Net Assets	<u>\$ 15,461,674</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
PRIMARY GOVERNMENT:					
Government Activities:					
Instruction	\$ 8,973,589	\$ -	\$ 2,475,889	\$ -	\$ (6,497,700)
Instruction-Related Services	1,356,193	-	178,430	-	(1,177,763)
Pupil Services	1,701,821	-	1,402,189	-	(299,632)
Ancillary Services	1,371,758	-	184,406	-	(1,187,352)
General Administration	1,856,526	-	7,267	-	(1,849,259)
Plant Services	157,989	-	-	-	(157,989)
Interest on Long-Term Debt	598,070	-	-	-	(598,070)
Other Outgo	-	-	11,899	-	11,899
Total Governmental Activities	<u>16,015,946</u>	<u>-</u>	<u>4,260,080</u>	<u>-</u>	<u>(11,755,866)</u>
Total Primary Government	<u>\$ 16,015,946</u>	<u>\$ -</u>	<u>\$ 4,260,080</u>	<u>\$ -</u>	<u>(11,755,866)</u>
General Revenues:					
					2,202,742
Taxes and Subventions					8,336,875
Federal and State Aid, Not Restricted					37,915
Interest and Investment Earnings					138,748
Miscellaneous					<u>10,716,280</u>
Total General Revenues					<u>10,716,280</u>
Change in Net Assets					<u>(1,039,586)</u>
Net Assets - Beginning					<u>16,501,260</u>
Net Assets - Ending					<u>\$ 15,461,674</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2010

	General Fund	Adult Education Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 887,004	\$ 250,552	\$ 754,938	\$ 1,892,494
Cash in Revolving Fund	2,500	-	-	2,500
Accounts Receivable	1,840,953	80,771	69,342	1,991,066
Due from Other Funds	254,776	-	31,946	286,722
Stores Inventories	-	-	42,295	42,295
Total Assets	<u>\$ 2,985,233</u>	<u>\$ 331,323</u>	<u>\$ 898,521</u>	<u>\$ 4,215,077</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 579,444	\$ 2,268	\$ 4,725	\$ 586,437
Due to Other Funds	-	254,776	31,946	286,722
Deferred Revenue	58,658	-	-	58,658
Total Liabilities	<u>638,102</u>	<u>257,044</u>	<u>36,671</u>	<u>931,817</u>
Fund Balance:				
Reserved Fund Balances:				
Reserve for Revolving Cash	2,500	-	-	2,500
Reserve for Stores Inventories	-	-	42,295	42,295
Reserve for Legally Restricted Balance	267,644	-	-	267,644
Designated Fund Balances:				
Other Designated	1,657,525	-	-	1,657,525
Unreserved	419,462	74,279	-	493,741
Unreserved, reported in nonmajor:				
Special Revenue Funds	-	-	272,673	272,673
Debt Service Funds	-	-	94,327	94,327
Capital Projects Funds	-	-	452,555	452,555
Total Fund Balance	<u>2,347,131</u>	<u>74,279</u>	<u>861,850</u>	<u>3,283,260</u>
Total Liabilities and Fund Balances	<u>\$ 2,985,233</u>	<u>\$ 331,323</u>	<u>\$ 898,521</u>	<u>\$ 4,215,077</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances - governmental funds balance sheet \$ 3,283,260

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	29,175,606	
Accumulated depreciation	<u>(7,107,962)</u>	
	Net	22,067,644

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: 262,251

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: (169,772)

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	6,265,446	
Net OPEB obligation	32,628	
Compensated absences payable	10,989	
Certificates of participation payable	888,876	
Capital leases payable	<u>2,783,770</u>	
	Total	<u>(9,981,709)</u>

