

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS**

AUDIT REPORT

JUNE 30, 2020

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
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**HOLTVILLE UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE G
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING**

On November 6, 2018 the Holtville Unified School District was successful under Measure G in obtaining District voters to issue up to \$10,000,000 in General Obligation Bonds pursuant to a 55% vote in a bond election. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended.

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

The Holtville Unified School District Measure G Citizens' Oversight Committee as of June 30, 2020 was comprised of the following members:

Name	Position	Term Expiration
Christopher Stergios	Chair - Taxpayer Association Representative	June 30, 2021
Lucy Hendry	Vice Chair - At Large Representative	June 30, 2021
Missy Hernandez	Member - At Large Representative	June 30, 2021
Eric Lyerly	Member - Parent of Child Enrolled in District Representative	June 30, 2021
Chris Strahm	Member - Business Community Representative	June 30, 2021
Joan Thornberg	Member - Senior Citizen's Organization Representative	June 30, 2021
Kathryn Turner	Member - Parent-Teacher Organization Representative	June 30, 2021

INDEPENDENT AUDITOR'S REPORT

**To the Citizens Oversight Committee
Holtville Unified School District
Measure G Building Fund (Fund 210)
Holtville, California**

Report on Financial Statements

We have audited the accompanying financial statements of Measure G Building Fund (Fund 210) of Holtville Unified School District, which comprise the balance sheet as of June 30, 2020, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

As discussed in Note B, the financial statements present only Building Fund (Fund 210) which is specific to Proposition 39, Measure G and is not intended to fairly present the financial position and results of Holtville Unified School District operations as a whole in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Measure G Building Fund (Fund 210) of Holtville Unified School District as of June 30, 2020, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The Management's Discussion and Analysis 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. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *Appendix A of the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2021 on our consideration of Holtville Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holtville Unified School District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated May 5, 2021 on our consideration of the District's compliance with the requirements of Proposition 39 with regards to the Measure G Building Fund (Fund 210). That report is an integral part of our audit of the District's Measure G Building Fund (Fund 210) for the fiscal year ended June 30, 2020 and should be considered in assessing the results of our financial audit.

William Haffey King & Co., LLP

El Cajon, California
May 5, 2021

**HOLTVILLE UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE G BUILDING - FUND 210**

Management's Discussion and Analysis

(Unaudited)

For the Fiscal Year Ended June 30, 2020

This section of Holtville Unified School District's Proposition 39 Measure G Building Fund annual financial and performance report presents our discussion and analysis of the Measure G bond program during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's Measure G bond financial statements and performance audit, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The fund balance for the Measure G Bond Building Fund amounted to \$3.00 million as of June 30, 2020.
- Revenues and other financing sources were \$4.06 million during the year ended June 30, 2020.
- Total expenditures and outgo were \$1.06 million for the year ended June 30, 2020.
- The District has issued \$4.00 million in its first issuance of Measure G bonds as of June 30, 2020. \$6.00 million remains in the voter approved amount of \$10.0 million.
- Holtville Middle School Gymnasium project is scheduled to be completed by the Summer of 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management discussion and analysis (this section), the Measure G Bond Building Fund financial statements, and the performance audit required by state law.

The District accounts for Measure G bond activity in the District's Building Fund. The Building Fund is a governmental fund type accounted for on a modified accrual basis of accounting that does not include fixed assets or long-term liabilities.

FINANCIAL ANALYSIS OF THE MEASURE G BOND BUILDING FUND

Balance Sheet: The District's Measure G Bond Building Fund balance as of June 30, 2020 was \$3.00 million (see Table A-1). Cash equivalents in the fund represent cash held in county treasury for purposes associated only with the bond authorization approved by the voters. It has been determined that Measure G funds cannot be used for routine restricted maintenance expenditures in the General Fund.

Table A-1

	June 30, 2020
ASSETS	
Current Assets	
Cash in county treasury	\$2,995,101
Accrued interest	\$7,619
Total Current Assets	<u>\$3,002,720</u>
TOTAL ASSETS	<u>\$3,002,720</u>
LIABILITIES & FUND BALANCE	
Current Liabilities	
Accounts payable	-
Total Current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Fund Balance	
Restricted for capital projects*	3,002,720
Total Fund Balance	<u>3,002,720</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 3,002,720</u>

*Fund balance is restricted for capital projects.

Fund Balance (or Changes in Fund Balance): The total expenditures represent only Measure G authorized expenditures.

