

**SAN PASQUAL VALLEY
UNIFIED SCHOOL DISTRICT**

**IMPERIAL COUNTY
WINTERHAVEN, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2000

Introductory Section

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Financial Section



James C. Harlan III
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INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
San Pasqual Valley Unified School District
Winterhaven, California**

We have audited the accompanying general-purpose financial statements of the San Pasqual Valley Unified School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 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.

In common with other school districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the financial statements do not include the general fixed assets group of accounts required by generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

Lack of internal control procedures and supporting records limits us to expressing an independent accountant's opinion on recorded transactions of the student body funds.

In our opinion, except for the effect on the financial statements for the omission of the general fixed asset group of accounts, and subject to the effects on the financial statements, if any, of the student body funds, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the San Pasqual Valley Unified School District at June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of each individual fund of the San Pasqual Valley Unified School District at June 30, 2000, and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles.



In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining financial statements of San Pasqual Valley Unified School District. The accompanying financial and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of San Pasqual Valley Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

Harlan & Boettger, LLP

January 5, 2001

General Purpose Financial Statements

Capital Projects Funds	Fiduciary Fund Types Agency Fund	Account Group General Long- Term Debt	Totals (Memorandum Only)
			June 30, 2000
\$ 1,272,345	\$ 61,972	\$	\$ 2,480,357
			61,972
			3,500
86,366			512,986
			42,104
			4,945
			1,273
		471,688	471,688
<u>\$ 1,358,711</u>	<u>\$ 61,972</u>	<u>\$ 471,688</u>	<u>\$ 3,578,825</u>
\$ 34,849	\$	\$	\$ 244,640
			42,104
			18,756
	61,972		61,972
		94,662	94,662
		377,026	377,026
<u>34,849</u>	<u>61,972</u>	<u>471,688</u>	<u>839,160</u>
			3,500
			4,945
			1,273
			854,900
1,323,862			335,564
<u>1,323,862</u>			<u>1,539,483</u>
			<u>2,739,665</u>
<u>\$ 1,358,711</u>	<u>\$ 61,972</u>	<u>\$ 471,688</u>	<u>\$ 3,578,825</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

EXHIBIT A-2

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2000

	Governmental Fund Types			Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Projects Funds	June 30, 2000
Revenue:				
Revenue limit sources:				
State apportionments	\$ 2,710,636	\$ 80,760	\$	\$ 2,791,396
Local sources	1,102,005			1,102,005
Total revenue limit	3,812,641	80,760		3,893,401
Federal	3,523,899	255,853		3,779,752
Other state	1,371,463	138,432		1,509,895
Other local	339,341	47,060	153,587	539,988
Total revenues	9,047,344	522,105	153,587	9,723,036
Expenditures:				
Current:				
Certificated salaries	3,487,129	8,496		3,495,625
Classified salaries	1,731,002	232,075		1,963,077
Employee benefits	914,324	29,837		944,161
Books and supplies	973,456	207,853	17,386	1,198,695
Services and other operating expenditures	605,432	66,504	55,095	727,031
Capital outlay	532,963	80,326	1,565,151	2,178,440
Debt service			136,509	136,509
Total expenditures	8,244,306	625,091	1,774,141	10,643,538
Excess (deficiency) of revenues over (under) expenditures	803,038	(102,986)	(1,620,554)	(920,502)
Other financing sources (uses):				
Operating transfers in	400,000	600,000	343,212	1,343,212
Operating transfers out	(893,212)	(450,000)		(1,343,212)
Other uses	(165,185)	(16,023)		(181,208)
Total other financing sources (uses)	(658,397)	133,977	343,212	(181,208)
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	144,641	30,991	(1,277,342)	(1,101,710)
Fund balances/equity, July 1	538,779	701,392	2,601,204	3,841,375
Fund balances/equity, June 30	\$ 683,420	\$ 732,383	\$ 1,323,862	\$ 2,739,665

The accompanying notes are an integral part of this statement.

Special Revenue Funds			Capital Projects Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 74,844	\$ 80,760	\$ 5,916	\$	\$	\$
74,844	80,760	5,916			
205,205	255,853	50,648			
110,286	138,432	28,146			
112,100	47,060	(65,040)	68,030	153,587	85,557
502,435	522,105	19,670	68,030	153,587	85,557
4,500	8,496	(3,996)			
264,655	232,075	32,580			
53,956	29,837	24,119			
247,095	207,853	39,242	14,000	17,386	(3,386)
69,265	66,504	2,761	43,020	55,095	(12,075)
96,100	80,326	15,774	1,553,060	1,565,151	(12,091)
			136,509	136,509	
735,571	625,091	110,480	1,746,589	1,774,141	(27,552)
(233,136)	(102,986)	130,150	(1,678,559)	(1,620,554)	58,005
600,000	600,000		343,212	343,212	
(450,000)	(450,000)				
(32,564)	(16,023)	16,541			
117,436	133,977	16,541	343,212	343,212	
(115,700)	30,991	146,691	(1,335,347)	(1,277,342)	58,005
701,392	701,392		2,601,204	2,601,204	
\$ 585,692	\$ 732,383	\$ 146,691	\$ 1,265,857	\$ 1,323,862	\$ 58,005