Net assets of governmental activities - statement of net assets \$ 15,461,674

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, 2010

	General Fund	Adult Education Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 6,185,398	\$ -	\$ -	\$ 6,185,398
Local Sources	1,919,440	-	-	1,919,440
Federal Revenue	1,811,212	98,431	638,141	2,547,784
Other State Revenue	3,290,679	(7,978)	53,882	3,336,583
Other Local Revenue	558,724	24,069	404,361	987,154
Total Revenues	<u>13,765,453</u>	<u>114,522</u>	<u>1,096,384</u>	<u>14,976,359</u>
Expenditures:				
Instruction	8,323,974	154,045	-	8,478,019
Instruction - Related Services	1,222,671	93,981	-	1,316,652
Pupil Services	998,855	-	672,674	1,671,529
Ancillary Services	154,551	-	-	154,551
General Administration	1,378,541	-	-	1,378,541
Plant Services	1,833,832	-	35,927	1,869,759
Debt Service:				
Principal	108,742	5,229	292,266	406,237
Interest	25,593	850	398,249	424,692
Total Expenditures	<u>14,046,759</u>	<u>254,105</u>	<u>1,399,116</u>	<u>15,699,980</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(281,306)</u>	<u>(139,583)</u>	<u>(302,732)</u>	<u>(723,621)</u>
Other Financing Sources (Uses):				
Transfers In	388,589	-	310,000	698,589
Transfers Out	-	(23,317)	(675,272)	(698,589)
Other Sources	230,741	(230,741)	-	-
Total Other Financing Sources (Uses)	<u>619,330</u>	<u>(254,058)</u>	<u>(365,272)</u>	<u>-</u>
Net Change in Fund Balance	338,024	(393,641)	(668,004)	(723,621)
Fund Balance, July 1	2,009,107	467,920	1,529,854	4,006,881
Fund Balance, June 30	<u>\$ 2,347,131</u>	<u>\$ 74,279</u>	<u>\$ 861,850</u>	<u>\$ 3,283,260</u>

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT

EXHIBIT A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds \$ (723,621)

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

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

Expenditures for capital outlay	29,340	
Depreciation Expense	(600,428)	
Net		(571,088)

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:

406,237

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:

(169,770)

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:

8,856

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:

13,406

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:

(3,606)

Change in net assets of governmental activities - statement of activities \$ (1,039,586)

The accompanying notes are an integral part of this statement.

HOLTVILLE UNIFIED SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	Agency Fund	Student Body Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash on Hand and in Banks	\$ 130,220	
Total Assets	\$ <u>130,220</u>	
LIABILITIES:		
Due to Student Groups	\$ 130,220	
Total Liabilities	\$ <u>130,220</u>	
NET ASSETS:		
Total Net Assets	\$ <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, 2010

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, 2010

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.

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, 2010

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, 2010

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

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

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

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

i. Use of Estimates

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

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

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

C. Excess of Expenditures Over Appropriations

As of June 30, 2010, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Classified salaries	\$ 72,850
Employee benefits	45,779
Adult Education Fund:	
Books and supplies	1,562
Services and other operating expenses	724
Debt service-principal	5,229
Debt service-interest	850

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 (\$1,892,496 as of June 30, 2010). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$1,892,496. 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 (\$130,220 as of June 30, 2010) and in the revolving fund (\$2,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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.

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.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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

E. Accounts Receivable

Accounts receivable at June 30, 2010 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other	Total
Federal Government:					
Federal programs	\$ 363,216	\$ 145,131	\$ -	\$ -	\$ 508,347
State Government:					
Lottery	81,771	-	-	-	81,771
Revenue Limit	1,342,873	-	-	-	1,342,873
Other state programs	47,468	1,904	-	-	49,372
Local Sources:					
Interest	5,625	1,447	1,425	206	8,703
Totals	\$ 1,840,953	\$ 148,482	\$ 1,425	\$ 206	\$ 1,991,066

F. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 153,012	\$ -	\$ -	\$ 153,012
Work in progress	302,464	29,340	-	331,804
Total capital assets not being depreciated	455,476	29,340	-	484,816
Capital assets being depreciated:				
Buildings	26,482,042	-	-	26,482,042
Improvements	539,036	-	-	539,036
Equipment	1,669,712	-	-	1,669,712
Total capital assets being depreciated	28,690,790	-	-	28,690,790
Less accumulated depreciation for:				
Buildings	(5,098,874)	(502,553)	-	(5,601,427)
Improvements	(246,461)	(21,322)	-	(267,783)
Equipment	(1,162,199)	(76,553)	-	(1,238,752)
Total accumulated depreciation	(6,507,534)	(600,428)	-	(7,107,962)
Total capital assets being depreciated, net	22,183,256	(600,428)	-	21,582,828
Governmental activities capital assets, net	\$ 22,638,732	\$ (571,088)	\$ -	\$ 22,067,644

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

Depreciation was charged to functions as follows:

Instruction	\$ 508,975
Instruction-Related Services	39,541
Pupil Services	29,092
Ancillary Services	3,438
General Administration	668
Plant Services	18,714
	<u>\$ 600,428</u>

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2010, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	Adult Education Fund	\$ 254,776
Building Fund	Deferred Maintenance Fund	27,997
Building Fund	State School Building Fund	3,949
	Total	<u>\$ 286,722</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, 2010, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Adult Education Fund	General Fund	\$ 23,317
Special Reserve Fund	General Fund	365,272
Building Fund	Debt Service Fund	310,000
	Total	<u>\$ 698,589</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.