Table A-2

	June 30, 2020
REVENUES	
Interest Income	\$ 64,092
TOTAL REVENUES	<u>64,092</u>
EXPENDITURES	
Buildings & improvements	1,061,372
Architect fees	-
DSA plan check fees	-
COE plan check fees	-
Labor compliance costs	-
Administrative costs	-
TOTAL EXPENDITURES	<u>1,061,372</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(997,280)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from bonds	4,000,000
Proceeds from Refunding Bonds	2,890,000
Debt Service Principal	(2,525,000)
Debt Service Interest	(265,000)
Cost of issuance	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,000,000</u>
NET CHANGE IN FUND BALANCE	<u>3,002,720</u>
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,002,720</u>

Long-Term Debt Comparison: At the end of June 30, 2020, Holtville Unified School District Measure G had \$4.4 million in long-term debt outstanding.

Table A-3

	June 30, 2020
General Obligation Bonds Payable	\$ 3,930,000
Bond Premium	487,813
Total Long-Term Debt	<u>\$ 4,417,813</u>

MEASURE G BOND BUILDING FUND BUDGETARY HIGHLIGHTS

Over the course of the year as conditions change, the budget of the Measure G program is reviewed by staff. When changes occur that are outside of the Board approved allocations, staff will prepare an item for Board approval. When staff recommends a budget revision, they will demonstrate how new allocations are accommodated within that limitation. These revisions are normally done during the interim financial reporting periods. Additionally, all expenditures are subject to review by the Measure G Bond Oversight Committee on a regular basis.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the existing circumstances that could affect its financial health in the future:

- Inflation increases in building costs during construction.
- COVID-19 delays in construction projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL SECTION

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
BALANCE SHEET
JUNE 30, 2020**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 2,995,101
Accounts Receivable	7,619
Total Current Assets	<u>3,002,720</u>
	<u>3,002,720</u>

TOTAL ASSETS

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts Payable	\$ -
Total Current Liabilities	<u>-</u>

Fund Balance

Restricted for Capital Projects	<u>3,002,720</u>
Total Fund Balance	<u>3,002,720</u>

TOTAL LIABILITIES AND FUND BALANCE

\$ 3,002,720

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

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2020**

REVENUES

Interest Income	\$ 64,092
TOTAL REVENUES	<u>64,092</u>

EXPENDITURES

Capital Outlay:	
Buildings and Improvement of Buildings	1,061,372
TOTAL EXPENDITURES	<u>1,061,372</u>

EXCESS (DEFICIENCY) OF REVENUES

OVER (UNDER) EXPENDITURES (997,280)

OTHER FINANCING SOURCES (USES):

Proceeds from Series A General Obligation Bonds	4,000,000
Proceeds from Refunding Bonds	2,890,000
Debt Service Principal	(2,525,000)
Debt Service Interest	(265,000)
Cost of Issuance	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,000,000</u>

NET CHANGE IN FUND BALANCE 3,002,720

FUND BALANCE, BEGINNING OF YEAR -

FUND BALANCE, END OF YEAR \$ 3,002,720

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

A. Definition of the Fund

The Measure G Building Fund (Fund 210) was formed to account for property acquisition and construction of new schools as well as renovation of current schools for the Holtville Unified School District (District), through expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2018. The Measure G Building Fund (210) is one of the Building Funds of the District.

B. Summary of Significant Accounting Policies

Basis of Presentation

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

Fund Structure

The accompanying financial statements are used to account for the transactions of the Building Fund (Fund 210) specific to Measure G as defined in Note A and are not intended to present fairly the financial position and results of operations of Holtville Unified School District in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. The Measure G Building Fund (Fund 210) is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

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

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)**

B. Summary of Significant Accounting Policies (Continued)

Encumbrances

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

Use of Estimates

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

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the Imperial County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code §53648 et.seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

Receivables and Payables

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

HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

B. Summary of Significant Accounting Policies (Continued)

Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts has been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2020 the District's Measure G Building Fund (Fund 210) did not have any deferred inflows or deferred outflows of resources.

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)**

B. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

C. Fair Value Measurements

The District's investments attributed to Measure G at June 30, 2020, categorized within the fair value hierarchy established by generally accepted accounting principles were as follows:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	Amount			
External investment pools measured at fair value				
Imperial County Treasury	\$ 2,995,101	\$ -	\$ 2,995,101	\$ -
Total investments by fair value level	<u>\$ 2,995,101</u>	<u>\$ -</u>	<u>\$ 2,995,101</u>	<u>\$ -</u>

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

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)**

C. Fair Value Measurements (Continued)

The Imperial County Treasury is not registered with the Securities and Exchange Commissions (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in public finance. In addition, the County Treasury is audited annually by an independent auditor.