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2000

EXHIBIT A-3
Page 2 of 2

	Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Revenue limit sources:			
State apportionments	\$ 2,738,674	\$ 2,791,396	\$ 52,722
Local sources	1,143,633	1,102,005	(41,628)
Total revenue limit	3,882,307	3,893,401	11,094
Federal	3,475,140	3,779,752	304,612
Other state	1,480,750	1,509,895	29,145
Other local	531,442	539,988	8,546
Total revenues	9,369,639	9,723,036	353,397
Expenditures:			
Current:			
Certificated salaries	3,526,726	3,495,625	31,101
Classified salaries	1,975,023	1,963,077	11,946
Employee benefits	1,054,855	944,161	110,694
Books and supplies	1,169,702	1,198,695	(28,993)
Services and other operating expenditures	741,383	727,031	14,352
Capital outlay	2,157,293	2,178,440	(21,147)
Debt service	136,509	136,509	
Total expenditures	10,761,491	10,643,538	117,953
Excess (deficiency) of revenues over (under) expenditures	(1,391,852)	(920,502)	471,350
Other financing sources (uses):			
Operating transfers in	1,343,212	1,343,212	
Operating transfers out	(1,343,212)	(1,343,212)	
Other uses	(241,316)	(181,208)	60,108
Total other financing sources (uses)	(241,316)	(181,208)	60,108
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	(1,633,168)	(1,101,710)	531,458
Fund balances/equity, July 1	3,841,375	3,841,375	
Fund balances/equity, June 30	\$ 2,208,207	\$ 2,739,665	\$ 531,458

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The district accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. Except for the omission of fixed assets and the effect on the financial statements of the student body funds, if any, the accounting policies of the district conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

B. Fund Accounting

The accounts of the district are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity (or retained earnings), revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The district's accounts are organized into three broad categories which in aggregate include four fund types and one account group as follows:

Governmental Funds:

The *General Fund* is the general operating fund of the district. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The district maintains five special revenue funds:

- The Deferred Maintenance Fund is used for the purpose of major repair or replacement of district property.
- The Cafeteria Fund is used to account for revenues received and expenditures made to operate the district's cafeterias.
- The Adult Education Fund is used to account for revenues and expenditures associated with adult education.
- The Child Development Fund is used to account for resources committed to child development programs maintained by the district.
- The Special Reserve Fund is used to account for specific projects revenues and expenses.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The district maintains three capital projects funds:

- The Special Reserve Fund is used to account for the acquisition of major governmental capital facilities and buildings.
- The State School Building Lease-Purchase Fund is used primarily to account for state apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17700-17780).
- The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

Fiduciary Funds:

Agency Funds are used to account for assets of others of which the district acts as an agent. The district maintains two agency funds for student body. An independent accountant's opinion was not expressed on the student body funds and the amounts utilized in the financial statements are "unaudited".

Account Groups:

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow," measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources." Thus, fixed assets and long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account groups of the district.

The *General Long-Term Debt Account Group* accounts for long-term liabilities expected to be financed from governmental funds.

C. 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.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough hereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Trust and agency fund assets and liabilities are also accounted for on the modified accrual basis.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the district's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The district's governing board satisfied these requirements.

These budgets are revised by the district's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements which have been revised subsequent to year end.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The district employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

E. 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 at June 30.

F. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 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. 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.

2. 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.

3. Inventories and Prepaid Items

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 benefitting period. The district has chosen to report the expenditure when incurred.

4. Compensated Absences

In accordance with GASB No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities, if material, is recognized in the applicable fund at year-end. The noncurrent portion of the liabilities is recognized in the General Long-Term Debt Account Group.

Accumulated employee 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.

5. Long-Term Obligations

The district reports long-term debt of governmental funds at face value in the general long-term account group.

6. 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.

7. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. 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. Tax revenues are recognized by the district when received.

8. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. These amount of on-behalf payments made for the District is estimated at \$191,105.

9. Fixed Assets

The District has not, as with most school districts, maintained historical cost records of all fixed assets (buildings and land) from when the first school was built, as required by generally accepted accounting principles.

10. Deferred Revenue

Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the district prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the district has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

11. Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30.

G. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

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 (\$2,480,357 as of June 30, 2000). The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest 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.

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$61,972 as of June 30, 2000) and in the revolving fund (\$3,500) are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institution is fully insured or collateralized.