I. Accounts Payable

Accounts payable at June 30, 2010 consisted of:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Other</u>	<u>Total</u>
Vendor payables	\$ 105,156	\$ 6,977	\$ 16	\$ 112,149
Payroll and related benefits	474,271	-	-	474,271
Other	17	-	-	17
Totals	<u>\$ 579,444</u>	<u>\$ 6,977</u>	<u>\$ 16</u>	<u>\$ 586,437</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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, 2010, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,165,000	\$ -	\$ 65,000	\$ 6,100,000	\$ 65,000
Unamortized bond premium	172,565	-	7,121	165,444	7,119
Capital leases	2,696,170	120,400	32,800	2,783,770	286,234
Certificates of participation	945,183	-	56,307	888,876	57,850
OPEB	46,034	-	13,406	32,628	-
Compensated absences *	19,845	76,525	85,379	10,991	10,191
Total governmental activities	\$ 10,044,797	\$ 196,925	\$ 260,013	\$ 9,981,709	\$ 426,394

* 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, at June 30, 2010 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 362,225	\$ 408,961	\$ 771,186
2012	331,550	389,856	721,406
2013	344,104	374,678	718,782
2014	285,888	360,451	646,339
2015	310,172	347,115	657,287
2016-2020	1,765,845	1,512,555	3,278,400
2021-2025	1,447,842	1,108,840	2,556,682
2026-2030	1,470,000	770,553	2,240,553
2031-2035	1,725,000	393,758	2,118,758
2036-2040	852,133	34,787	886,920
Totals	\$ 8,894,759	\$ 5,701,554	\$ 14,596,313

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2010, as follows:

<u>Year Ending June 30:</u>	
2011	\$ 407,502
2012	351,369
2013	342,184
2014	273,582
2015	273,580
2016-2020	1,250,028
2021-2025	375,008
Total Minimum Lease Payments	\$ 3,273,253
Less Amount Representing Interest	(489,483)
Net Present Value of Minimum Lease Payments	<u>\$ 2,783,770</u>

4. Certificates of Participation

Future commitments for certificates of participation as of June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 57,850	-	\$ 57,850
2012	59,433	-	59,433
2013	61,056	-	61,056
2014	62,733	-	62,733
2015	64,438	-	64,438
2016-2020	349,707	-	349,707
2021-2025	233,659	-	233,659
Totals	<u>\$ 888,876</u>	<u>-</u>	<u>\$ 888,876</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.

K. Joint Ventures (Joint Powers Agreements)

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

Combined condensed audited financial information of the District's share of the JPA for the year ended June 30, 2010 is as follows:

Total Assets	\$	(305,254)
Total Liabilities		101,824
Total Fund Balance		(407,078)
Total Cash Receipts		566,462
Total Cash Disbursements		801,671
Net Change in Fund Balance		(235,209)

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 2009-10 was 9.70% 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, 2010, 2009 and 2008 were \$222,762, \$211,308 and \$198,466, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$0.

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.

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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 2009-10 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, 2010, 2009 and 2008 were \$570,679, \$624,917 and \$629,821, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$300,527.

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 2009-10, the District contributed \$77,608 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	\$ 61,440
Interest on net OPEB obligation	2,762
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	-
Contribution made	(77,608)
Change in net OPEB obligation	(13,406)
Net OPEB obligation, beginning of year	46,034
Net OPEB obligation, end of year	<u>\$ 32,628</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 was as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	\$ 61,440	126.3%	\$ 32,628

HOLTVILLE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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

Medical cost trend rates ranged from an initial rate of 8.0% reduced to a rate of 5.0% after five years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2010 of 28 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.

O. Subsequent Events

Tax Revenue Anticipation Notes

In July 2009, the District entered into the Imperial County School Districts 2009 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$840,000. The notes mature on July 1, 2010 and bear an interest rate of 2.47%. The notes were sold to supplement the District's cash flows.

In September 2010 the District issued \$536,408 of capital appreciation bonds. The bonds accrete interest from the date of issue, compounded semi-annually on February 1 and August 1, commencing February 1, 2011. The accreted interest is payable on maturity. The bonds mature August 1, 2040.