D. Cash and Investments

Cash in County Treasury

The District maintains significantly all of its cash in the Imperial County Treasury as part of the common investment pool. As of June 30, 2020, the portion of cash in county treasury attributed to the Measure G Building Fund (Fund 210) was \$2,995,101. The fair value of the Measure G Building Fund (Fund 210)'s portion of this pool as of that date, as provided by the pool sponsor, was \$2,995,101. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

Analysis of Specific Deposit and Investment Risks

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

a. *Credit Risk*

Credit risk is the risk that an issuer or their counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District's Measure G Building Fund (Fund 210) 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 either by the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District's Measure G Building Fund (Fund 210) was not exposed to custodial credit risk.

HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

D. Cash and Investments (Continued)

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. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District's Measure G Building Fund (Fund 210) was not exposed to concentration of credit risk.

d. *Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposures to interest rate risk by investing in the county pool.

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's Measure G Building Fund (Fund 210) was not exposed to foreign currency risk.

f. *Investment Accounting Policy*

The District is required by GASB statement No. 31 to disclose its policy for determining which investments, if any are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts using a cost-based measure; however, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a-7 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 2a-7 of the Investment Company Act of 1940.

HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

D. Cash and Investments (Continued)

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)**

E. Accounts Receivable

Accounts receivable at June 30, 2020 consisted of:

	<u>Accounts Receivable</u>
Local Sources:	
Accued Interest	<u>\$ 7,619</u>
Total Accounts Receivable	<u>\$ 7,619</u>

F. Bond Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premiums are amortized over the life of the bond using the effective interest rate method.

The following bonds were issued at a premium resulting in an effective interest rate as follows:

	<u>2018</u>
	<u>Series A Bonds</u>
Total Interest Payments on Bonds	<u>\$ 3,884,068</u>
Less Bond Premium	<u>(496,502)</u>
Net Interest Payments	<u><u>\$ 3,387,566</u></u>
Par Amount of Bonds	\$ 4,000,000
Periods	20
Effective Interest Rate	4.230%

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS**
JUNE 30, 2020
(Continued)

G. Long-Term Debt

The outstanding bonded debt as of June 30, 2020 is as follows:

Description	Date of Issuance	Interest Rate	Maturity Date	Original Issue Amount	Beginning Balance	Increases	Decreases	Ending Balance
Election 2018 Series A	06/05/19	4.00-5.00%	08/01/48	\$ 4,000,000	\$ -	\$ 4,000,000	\$ 70,000	\$ 3,930,000
2018 A Premium	06/05/19		08/01/48	496,502	-	496,502	8,689	487,813
Total 2018 Series A				<u>\$ 4,496,502</u>	<u>\$ -</u>	<u>\$ 4,496,502</u>	<u>\$ 78,689</u>	<u>\$ 4,417,813</u>
TOTAL				<u>\$ 4,496,502</u>	<u>\$ -</u>	<u>\$ 4,496,502</u>	<u>\$ 78,689</u>	<u>\$ 4,417,813</u>

General Obligation Bonds 2018 Series A

In June 2019, the District issued \$4,000,000 of 2018 Election, Series A, General Obligation Bonds in order to finance the renovation, construction, and improvement of school facilities. The issue consisted of \$1,285,000 in current interest bonds with an interest rate of 4% with annual maturities from August 1, 2019 through August 1, 2039; \$1,240,000 in term bonds with an interest rate of 5.00% with annual maturities from August 1, 2040 through August 1, 2044; and \$1,475,000 in term bonds with an interest rate of 4.00% with annual maturities from August 1, 2045 through August 1, 2048.

Principal payments on the bonds are due August 1 of each year beginning August 1, 2019 while interest is payable semi-annually on February 1 and August 1 of each year through maturity beginning August 1, 2019.

Total proceeds of \$4,496,502, which includes additional premium of \$496,502, resulted in \$4,000,000 deposited into the Measure G Building Fund (Fund 210) after issuance costs of \$201,556 while remaining funds of \$294,946 were deposited into the Bond Interest and Redemption Fund (Fund 51) to be utilized for debt service on the bonds.

2020 Refunding Bonds

In May 2020, the District issued \$2,890,000 of 2020 General Obligation Refunding Bonds. The general obligation refunding bonds bear fixed interest rates of 1.55% to 1.95% with annual maturities from August 2020 through August 2035. Interest is payable semiannually of February 1 and August 1 of each year, commencing August 1, 2020. The proceeds of \$2,890,000 were used to refund \$980,000 of the District's outstanding 2002 Election, Series E General Obligation Bonds and \$1,545,000 of the District's outstanding 2012 Refunding Bonds in addition to paying the costs relating to the execution and delivery of the refunding bonds as associated with the refunding plan.