According to GASB 31, investments in pooled funds and the Cash in County Treasury should be recorded at fair value. However, the District determined that the fair value approximates cost; therefore, no adjustment was made to reflect the difference.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2000 consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals</u>
Federal Government:				
Categorical aid programs	<u>\$144,049</u>	<u>\$ 65,729</u>	<u>\$ -</u>	<u>\$209,778</u>
State Government:				
Categorical aid programs	<u>\$ 15,038</u>	<u>\$ 4,407</u>	<u>\$ -</u>	<u>\$ 19,445</u>
Deferred maintenance	<u>-</u>	<u>35,069</u>	<u>-</u>	<u>35,069</u>
Other	<u>54,005</u>	<u>3,555</u>	<u>49,456</u>	<u>107,016</u>
Totals	<u>\$ 69,043</u>	<u>\$ 43,031</u>	<u>\$49,456</u>	<u>\$161,530</u>
Interest	<u>58,215</u>	<u>16,672</u>	<u>36,410</u>	<u>111,297</u>
Miscellaneous	<u>28,260</u>	<u>1,621</u>	<u>500</u>	<u>30,381</u>
Totals	<u>\$299,567</u>	<u>\$127,053</u>	<u>\$86,366</u>	<u>\$512,986</u>

NOTE 4 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2000, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 26,558	\$ 15,546
Child Development	-	2,255
Adult Education	-	5,822
Deferred Maintenance	-	2,935
Cafeteria	-	15,546
Special Reserve	<u>15,546</u>	<u>-</u>
Totals	<u>\$ 42,104</u>	<u>\$ 42,104</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 1999-00 fiscal year were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Special Reserve	General	\$ 343,212
Cafeteria	General	100,000
Special Reserve	General	450,000
General	Special Reserve	400,000
Deferred Maintenance	Special Reserve	<u>50,000</u>
Total		<u>\$1,343,212</u>

NOTE 5 - LEASES

Capital Leases

The district leases buildings under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2001	136,509
2002	136,509
2003	<u>136,509</u>
Total	409,527
Less amount representing interest	<u>32,501</u>
Present value of net minimum lease payments	<u>\$377,026</u>

The district will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 6 - GENERAL LONG-TERM DEBT- SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2000 is shown below:

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2000</u>
Capital leases	\$491,173	\$ -	\$114,147	\$377,026
Compensated absences	<u>130,404</u>	-	<u>35,742</u>	<u>94,662</u>
Totals	<u>\$621,577</u>	<u>\$ -</u>	<u>\$149,889</u>	<u>\$471,688</u>

NOTE 7 - JOINT VENTURES (Joint Powers Agreements)

The San Pasqual Valley Unified School District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRM). The relationship between the San Pasqual Valley Unified School District and the JPA is such that the JPA is not a component unit of the San Pasqual Valley Unified School District for financial reporting purposes.

The JPA arranges for property and liability insurance for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Combined condensed financial information of the District's JPA for the year ended June 30, 2000 is shown below:

	<u>Unaudited</u>
Total Assets	\$ (825)
Total Liabilities	6
Total Fund Balance	(831)
 Total Cash Receipts	 5,163
Total Cash Disbursements	4,349
Net Change in Fund Balance	814

NOTE 8 - FUND BALANCES - RESERVED/DESIGNATED

The following amounts were reserved by the Board of Education for the special purposes indicated below:

	<u>General Fund</u>	<u>Cafeteria Fund</u>
Revolving cash	\$2,500	\$1,000
Stores inventory	-	4,945
Prepaid expenditures	-	1,273
	<u>\$2,500</u>	<u>\$7,218</u>

The following amounts were designated by the Board of Education for the special purposes indicated below:

	<u>General Fund</u>	<u>Adult Education Fund</u>	<u>Special Reserve Fund</u>
Designated for:			
Economic uncertainty	\$450,000	\$ 4,900	\$400,000
Categorical carryover	228,400	-	-
Computer Replacement	-	22,000	-
PL 103-182 Uncertainty	-	-	85,164
Total	<u>\$678,400</u>	<u>\$ 26,900</u>	<u>\$485,164</u>

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excesses of expenditures over appropriations in individual funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General:	
Classified Salaries	\$ 20,634
Capital Outlay	24,830
Books and Supplies	64,849
Adult Education:	
Certificated Salaries	3,996
Classified Salaries	964
Services and Other Operating Expenditures	1,690
Capital Outlay	1,337
Deferred Maintenance:	
Books and Supplies	1,414
Special Reserve:	
Books and Supplies	3,386
Services and Other Operating Expenditures	12,075
Capital Outlay	12,091

NOTE 10 - COMMITMENTS AND CONTINGENCIES**A. 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.

B. Sick Leave

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees, therefore, are never paid for any sick leave balance at termination of employment or any other time. It is, therefore, not appropriate to accrue the value of accumulated sick leave.

C. State and Federal Allowances, Awards and Grants

The district has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 11 - 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).

Plan Description and Provisions

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 (7% of monthly salary over \$133.33 if the member participates in Social Security), 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 1999-00 was 0% 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, 2000, 1999, and 1998 were \$0, \$0 and \$82,743, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

The district contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 1999-00 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, 2000, 1999, and 1998 were \$262,581, \$234,415 and \$218,208, respectively, and equal 100% of the required contributions for each year.

NOTE 12 - POST-RETIREMENT HEALTH BENEFITS:

The District provides various levels of health benefit coverage for eligible retirees until age 65. The retiree must have worked for the District for at least five years. The amount paid for these benefits in the fiscal year ended June 30, 2000, was \$17,950. The estimated cost for 2000-2001 is \$29,336. Under this plan, the District has agreed to continue to provide these benefits without any additional performance from these retirees.