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
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 6,722,945	\$ 6,249,258	\$ 6,185,398	\$ (63,860)
Local Sources	2,025,122	1,891,692	1,919,440	27,748
Federal Revenue	1,638,398	2,085,583	1,811,212	(274,371)
Other State Revenue	2,176,244	3,446,318	3,290,679	(155,639)
Other Local Revenue	370,728	572,955	558,724	(14,231)
Total Revenues	<u>12,933,437</u>	<u>14,245,806</u>	<u>13,765,453</u>	<u>(480,353)</u>
Expenditures:				
Current:				
Certificated Salaries	7,052,529	7,145,060	6,999,778	145,282
Classified Salaries	2,010,258	2,210,499	2,283,349	(72,850)
Employee Benefits	2,362,355	2,373,849	2,419,628	(45,779)
Books And Supplies	370,937	804,883	669,997	134,886
Services And Other Operating Expenditures	1,519,998	1,884,006	1,539,672	344,334
Capital Outlay	10,000	-	-	-
Debt Service:				
Principal	-	132,542	108,742	23,800
Interest	-	30,028	25,593	4,435
Total Expenditures	<u>13,326,077</u>	<u>14,580,867</u>	<u>14,046,759</u>	<u>534,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(392,640)</u>	<u>(335,061)</u>	<u>(281,306)</u>	<u>53,755</u>
Other Financing Sources (Uses):				
Transfers In	-	614,384	388,589	(225,795)
Other Sources	-	-	230,741	230,741
Total Other Financing Sources (Uses)	<u>-</u>	<u>614,384</u>	<u>619,330</u>	<u>4,946</u>
Net Change in Fund Balance	<u>(392,640)</u>	<u>279,323</u>	<u>338,024</u>	<u>58,701</u>
Fund Balance, July 1	2,009,107	2,009,107	2,009,107	-
Fund Balance, June 30	<u>\$ 1,616,467</u>	<u>\$ 2,288,430</u>	<u>\$ 2,347,131</u>	<u>\$ 58,701</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

ADULT EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2010

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 77,016	\$ 98,431	\$ 98,431	\$ -
Other State Revenue	-	-	(7,978)	(7,978)
Other Local Revenue	3,500	3,500	24,069	20,569
Total Revenues	<u>80,516</u>	<u>101,931</u>	<u>114,522</u>	<u>12,591</u>
Expenditures:				
Current:				
Certificated Salaries	222,293	256,878	175,335	81,543
Classified Salaries	45,685	31,477	19,386	12,091
Employee Benefits	42,498	41,135	33,609	7,526
Books And Supplies	10,810	8,287	9,849	(1,562)
Services And Other Operating Expenditures	7,874	9,123	9,847	(724)
Debt Service:				
Principal	-	-	5,229	(5,229)
Interest	-	-	850	(850)
Total Expenditures	<u>329,160</u>	<u>346,900</u>	<u>254,105</u>	<u>92,795</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(248,644)	(244,969)	(139,583)	105,386
Other Financing Sources (Uses):				
Transfers Out	-	(223,427)	(23,317)	200,110
Other Sources	-	-	(230,741)	(230,741)
Total Other Financing Sources (Uses)	-	(223,427)	(254,058)	(30,631)
Net Change in Fund Balance	<u>(248,644)</u>	<u>(468,396)</u>	<u>(393,641)</u>	<u>74,755</u>
Fund Balance, July 1	467,920	467,920	467,920	-
Fund Balance, June 30	<u>\$ 219,276</u>	<u>\$ (476)</u>	<u>\$ 74,279</u>	<u>\$ 74,755</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 YEAR ENDED JUNE 30, 2010