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS**
JUNE 30, 2020
(Continued)

G. Long-Term Debt (Continued)

The net proceeds of \$2,790,000 (after issuance costs of \$100,000) was deposited into a separate escrow fund for the refunding of the 2002 Election, Series E Bonds and 2012 Refunding Bonds. The refunding of the 2002 Election, Series E Bonds and 2012 Refunding Bonds will occur on the call date of August 1, 2022.

The maturity value of the old debt amounted to \$2,525,000 with the face value of the new debt at \$2,890,000 which resulted in a loss on refunding of \$365,000. The refunding decreased the debt service payments by \$261,174 and resulted in a calculated economic gain to the District of \$198,985.

Debt service requirements on the general obligation bonds, net of premium, as of June 30, 2020 is as follows:

Year Ended June 30	Principal	Interest	Total
2021	\$ -	\$ 171,000	\$ 171,000
2022	-	169,600	169,600
2023	-	169,600	169,600
2024	-	169,600	169,600
2025	-	169,600	169,600
2026-2030	50,000	847,000	897,000
2031-2035	410,000	801,600	1,211,600
2036-2040	755,000	686,900	1,441,900
2041-2045	1,240,000	462,250	1,702,250
2046-2050	1,475,000	123,900	1,598,900
Total	\$ 3,930,000	\$ 3,771,050	\$ 7,701,050

H. Construction Commitments

As of June 30, 2020, the Measure G Building Fund (Fund 210) had the following commitments with respect to unfinished capital projects.

Project	Commitment	*Expected Date of Final Completion
Holtville Middle School Modular Gymnasium Project	\$ 2,362,306	March 2021

*Expected date of final completion subject to change.

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS**
JUNE 30, 2020
(Continued)

I. Subsequent Events

2018 General Obligation Bonds Series B

In January 2021, the District issued \$4,000,000 of 2018 Election, Series B, General Obligation Bonds for the purpose of financing the renovation, construction, and improvement of school facilities. The bonds are the second series of bonds to be issued under this authorization. The issue consists of \$550,000 in current interest bonds with interest rates ranging from 2.00-4.00% with annual maturities from August 2022 through August 2027, and \$3,450,000 in term bonds with an interest rate of 4.00% with annual maturities from August 2028 through August 2050. Principal payments on the bonds are due August 1 of each year beginning August 2022 while interest is payable semi-annually on February 1 and August 1 of each year through maturity beginning August 1, 2021.

OTHER INDEPENDENT AUDITOR'S REPORTS

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

**To the Citizens Oversight Committee
Holtville Unified School District
Measure G Building Fund (Fund 210)
Holtville, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Measure G Building Fund (Fund 210) of Holtville Unified School District, which comprise the balance sheet as of June 30, 2020, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Holtville Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Holtville Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Holtville Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
May 5, 2021

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

**To the Citizens Oversight Committee
Holtville Unified School District
Measure G Building Fund (Fund 210)
Holtville, California**

We were engaged to conduct a performance audit of the Holtville Unified School District Measure G Building Fund (Fund 210), herein after referred to as the Bond Fund, for the year ended June 30, 2020.

Management's Responsibility for Performance Compliance

Our audit was limited to the objectives listed with the report which includes the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

Auditor's Responsibility

Our responsibility is to express an opinion on performance based on our audit. We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Appendix A of the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.

In planning and performing our performance audit, we obtained an understanding of the District's internal controls over the Bond Fund and related construction projects in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Fund's internal control.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our findings and conclusions based upon the audit objectives.

Objectives, Scope, & Methodology of the Audit

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements set forth in Measure G as approved by registered voters for the fiscal year ended June 30, 2020. The objective of the audit of compliance applicable to the Bond Fund is to determine with reasonable assurance that:

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

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

Internal Control Evaluation

Procedure Performed

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding project resources
- Prevent material misstatement in the project funds
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of project funds. All purchase requisitions are reviewed for proper supporting documentation. The Project Manager or appropriate District employee submits back up information to the business office to initiate a purchase requisition. The Project Manager, Assistant Superintendent, or Business Manager verifies that the requested purchase is an allowable project cost in accordance with the ballot measure and bond projects list.

Results of Procedure Performed

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

Procedure Performed

Tests of controls were performed based on identified controls from procedures above, utilizing samples of expenditures with a sample size sufficient for a high level of assurance, to determine if internal controls as designed are properly implemented and in place over the Bond Fund expenditures.

Results of Procedure Performed

The results of our audit determined that the internal controls as designed were properly implemented during the 2019-20 fiscal year.