COMBINING FINANCIAL STATEMENTS

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Totals June 30, 2000
\$ 40,918	\$ 5,151	\$ 480,109	\$ 612,475
1,000			1,000
72,223	35,452	14,135	127,053
15,546			15,546
4,945			4,945
1,273			1,273
<u>\$ 135,905</u>	<u>\$ 40,603</u>	<u>\$ 494,244</u>	<u>\$ 762,292</u>
\$ 1,099	\$ 2	\$	\$ 3,351
15,546	2,935		26,558
<u>16,645</u>	<u>2,937</u>		<u>29,909</u>
1,000			1,000
4,945			4,945
1,273			1,273
		400,000	404,900
		85,164	107,164
112,042	37,666	9,080	213,101
<u>119,260</u>	<u>37,666</u>	<u>494,244</u>	<u>732,383</u>
<u>\$ 135,905</u>	<u>\$ 40,603</u>	<u>\$ 494,244</u>	<u>\$ 762,292</u>

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Totals June 30, 2000
\$	\$	\$	\$
			80,760
255,853			80,760
21,383	34,979		255,853
14,512	1,315	24,080	138,432
291,748	36,294	24,080	47,060
			522,105
120,375	34,410		8,496
15,544	3,173		232,075
156,581	10,314		29,837
47,909			207,853
1,194	67,058		66,504
341,603	114,955		80,326
			625,091
(49,855)	(78,661)	24,080	(102,986)
100,000	50,000	450,000	600,000
	(2,935)	(450,000)	(450,000)
100,000	47,065		(16,023)
			133,977
50,145	(31,596)	24,080	30,991
69,115	69,262	470,164	701,392
\$ 119,260	\$ 37,666	\$ 494,244	\$ 732,383

Child Development Fund			Cafeteria Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$	\$	\$	\$
			202,000	255,853	53,853
70,000	74,028	4,028	11,500	21,383	9,883
2,600	3,045	445	20,900	14,512	(6,388)
72,600	77,073	4,473	234,400	291,748	57,348
45,900	32,576	13,324	137,005	120,375	16,630
8,341	4,244	4,097	31,585	15,544	16,041
29,400	27,589	1,811	193,250	156,581	36,669
17,680	16,705	975	50,385	47,909	2,476
6,350	6,237	113	1,250	1,194	56
107,671	87,351	20,320	413,475	341,603	71,872
(35,071)	(10,278)	24,793	(179,075)	(49,855)	129,220
			100,000	100,000	
(7,611)	(7,266)	345	(17,675)		17,675
(7,611)	(7,266)	345	82,325	100,000	17,675
(42,682)	(17,544)	25,138	(96,750)	50,145	146,895
49,059	49,059		69,115	69,115	
\$ 6,377	\$ 31,515	\$ 25,138	\$ (27,635)	\$ 119,260	\$ 146,895

Special Reserve Fund for Other Than Capital Outlay Projects

			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$	\$ 74,844	\$ 80,760	\$ 5,916
			74,844	80,760	5,916
			205,205	255,853	50,648
			110,286	138,432	28,146
35,000	24,080	(10,920)	112,100	47,060	(65,040)
35,000	24,080	(10,920)	502,435	522,105	19,670
			4,500	8,496	(3,996)
			264,655	232,075	32,580
			53,956	29,837	24,119
			247,095	207,853	39,242
			69,265	66,504	2,761
			96,100	80,326	15,774
			735,571	625,091	110,480
35,000	24,080	(10,920)	(233,136)	(102,986)	130,150
450,000	450,000		600,000	600,000	
(450,000)	(450,000)		(450,000)	(450,000)	
			(32,564)	(16,023)	16,541
			117,436	133,977	16,541
35,000	24,080	(10,920)	(115,700)	30,991	146,691
470,164	470,164		701,392	701,392	
\$ 505,164	\$ 494,244	\$ (10,920)	\$ 585,692	\$ 732,383	\$ 146,691

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**EXHIBIT B-5**

COMBINING BALANCE SHEET
ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2000

	Capital Facilities Fund	State School Bldg. Lease	Capital Outlay Projects	Totals June 30, 2000
ASSETS:				
<i>Cash in county treasury</i>	\$ 139	\$ 434	\$ 1,271,772	\$ 1,272,345
<i>Accounts receivable</i>	4	14	86,348	86,366
Total assets	\$ 143	\$ 448	\$ 1,358,120	\$ 1,358,711
LIABILITIES AND FUND EQUITY:				
Liabilities:				
<i>Accounts payable</i>	\$	\$	\$ 34,849	\$ 34,849
Total liabilities			34,849	34,849
Fund Equity:				
<i>Undesignated/unappropriated</i>	143	448	1,323,271	1,323,862
Total fund equity	143	448	1,323,271	1,323,862
Total liabilities and fund equity	\$ 143	\$ 448	\$ 1,358,120	\$ 1,358,711