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%

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, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 237,668	\$ 94,137	\$ 423,133	\$ 754,938
Accounts Receivable	67,711	206	1,425	69,342
Due from Other Funds	-	-	31,946	31,946
Stores Inventories	42,295	-	-	42,295
Total Assets	<u>\$ 347,674</u>	<u>\$ 94,343</u>	<u>\$ 456,504</u>	<u>\$ 898,521</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 4,709	\$ 16	\$ -	\$ 4,725
Due to Other Funds	27,997	-	3,949	31,946
Total Liabilities	<u>32,706</u>	<u>16</u>	<u>3,949</u>	<u>36,671</u>
Fund Balance:				
Reserved Fund Balances:				
Reserve for Stores Inventories	42,295	-	-	42,295
Unreserved, reported in nonmajor:				
Special Revenue Funds	272,673	-	-	272,673
Debt Service Funds	-	94,327	-	94,327
Capital Projects Funds	-	-	452,555	452,555
Total Fund Balance	<u>314,968</u>	<u>94,327</u>	<u>452,555</u>	<u>861,850</u>
Total Liabilities and Fund Balances	<u>\$ 347,674</u>	<u>\$ 94,343</u>	<u>\$ 456,504</u>	<u>\$ 898,521</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 638,141	\$ -	\$ -	\$ 638,141
Other State Revenue	50,001	3,881	-	53,882
Other Local Revenue	52,988	336,890	14,483	404,361
Total Revenues	<u>741,130</u>	<u>340,771</u>	<u>14,483</u>	<u>1,096,384</u>
Expenditures:				
Pupil Services	672,674	-	-	672,674
Plant Services	6,587	-	29,340	35,927
Debt Service:				
Principal	-	259,466	32,800	292,266
Interest	-	398,249	-	398,249
Total Expenditures	<u>679,261</u>	<u>657,715</u>	<u>62,140</u>	<u>1,399,116</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>61,869</u>	<u>(316,944)</u>	<u>(47,657)</u>	<u>(302,732)</u>
Other Financing Sources (Uses):				
Transfers In	-	310,000	-	310,000
Transfers Out	(365,272)	-	(310,000)	(675,272)
Total Other Financing Sources (Uses)	<u>(365,272)</u>	<u>310,000</u>	<u>(310,000)</u>	<u>(365,272)</u>
Net Change in Fund Balance	(303,403)	(6,944)	(357,657)	(668,004)
Fund Balance, July 1	618,371	101,271	810,212	1,529,854
Fund Balance, June 30	<u>\$ 314,968</u>	<u>\$ 94,327</u>	<u>\$ 452,555</u>	<u>\$ 861,850</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2010

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 209,758	\$ 27,910	\$ 237,668
Accounts Receivable	67,625	86	67,711
Stores Inventories	42,295	-	42,295
Total Assets	<u>\$ 319,678</u>	<u>\$ 27,996</u>	<u>\$ 347,674</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 4,709	\$ -	\$ 4,709
Due to Other Funds	-	27,997	27,997
Total Liabilities	<u>4,709</u>	<u>27,997</u>	<u>32,706</u>
Fund Balance:			
Reserved Fund Balances:			
Reserve for Stores Inventories	42,295	-	42,295
Unreserved, reported in nonmajor:			
Special Revenue Funds	272,674	(1)	272,673
Total Fund Balance	<u>314,969</u>	<u>(1)</u>	<u>314,968</u>
Total Liabilities and Fund Balances	<u>\$ 319,678</u>	<u>\$ 27,996</u>	<u>\$ 347,674</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, 2010

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ 638,141	\$ -	\$ -	\$ 638,141
Other State Revenue	50,001	-	-	50,001
Other Local Revenue	52,546	442	-	52,988
Total Revenues	<u>740,688</u>	<u>442</u>	<u>-</u>	<u>741,130</u>
Expenditures:				
Pupil Services	672,674	-	-	672,674
Plant Services	6,587	-	-	6,587
Total Expenditures	<u>679,261</u>	<u>-</u>	<u>-</u>	<u>679,261</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>61,427</u>	<u>442</u>	<u>-</u>	<u>61,869</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(365,272)	(365,272)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(365,272)</u>	<u>(365,272)</u>
Net Change in Fund Balance	61,427	442	(365,272)	(303,403)
Fund Balance, July 1	253,542	(443)	365,272	618,371
Fund Balance, June 30	<u>\$ 314,969</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 314,968</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2010

	Bond Interest & Redemption Fund	Tax Override Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 27,136	\$ 6,376	\$ 60,625	\$ 94,137
Accounts Receivable	-	20	186	206
Total Assets	<u>\$ 27,136</u>	<u>\$ 6,396</u>	<u>\$ 60,811</u>	<u>\$ 94,343</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 16	\$ -	\$ -	\$ 16
Total Liabilities	<u>16</u>	<u>-</u>	<u>-</u>	<u>16</u>
Fund Balance:				
Unreserved, reported in nonmajor:				
Debt Service Funds	27,120	6,396	60,811	94,327
Total Fund Balance	<u>27,120</u>	<u>6,396</u>	<u>60,811</u>	<u>94,327</u>
Total Liabilities and Fund Balances	<u>\$ 27,136</u>	<u>\$ 6,396</u>	<u>\$ 60,811</u>	<u>\$ 94,343</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, 2010