Tests of Expenditures

Procedures Performed

We tested expenditures to determine whether Measure G proceeds were spent solely on voter and board approved school facilities projects as set forth in the Bond Projects List and language of the Measure G ballot measure language. Our testing was performed using a sample size sufficient to meet a high level of assurance.

Results of Procedures Performed

Expenditures tested were found to be in compliance with the terms of the Measure G ballot measure as well as applicable state laws and regulations.

Tests of Contracts and Bid Procedures

Procedures Performed

We tested expenditures under Measure G to determine if the expenditure was part of a valid contract, that the contract was properly approved by the District's Governing Board, and that the contract was established in compliance with Public Contract Code provisions, including bid procedures. Our testing was performed using a sample size sufficient to meet a high level of assurance.

Results of Procedures Performed

Expenditures tested were found to have valid contracts which were issued through proper approval of the District's Governing Board in compliance with Public Contract Code, including bid procedures.

Facilities Site Review

Procedures Performed

We reviewed the Independent Citizens' Oversight Committee minutes and agendas along with other pertinent information on Measure G designated projects to determine whether the funds expended for the year ended June 30, 2020 were for valid facilities acquisition and construction purposes as stated in the Bond Projects List. Additionally, we reviewed photographs of significant bond projects to determine projects were being completed as identified in the Bond Projects List.

Results of Procedures Performed

Based on review of the minutes and agenda of the Independent Citizens' Oversight Committee, expenditure documentation, review of project photographs, and other pertinent information provided, it appears the construction work performed was consistent with the Bond Projects List as well as the allowable projects as identified in Measure G ballot measures.

Citizens' Oversight Committee

Procedures Performed

We reviewed the minutes of the Citizens' Oversight Committee meetings to verify compliance with Education Code Section 15278 which requires the Citizens' Oversight Committee to:

- Actively review and report on the proper expenditure of taxpayers' money for school construction.
- Advise the public as to whether the District is in compliance with paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Ensure that bond revenues are expended only for purposes described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Ensure that no funds are used for any teacher or administrative salaries or other school operating expenses.

Additionally, Education Code Section 15278 authorizes the Citizens' Oversight Committee to:

- Receive and review copies of the annual, independent performance audit.
- Inspect school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Receive and review copies of any deferred maintenance proposals or plans developed by the District.
- Review efforts by the District to maximize bond revenues by implementing cost saving measures.

Results of Procedures Performed

In our review of the minutes of the Citizens' Oversight Committee we determined that, during the fiscal year ended June 30, 2020 the Committee fulfilled all required responsibilities identified in Education Code Section 15278 and additionally performed other authorized activities as identified in Education Code Section 15278.

Procedure Performed

We reviewed composition of the Citizens' Oversight Committee to verify compliance with Education Code Section 15282 which requires the following:

- The Citizen's Oversight Committee shall consist of at least seven members who shall serve for a minimum term of two years without compensation and for no more than three consecutive terms.
- One member shall be active in a business organization representing the business community located within the school district boundaries.
- One member shall be active in a senior citizens' organization.
- One member shall be active in a bona fide taxpayers' organization.
- One member shall be the parent or guardian of a child enrolled in the school district.
- One member shall be both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization.
- An employee or official of the school district shall not be appointed to the citizens' oversight committee.
- A vendor, contractor, or consultant of the school district shall not be appointed to the citizens' oversight committee.

Results of Procedures Performed

In our review of the Citizens' Oversight Committee composition for the fiscal year ended June 30, 2020 we determined that the Committee was in compliance with Education Code Section 15282.

Opinion on Performance

The results of our tests indicated that the District has complied with the requirements set forth in Measure G, approved by voters on November 6, 2018, in accordance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(c) of the California Constitution.

Purpose of the Report

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
May 5, 2021

AUDITOR'S RESULTS, FINDINGS AND RECOMMENDATIONS

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
SCHEDULE OF AUDITOR'S RESULTS
YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No
One or more material weakness(es) identified?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No
One or more significant deficiencies identified that are not considered material weakness(es)?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No

PERFORMANCE AUDIT

Any audit findings disclosed that are required to be reported in accordance with <i>2019-20 Guide for Annual Audits of California K-12 Local Education Agencies</i> or Proposition 39?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No
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HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements or performance audit that are required to be reported in accordance with *Government Auditing Standards*, or *Appendix A of the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

A. Financial Statement Findings

None

B. Performance Audit Findings

None

**HOLTVILLE UNIFIED SCHOOL DISTRICT
MEASURE G BUILDING FUND
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2020**

There were no prior year findings noted as June 30, 2020 is the first year of the bond audit.