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2000

EXHIBIT B-6

	Capital Facilities Fund	State School Bldg. Lease	Capital Outlay Projects	Totals June 30, 2000
Revenue:				
<i>Other local</i>	\$ 7	\$ 23	\$ 153,557	\$ 153,587
Total revenues	<u>7</u>	<u>23</u>	<u>153,557</u>	<u>153,587</u>
Expenditures:				
Current:				
<i>Books and supplies</i>			17,386	17,386
<i>Services and other operating expenditures</i>			55,095	55,095
<i>Capital outlay</i>			1,565,151	1,565,151
<i>Debt service</i>			136,509	136,509
Total expenditures			<u>1,774,141</u>	<u>1,774,141</u>
Excess (deficiency) of revenues over (under) expenditures	7	23	(1,620,584)	(1,620,554)
Other financing sources (uses):				
<i>Operating transfers in</i>			343,212	343,212
Total other financing sources (uses)			<u>343,212</u>	<u>343,212</u>
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	7	23	(1,277,372)	(1,277,342)
Fund balances/equity, July 1	136	425	2,600,643	2,601,204
Fund balances/equity, June 30	<u>\$ 143</u>	<u>\$ 448</u>	<u>\$ 1,323,271</u>	<u>\$ 1,323,862</u>

The accompanying notes are an integral part of this statement.

State School Building Lease-Purchase Fund			Special Reserve Fund for Capital Outlay Projects		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 23	\$ 23	\$	\$ 68,000	\$ 153,557	\$ 85,557
23	23		68,000	153,557	85,557
			14,000	17,386	(3,386)
			43,020	55,095	(12,075)
			1,553,060	1,565,151	(12,091)
			136,509	136,509	
			1,746,589	1,774,141	(27,552)
23	23		(1,678,589)	(1,620,584)	58,005
			343,212	343,212	
			343,212	343,212	
23	23		(1,335,377)	(1,277,372)	58,005
425	425		2,600,643	2,600,643	
\$ 448	\$ 448	\$	\$ 1,265,266	\$ 1,323,271	\$ 58,005

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2000

EXHIBIT B-7
Page 2 of 2

	Totals		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenue:			
<i>Other local</i>	\$ 68,030	\$ 153,587	\$ 85,557
Total revenues	<u>68,030</u>	<u>153,587</u>	<u>85,557</u>
Expenditures:			
Current:			
<i>Books and supplies</i>	14,000	17,386	(3,386)
<i>Services and other operating expenditures</i>	43,020	55,095	(12,075)
<i>Capital outlay</i>	1,553,060	1,565,151	(12,091)
<i>Debt service</i>	136,509	136,509	
Total expenditures	<u>1,746,589</u>	<u>1,774,141</u>	<u>(27,552)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,678,559)	(1,620,554)	58,005
Other financing sources (uses):			
<i>Operating transfers in</i>	343,212	343,212	
Total other financing sources (uses)	<u>343,212</u>	<u>343,212</u>	
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	(1,335,347)	(1,277,342)	58,005
Fund balances/equity, July 1	2,601,204	2,601,204	
Fund balances/equity, June 30	<u>\$ 1,265,857</u>	<u>\$ 1,323,862</u>	<u>\$ 58,005</u>

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**EXHIBIT B-8****COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****ALL AGENCY FUNDS****UNAUDITED****YEAR ENDED JUNE 30, 2000**

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
<u>SAN PASQUAL ELEMENTARY</u>				
ASSETS				
<i>Cash and investments</i>	\$ 19,135	\$ 11,583	\$ 10,020	\$ 20,698
Total Assets	<u>\$ 19,135</u>	<u>\$ 11,583</u>	<u>\$ 10,020</u>	<u>\$ 20,698</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 19,135	\$ 11,583	\$ 10,020	\$ 20,698
Total Liabilities	<u>\$ 19,135</u>	<u>\$ 11,583</u>	<u>\$ 10,020</u>	<u>\$ 20,698</u>
<u>SAN PASQUAL HIGH SCHOOL</u>				
ASSETS				
<i>Cash and investments</i>	\$ 54,404	\$ 154,775	\$ 167,905	\$ 41,274
Total Assets	<u>\$ 54,404</u>	<u>\$ 154,775</u>	<u>\$ 167,905</u>	<u>\$ 41,274</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 54,404	\$ 154,775	\$ 167,905	\$ 41,274
Total Liabilities	<u>\$ 54,404</u>	<u>\$ 154,775</u>	<u>\$ 167,905</u>	<u>\$ 41,274</u>
<u>TOTAL AGENCY FUNDS:</u>				
ASSETS				
<i>Cash and investments</i>	\$ 73,539	\$ 166,358	\$ 177,925	\$ 61,972
Total Assets	<u>\$ 73,539</u>	<u>\$ 166,358</u>	<u>\$ 177,925</u>	<u>\$ 61,972</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 73,539	\$ 166,358	\$ 177,925	\$ 61,972
Total Liabilities	<u>\$ 73,539</u>	<u>\$ 166,358</u>	<u>\$ 177,925</u>	<u>\$ 61,972</u>

The accompanying notes are an integral part of this statement.