	Bond Interest & Redemption Fund	Tax Override Fund	Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:				
Other State Revenue	\$ 3,881	\$ -	\$ -	\$ 3,881
Other Local Revenue	336,243	101	546	336,890
Total Revenues	<u>340,124</u>	<u>101</u>	<u>546</u>	<u>340,771</u>
Expenditures:				
Debt Service:				
Principal	65,000	-	194,466	259,466
Interest	289,892	-	108,357	398,249
Total Expenditures	<u>354,892</u>	<u>-</u>	<u>302,823</u>	<u>657,715</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,768)</u>	<u>101</u>	<u>(302,277)</u>	<u>(316,944)</u>
Other Financing Sources (Uses):				
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	(14,768)	101	7,723	(6,944)
Fund Balance, July 1	41,888	6,295	53,088	101,271
Fund Balance, June 30	<u>\$ 27,120</u>	<u>\$ 6,396</u>	<u>\$ 60,811</u>	<u>\$ 94,327</u>

HOLTVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2010

	Building Fund	Capital Facilities Fund	State School Building Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 352,972	\$ 66,224	\$ 3,937	\$ 423,133
Accounts Receivable	1,216	197	12	1,425
Due from Other Funds	31,946	-	-	31,946
Total Assets	<u>\$ 386,134</u>	<u>\$ 66,421</u>	<u>\$ 3,949</u>	<u>\$ 456,504</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Due to Other Funds	\$ -	\$ -	\$ 3,949	\$ 3,949
Total Liabilities	<u>-</u>	<u>-</u>	<u>3,949</u>	<u>3,949</u>
Fund Balance:				
Unreserved, reported in nonmajor:				
Capital Projects Funds	386,134	66,421	-	452,555
Total Fund Balance	<u>386,134</u>	<u>66,421</u>	<u>-</u>	<u>452,555</u>
Total Liabilities and Fund Balances	<u>\$ 386,134</u>	<u>\$ 66,421</u>	<u>\$ 3,949</u>	<u>\$ 456,504</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, 2010

	Building Fund	Capital Facilities Fund	State School Building Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 8,150	\$ 6,271	\$ 62	\$ 14,483
Total Revenues	<u>8,150</u>	<u>6,271</u>	<u>62</u>	<u>14,483</u>
Expenditures:				
Plant Services	29,340	-	-	29,340
Debt Service:				
Principal	-	32,800	-	32,800
Total Expenditures	<u>29,340</u>	<u>32,800</u>	<u>-</u>	<u>62,140</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,190)</u>	<u>(26,529)</u>	<u>62</u>	<u>(47,657)</u>
Other Financing Sources (Uses):				
Transfers Out	(310,000)	-	-	(310,000)
Total Other Financing Sources (Uses)	<u>(310,000)</u>	<u>-</u>	<u>-</u>	<u>(310,000)</u>
Net Change in Fund Balance	(331,190)	(26,529)	62	(357,657)
Fund Balance, July 1	717,324	92,950	(62)	810,212
Fund Balance, June 30	<u>\$ 386,134</u>	<u>\$ 66,421</u>	<u>\$ -</u>	<u>\$ 452,555</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, 2010

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

Governing Board

Name	Office	Term and Term Expiration
John Hawk	President	Four year term Expires December 2013
Ben Abatti, Jr.	Clerk	Four year term Expires December 2013
Kevin Grizzle	Member	Four year term Expires December 2013
Matt Hester	Member	Four year term Expires December 2011
Rochelle Rolfe	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, 2010

TABLE D-1

	Second Period Report		Annual Report *	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	117.26	117.26	117.26	117.26
Grades 1 through 3	331.85	331.85	333.60	333.60
Grades 4 through 6	358.26	358.26	357.64	357.64
Grades 7 and 8	243.88	243.88	245.32	245.32
Special education	17.25	17.25	18.03	18.03
Elementary totals	<u>1,068.50</u>	<u>1,068.50</u>	<u>1,071.85</u>	<u>1,071.85</u>
High School:				
Grades 9 through 12, regular classes	528.05	528.05	522.47	522.47
Special education	15.96	15.96	15.42	15.47
Continuation education	23.64	19.16	18.90	18.90
High school totals	<u>567.65</u>	<u>563.19</u>	<u>556.84</u>	<u>556.84</u>
ADA totals	<u>1,636.15</u>	<u>1,631.69</u>	<u>1,628.69</u>	<u>1,628.69</u>

The Annual attendance report as filed was not revised.