Supplementary Information Section

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2000**

The San Pasqual Valley Unified School District was established in 1958. The district encompasses an area of approximately 2,100 square miles in Imperial County, in and around the city of Winterhaven, California. The District is currently operating one elementary school, one middle school, one regular high school and one continuation high school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Robert Johnson	President	November 2004
Ms. Bernadine Swiftarrow	Vice-President	November 2001
Ms. LaRue Nelson	Member	November 2001
Mr. Damon Polk	Member	November 2004
Mrs. Barbara Bense	Clerk	November 2004

ADMINISTRATION

Mr. Al Owen, Jr.
District Superintendent

Mr. Douglas Isaly
Assistant Superintendent, Business Services

Table 1

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Amended Second Period Report	Amended Annual Report
<u>ELEMENTARY</u>		
Kindergarten	52	52
First through Third	185	184
Fourth through Sixth	197	196
Seventh through Eighth	111	108
Special Education	12	12
Opportunity Schools	<u>9</u>	<u>9</u>
Elementary Totals	<u>566</u>	<u>561</u>
<u>HIGH SCHOOL</u>		
Ninth through Twelfth, Regular Classes	180	174
Continuation Education	23	22
Special Education	<u>5</u>	<u>5</u>
High School Totals	<u>208</u>	<u>201</u>
Regional Occupational Centers	<u>11</u>	<u>11</u>
Classes for Adults:		
Not Concurrently Enrolled	10	10
Independent Study	<u>35</u>	<u>33</u>
Totals	<u>45</u>	<u>43</u>
ADA Totals	<u>830</u>	<u>816</u>
<u>SUMMER SCHOOL</u>		Hours of <u>Attendance</u>
Elementary		18,590
High School		<u>6,125</u>
Total		<u>24,715</u>

Average daily attendance is a measurement of the number of pupils attending classes of the district. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Table 2

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>1999-00 Actual Minutes</u>	<u>Status</u>
Kindergarten	28,000	36,000	41,630	Complied
Grades 1 through 3	55,125	50,400	58,680	Complied
Grades 4 through 5	55,125	54,000	58,680	Complied
Grades 6 through 8	66,000	54,000	68,280	Complied
Grades 9 through 12	66,000	64,800	68,280	Complied

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater as required by Education Code Section 46201.

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 46201 through 46206.

Table 3

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>General Fund</u>	(Budget) <u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenues and Other Financial Sources	<u>\$9,109,679</u>	<u>\$9,447,344</u>	<u>\$8,102,640</u>	<u>\$9,117,994</u>
Expenditures, Other Uses and Transfers Out	<u>9,114,113</u>	<u>9,302,703</u>	<u>8,232,411</u>	<u>9,086,270</u>
Change in Fund Balance	<u>(4,434)</u>	<u>144,641</u>	<u>(129,771)</u>	<u>31,724</u>
Ending Fund Balance	<u>\$ 678,986</u>	<u>\$ 683,420</u>	<u>\$ 538,779</u>	<u>\$ 668,550</u>
Available Reserves	\$ 676,486	\$ 680,920	\$ 536,279	\$ 667,550
Available Reserves as a Percentage of Total Outgo	7.4%	7.3%	6.5%	7.3%
Total Long-Term Debt	356,688	\$ 471,688	\$ 621,577	\$ 684,395
Average Daily Attendance at P-2	829	831	843	847

The General Fund balance has increased by \$46,584 over the past three years. The fiscal year 2000-2001 budget projects a decrease of \$4,434 (0.6%). For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The district has incurred an operating surplus during two of the past three years, but anticipates incurring an operating deficit during the 2000-2001 fiscal year. Total long-term debt has increased by \$403,159 over the past three years.

Average daily attendance is expected to decrease by 2 during fiscal year 2000-2001.

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.

Table 4

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal Programs:			
U.S. Department of Education:			
Impact Aid	84.041	-	\$2,876,132
Indian Education	84.060	-	60,156
Passed through California Department of Education (CDE):			
IASA Title I	84.010	03064	262,091
IASA Title VI	84.298	03340	8,216
Title II	84.281	03207	13,387
Title IV	84.186	03453	3,602
Vocational Education	84.048	03569	17,291
Federal CSR	84.298	03073	32,324
21 st Century Learning	84.173	10042	132,612
Special Education	84.027	03379	<u>76,896</u>
Total U.S. Department of Education			3,482,707
U.S. Department of Agriculture:			
Passed through CDE:			
National School Lunch	10.555	03396	197,303
National School Breakfast	10.553	03988	<u>58,550</u>
Total U.S. Department of Agriculture			255,853
U.S. Department of Health and Human Services:			
Medi-Cal	93.778	-	<u>41,192</u>
Total Expenditures of Federal Awards			<u>\$3,779,752</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Pasqual Valley Unified School District and is presented on the 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.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, San Pasqual Valley Unified School District did not provide any federal awards to subrecipients.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND
BUDGET REPORT (J-200) WITH AUDITED
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

All fund balances at June 30, 2000 as reported on Form J-200 are in agreement with the audited financial statements.

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 Form J-200 to the audited financial statements.

Other Independent Auditor's Reports



James C. Harlan III
William C. Boettger
P. Robert Wilkinson
Marshall J. Varano

**Board of Trustees
San Pasqual Valley Unified School District
Winterhaven, California**

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

We have audited the financial statements of San Pasqual Valley Unified School District as of and for the year ended June 30, 2000 and have issued our report thereon dated January 5, 2001, which was qualified due to the lack of a general fixed asset account and lack of controls over the student body funds. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether San Pasqual Valley 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Pasqual Valley Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting as described in the Schedule of Audit Findings and Questioned Costs.