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, 2010

TABLE D-2

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2009-10 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,500	30,624	36,000	34,999	56,045	179	-	Complied
Grade 1	49,875	48,488	50,400	48,999	51,690	179	-	Complied
Grade 2	49,875	48,488	50,400	48,999	52,545	179	-	Complied
Grade 3	49,875	48,488	50,400	48,999	53,095	179	-	Complied
Grade 4	53,310	51,828	54,000	52,499	54,805	179	-	Complied
Grade 5	53,310	51,828	54,000	52,499	54,805	179	-	Complied
Grade 6	59,500	57,846	54,000	52,499	60,410	179	-	Complied
Grade 7	59,500	57,846	54,000	52,499	60,410	179	-	Complied
Grade 8	59,500	57,846	54,000	52,499	60,410	179	-	Complied
Grade 9	65,306	63,490	64,800	62,999	67,939	179	-	Complied
Grade 10	65,306	63,490	64,800	62,999	67,939	179	-	Complied
Grade 11	65,306	63,490	64,800	62,999	67,939	179	-	Complied
Grade 12	65,306	63,490	64,800	62,999	67,939	179	-	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, 2010

TABLE D-3

General Fund	(Budget) 2011	2010	2009	2008
Revenues and other financial sources	\$ 13,271,017	\$ 14,384,783	\$ 15,261,282	\$ 15,458,168
Expenditures, other uses and transfers out	14,113,442	14,046,759	15,599,915	15,550,742
Change in fund balance (deficit)	(842,425)	338,024	(338,633)	(92,574)
Ending fund balance	\$ 1,504,706	\$ 2,347,131	\$ 2,009,107	\$ 2,347,740
Available reserves	\$ 1,443,344	\$ 2,076,988	\$ 1,616,987	\$ 1,615,639
Available reserves as a percentage of total outgo	10.2%	14.4%	11.2%	10.4%
Total long-term debt	\$ 9,619,484	\$ 9,981,709	\$ 10,412,704	\$ 10,041,637
Average daily attendance at P-2	1,641	1,632	1,767	1,810

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 \$653,434 over the past three years. The fiscal year 2010-11 budget projects a decrease of \$842,425. For a district this size the state recommends available reserves of at least 3% of general fund expenditures, other uses and transfers out.

Long-term debt has increased by \$1,937,326 over the past three years.

Average daily attendance (ADA) has decreased by 252 over the past three years.

HOLTVILLE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

TABLE D-4

	Schedule of Long-Term Liabilities
June 30, 2010, annual financial and budget report total long-term liabilities	\$ <u>9,649,801</u>
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Net OPEB obligation overstatement	(59,444)
Certificates of participation understatement	176,254
Capital leases understatement	<u>215,098</u>
Net adjustments and reclassifications	<u>331,908</u>
June 30, 2010, audited financial statement total long-term liabilities	\$ <u><u>9,981,709</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, 2010

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, 2010

TABLE D-6
Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Medi-Cal *	93.778	-	\$ 5,103
Total U. S. Department of Health and Human Services			<u>5,103</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Adult Education	84.002	13978	2,625
Adult Basic Education	84.002A	14508	73,406
Adult Education English Literacy	84.002A	14109	22,400
Title I *	84.010	14329	426,249
Title I Part A Support for Program Improvement *	84.010	14796	4,019
Migrant Education	84.011	14326	204,529
Title I Migrant Education Summer	84.011	10005	14,780
Special Education *	84.027	13379	352,862
Special Education Preschool Development	84.048	14894	16,452
Title IV Safe and Drug Free Schools	84.186	14347	7,627
Even Start	84.213	14331	125,000
Title V Innovative	84.298	14354	3,250
Title II Technology *	84.318	14334	2,459
Advanced Placement Fees	84.330	14831	1,031
Gear Up	84.334A	10088	8,824
Title III Immigrant Education	84.365	15146	10,334
Title III LEP	84.365	14346	50,187
Title II Teacher Quality	84.367	14341	77,615
Title I ARRA	84.369	15005	177,634
ARRA Special Education IDEA *	84.391	15002	6,009
ARRA Special Education *	84.391	15003	185,294
ARRA Preschool *	84.392	15000	8,495
ARRA State Fiscal Stabilization Funds *	84.394	25008	363,882
Total Passed Through State Department of Education			<u>2,144,963</u>
Total U. S. Department of Education			<u>2,144,963</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	13396	638,140
Total U. S. Department of Agriculture			<u>638,140</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,788,206</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, 2010

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, CA 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, 2010, which collectively comprise the Holtville Unified School District's basic financial statements and have issued our report thereon dated December 13, 2010. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2010-1.

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 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.

William Bradley King + Co. LLP

El Cajon, California
December 13, 2010

Wilkinson Hadley King & Co. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 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, 2010. 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 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, 2010.

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.

William Hadley King + S. LP

El Cajon, California
December 13, 2010

Wilkinson Hadley King & Co. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 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, 2010, and have issued our report thereon dated December 13, 2010. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2009-10*, published by the Education Audit Appeals Panel. 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. 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 that 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 was under the level that requires testing.

Based on our audit, we found that, for the items tested, Holtville Unified School District complied with the state laws and regulations referred to above, except as described in the Findings and Recommendations section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Holtville Unified School District had not complied with the state laws and regulations.

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.

W. Kenson Hadley King ✓ CA. CPA
 El Cajon, California
 December 13, 2010

Findings and Recommendations Section

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

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
84.010, 84.389	Title I Cluster
84.394	ARRA State Fiscal Stabilization Fund
10.555	Child Nutrition
84.213	Title I Even Start

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, 2010

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:	<u>Unqualified</u>	

B. Financial Statement Findings

Finding 2010-1 (30000)
 ASB-Holtville Middle School

Criteria or Specific Requirement

Verify that the District has procedures in place to protect student body funds from unauthorized expenditures.

Condition

In our testing of disbursements at Holtville Middle School we noted that four of the eight expenditures tested did not have all of the required signatures on the ASB purchase order to verify the expenditure had been properly approved.

Questioned Costs

None

Recommendation

We recommend the District adopt procedures that require all ASB purchase orders to be signed by the organization or club advisor to ensure that all expenditures have proper approval.

LEA's Response

The District will ensure that all ASB purchase orders will have all of the required signatures prior to processing.

C. Federal Award Findings and Questioned Costs

None

HOLTVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

D. State Award Findings and Questioned Costs

Finding 2010-2 (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 35 instances where students were given attendance when they did not meet the requirements for leaving early that were established by the early release policy. We did note that for the sample selected, all students in the sample had a written early release policy.

Questioned Costs

35 days of attendance for the month of March at Holtville Middle 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

The District recognizes the need to upgrade its attendance procedures in order to meet the stringent attendance requirements of the ASES program. Though ASES staff is working diligently to track student attendance according to the program guidelines, as well as by comparing attendance data to individual early student release policies, the District is investigating the use of an automated system that can monitor and track individual student attendance more efficiently. The District plans to implement this system in the 2010-11 school year.

HOLTVILLE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2009-1 Cafeteria Fund</p> <p>Inventory was not properly recorded as an asset in the general ledger.</p> <p>We recommended that the inventory on hand at year end be properly recorded as an asset in the year end financial statements.</p>	Implemented	
<p>Finding 2009-2 Attendance Reporting</p> <p>Clerical errors resulted in an understatement of 3.72 ADA on line A-7 of Schools with Special Education and an overstatement of ADA on line A-9 of 3.72 as reported on the Annual report of attendance.</p> <p>We recommended the district amend the Annual attendance report and implement procedures for careful review of attendance prior to submission of attendance reports to the California Department of Education.</p>	Implemented	
<p>Finding 2009-3 Independent Study Attendance</p> <p>Attendance recorded for independent study students was recorded on February 27, 2009 which was considered a school holiday. The result was an overstatement of 47 days of attendance which was .34 ADA at P2 and .26 ADA at Annual.</p> <p>We recommended the district amend the P2 and Annual reports of attendance and implement procedures providing for careful review of all attendance calculations prior to submission to the California Department of Education.</p>	Implemented	

HOLTVILLE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p data-bbox="145 364 655 426">Finding 2009-4 After School Education and Safety Program</p> <p data-bbox="145 462 783 1058">We were not able to determine if students remained in the program until 6 PM at Finley Elementary School because parents were not signing out the students. There was also no sign out sheet for Holtville Middle School; however, staff indicated that students were required to stay for the entire hour they were participating. In addition, school only provided 45 early release forms for participation of 344 students. During January, 169 students who were counted towards attendance, did not participate in the minimum nine hours and three days per week requirement. Finley Elementary School ended the program seven days before the last day of school and Holtville Middle School ended the program nineteen days before the last day of school. Both programs ended early as a result of an outbreak of H1N1 virus which caused significant drops in attendance.</p> <p data-bbox="145 1094 783 1375">We recommended the District establish policies requiring signing out students including documentation of time and reason of early release. In addition, monitor credit for pupil service days to ensure pupils meet the required nine hours of weekly program time and three days per week before claiming pupil service days of credit. We also recommended the district establish a policy requiring the program to operate on every school day.</p>	Partially Implemented	See Current Year Finding