This report is intended solely for the information of the Board, management, the State Controller's Office, the California Department of Education, the California Department of Finance, 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.


January 5, 2001



James C. Harlan III
William C. Boettger
P. Robert Wilkinson
Marshall J. Varano

**Board of Trustees
San Pasqual Valley Unified School District
Winterhaven, California**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of San Pasqual Valley Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The 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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 State, 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, San Pasqual Valley Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board, management, the State Controller's Office, the California Department of Education, the California Department of Finance, 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.

Harlan & Boettger, LLP

January 5, 2001



James C. Harlan III
William C. Boettger
P. Robert Wilkinson
Marshall J. Varano

Board of Trustees
San Pasqual Valley Unified School District
Winterhaven, California

AUDITOR'S REPORT ON STATE COMPLIANCE

We have audited the general purpose financial statements of the San Pasqual Valley Unified School District, as of and for the year ended June 30, 2000 and have issued our report thereon dated January 5, 2001. In our report, our opinion was qualified due to the lack of a general fixed assets account and lack of controls over the student body funds. Our audit was made in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. 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 Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	4	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes
Independent study	13	Yes
Continuation education	13	Yes
Adult education	8	Yes
Regional occupational center/programs	5	Yes
County Office of Education programs	9	Not applicable



<u>Description</u>	<u>Procedures In Controller's Audit Guide</u>	<u>Procedures Performed</u>
Incentive for longer instructional day:		
School districts	3	Yes
County offices of education	3	Not applicable
GANN limit calculation	2	Yes
Early retirement incentive program	5	Not applicable
Community day schools	8	Not applicable
Class size reduction program:		
Option one classes	12	Yes
Option two classes	11	Not applicable
Option one and two classes	17	Not applicable
Reduce class size in two courses in grade 9	8	Not applicable
State instructional materials fund	8	Yes
Schiff-Bustamante standards-based instructional materials	4	Yes
Digital high school education technology grant program	5	Not applicable
Office of Criminal Justice Planning	-	Not applicable

Based on our audit, we found that, for the items tested, the San Pasqual Valley Unified School District complied with the state laws and regulations referred to above, except as described in the Schedule of Audit Findings and Questioned Costs. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the San Pasqual Valley Unified School District had not complied with the state laws and regulations.

Harlan & Boettger - LLP

January 5, 2001

Findings and Recommendations Section

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2000**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.041	Impact Aid
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

State Awards

Type of auditor's report issued on compliance for state programs:	Unqualified
Internal control over state programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	Yes

Section II- Findings and Recommendations

In accordance with Assembly Bill 3627 all audit findings must be identified as one or more of the following six categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
50000	Federal Compliance
60000	Miscellaneous

FINDING 2000-1 (30000)

Vacation Carryover

Criteria/Specific Requirement

Good fiscal controls should include a policy limiting the amount of vacation time that can be carried over from year to year so as to limit the district's liability should an employee leave the district.

Condition

As noted in our 1999 and 1998 audit report, we observed the district does not have a policy that establishes the amount of vacation time that can be carried over from year to year.

Questioned Costs

Not Applicable

Recommendation

We recommend the district implement a district policy relating to the amount of vacation benefits that can be carried over from year to year. We believe such a policy will be of benefit to limit the district's liability and to provide additional internal controls.

District Response

The District is in a process of negotiating a vacation cap with the affected bargaining unit(s) and other classes of employees. The District recognizes that a cap reduces long-term liabilities on excess carryover and that fraud may be reduced with routine absences of employees.

FINDING 2000-2 (20000)

Inventory of Equipment

Criteria/Specific Requirements

Section 35168 of the California Education Code requires each school district to maintain a historical inventory of all equipment whose cost value exceeds \$500 per item.

Condition

The District, as of June 30, 2000, had not completed their physical inventory of equipment they had started during the year. As a result, the district's inventory records have not been completely updated to reflect all items acquired or disposed of since the last physical inventory.

Questioned Costs

None

Recommendation

We recommend the district complete their physical inventory of equipment and reconcile the results of the physical inventory to the current district maintained inventory listing. In addition, we recommend a system be implemented to ensure physical inventories are taken on a regular basis and reconciled to inventory records.

District Response

The District keeps a running inventory of items purchased and delivered to each site. The District is in the process of automating the inventory process to assure proper physical accounting for each item of equipment, and preparing for the changes in GASB which will levy additional requirements for capitalized items of equipment. The District has asked their JPA to coordinate this portion of the inventory process.

FINDING 2000-3 (30000)**Student Body Funds****Criteria/Specific Requirement**

Internal controls must be in place to ensure the safeguarding of the assets and proper accounting for cash receipts and disbursements.

Condition

In our review of cash receipts we noted numerous instances where deposits to the bank were not made in a timely manner.

Questioned Costs

None

Recommendation

To ensure proper and adequate internal controls are in place for cash receipts we recommend procedures be implemented that will require all deposits of cash receipts to be made in a timely manner.

District Response

The District has reviewed the deposits for ASB accounts and concur that more, and timely, deposits need to be made. The District has counseled all concerned and will review the deposit summary on a monthly basis until satisfied the recommendation has been met.

Section III-Federal Award Findings and Questioned Costs

No Matters Noted

Section IV-State Award Findings and Questioned Costs**FINDING 2000-4 (40000)****Attendance Accounting****Criteria/Specific Requirement**

Determine whether the P-2 and annual attendance reports submitted to the state reconcile to the supporting documentation.

Condition

In our review of attendance at the sites, during our interim testing, we noted errors in our testing at the middle school and the high school. The errors were a result of our review of the monthly attendance report and finding a significant number of students being marked present for only one period during the day. A further review indicated a majority of those students marked present only one period were actually absent all day. It appears the teachers did not properly take roll in some classes which resulted in some students being shown present and apportionment credit taken for.

Questioned Costs

Loss of 8.00 ADA for P-2 and a loss of 10.70 ADA at Annual.

Recommendation

Due to the significance of the errors noted, we have met with district and school administrators and advised them of the need to perform a complete review of all students who were present only one (1) period on any day and verify the attendance of these students. After the complete review is completed, we recommend the results be reviewed by auditors to determine the amended attendance amounts are complete and accurate. The district has performed this review and provided us with the results which we have verified. The average daily attendance (ADA) reported in the accompanying financial statements reflect the corrected ADA totals for P-2 and Annual.

District Response

The District conducted a complete review of attendance for the entire school year and rejected attendance for students who could not clearly be shown as present more than a single period. This review resulted in adjustments in ADA of (8.0) and (10.70) at P-2 and Annual, respectively. These results were submitted as corrections to the respective J-18/19 reports. Additionally, the District is in the process of retraining all attendance personnel, and will continue to monitor the submitted site reports.

**FINDING 2000-5 (10000 & 40000)
Independent Study Program**

Criteria/Specific Requirement

Verify that evaluated student work samples are signed or initialed and dated by the supervising teacher indicating they have personally evaluated the work.

Condition

In our review of student work samples for both adult education and regular education students participating in the independent study program, we noted the supervising teacher was signing the work samples being retained in compliance with Title 5, CCR, Section 11703 (b)(3) but was not dating the sample worked reviewed.

Questioned Costs

Unknown.

Recommendation

Per Title 5, CCR, Section 11703, the work samples reviewed by the supervising teacher must be signed and dated. Presently the teachers are signing the work samples but not dating them. We recommend a procedure be implemented to ensure all work samples retained are both signed and dated.

District Response

The District will monitor the independent study records to ensure that the supervising teacher(s) start to and continue to date sample materials.

FINDING 2000-6 (40000)
State Instructional Materials Fund

Criteria/Specific Requirement

Determine whether the school district provided a 10-day advance notice of the public hearing to make a determination whether each pupil in each school has, or will have by the fiscal year, enough textbooks or other instructional materials in each subject, as required by Education Code Section 60119(b).

Condition

In our review of the public hearing held for instructional materials, we noted the district did not comply with the requirement to hold a public hearing. Based on information provided, no public hearing was held as required by Education Code Section 6019(b).

Questioned Costs

Unknown

Recommendation

We recommend the district implement required procedures to ensure a public hearing is held each year and as required by Education Code Section 60119(b).

District Response

The District will submit an appeal of the 1999-2000 public hearing to the California Department of Education, and redo the public hearing requirement of 2000-2001.

Compliance planning

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2000**

	<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
99-1	The district has not completed a physical inventory of equipment for a number of years.		
	Perform a physical inventory and reconcile the results to the current district maintained inventory listing.	Partially Implemented	See current year finding
99-2	The district does not have a board policy that establishes the amount of vacation that can be carried over from year to year.		
	Adopt a board policy relating to the amount of vacation time that can be carried over from year to year.	Not Implemented	See current year finding
99-3	In review of the high school student body funds auditor found lack of internal control over cash receipts documentation, bank reconciliations, cash disbursements, and year-end balances.		
	Require ticket and bank reconciliations, sufficient support documents for receipts and disbursements, procedures to ensure that ASB or trust accounts do not have a deficit balance.	Partially Implemented	See current year finding
99-4	In review of the year end financial statements, some funds did not properly reflect accruals for payables and receivables, general long term balances, and balance sheet components.		
	Ensure year-end financial statements are properly stated, and review year end accrual entries.	Implemented	
99-5	Attendance records maintained by teachers had instances where teachers were not signing the weekly attendance records.		
	Implement a procedure to require teachers to sign and date the weekly attendance records.	Implemented	

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2000
(Continued)**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>99-6 In review of expenditures, auditor was unable to verify some instructional materials purchased for the instructional materials fund.</p> <p>Provide subsequent documentation that the expenditures were those adopted by the State Board of Education. If district is unable to provide the documentation, it is recommended that the district transfer the questioned costs to general education expense and correct their restricted carryover.</p>	Implemented	
<p>99-7 In review of attendance at the high school, we noted numerous instances where absences tested were not on the monthly attendance summary as an absence.</p> <p>Implement procedures to ensure better review be made of each months attendance to verify all absences are properly recorded.</p>	Implemented	