SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT COUNTY OF IMPERIAL WINTERHAVEN, CALIFORNIA

AUDIT REPORT

JUNE 30, 2001

HARLAN & BOETTGER, LLP 5415 Oberlin Drive San Diego, CA 92121 858-535-2000



San Pasqual Valley Unified School District Audit Report for the Year Ended June 30, 2001

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees San Pasqual Valley Unified School District Winterhaven, California 92283

Members of the Board of Trustees:

We have audited the accompanying general purpose financial statements of San Pasqual Valley Unified School District, as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of San Pasqual Valley Unified School 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 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with generally accepted accounting principles. The amount which should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission discussed in the previous paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of San Pasqual Valley Unified School District as of June 30, 2001 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2001, on our consideration of San Pasqual Valley Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



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

plants & Buentser LSP December 7, 2001



		Fi	Fiduciary und Types	Account Group		(Mem	Totals orandum Only)
Pr	Capital ojects Funds		Agency Fund		General Long- Term Debt		June 30, 2001
\$	719,767	\$		\$		\$	2,131,289
			71,909		*		71,909
	-		-				2,500
	80,368		-		9		441,722
	-		-		*		23,995
			-		-		9,630
			-				744
	-		3		373,492		373,492
\$	800,135	\$	71,909	\$	373,492	\$	3,055,281
\$	29,995	\$		\$		\$	336,748
*		,	-		_		23,995
	-		*		12		4,000
	20		71,909		:=		71,909
	4				116,193		116,193
	-		-		257,299		257,299
	29,995		71,909	-	373,492		810,144
	21		2/		¥1		2,500
	2		(=)		*)		9,630
	:=				E 80		744
	-		-				445,000
	273,020		. 		8.		508,568
	497,120				9		1,278,695
	770,140						2,245,137

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES YEAR ENDED JUNE 30, 2001

	Go	vernm	nental Fund Ty	/pes		(Mem	Totals norandum Only)
·	General		Special		Capital		June 30,
	Fund	Rev	enue Funds	Proje	ects Funds		2001
Revenue:							
Revenue limit sources:							
State apportionments \$	3,052,958	\$	79,733	\$	(1 4)	\$	3,132,691
Local sources	1,060,329		<u> </u>		<u> </u>		1,060,329
Total revenue limit	4,113,287		79,733				4,193,020
Federal	3,224,398		281,284				3,505,682
Other state	1,848,808		140,579				1,989,387
Other local	319,007		80,520		208,837	11.11	608,364
Total revenues	9,505,500		582,116	-	208,837		10,296,453
Expenditures:							
Current:							0.000.040
Certificated salaries	3,768,264		39,746		₹.		3,808,010
Classified salaries	1,932,687		214,316				2,147,003
Employee benefits	1,165,740		27,661				1,193,401
Books and supplies	867,378		197,886		11,437		1,076,701
Services and other operating expenditures	931,098		107,777		85,780		1,124,655
Capital outlay	293,489		19,813		698,963		1,012,265
Debt service				100	136,509		136,509
Total expenditures	8,958,656	1 2011	607,199		932,689		10,498,544
Excess (deficiency) of revenues			(05.000)		(700.050)		(202-004)
over (under) expenditures	546,844		(25,083)		(723,852)		(202,091)
Other financing sources (uses):	750,000		E00 000		470,130		1,810,130
Operating transfers in	750,000		590,000		(300,000)		(1,810,130)
Operating transfers out	(1,060,130)		(450,000)		(300,000)		(292,437)
Other uses	(262,086)	1	(30,351)		470 420		(292,437)
Total other financing sources (uses)	(572,216)	-	109,649		170,130		(292,431)
Excess (deficiency) of revenues and other resources	(0.5.070)		0.4.500		(EE0. 700)		(494,528)
over (under) expenditures and other uses	(25,372)		84,566		(553,722)		
Fund balances/equity, July 1	683,420		732,383		1,323,862		2,739,665
Fund balances/equity, June 30	658,048	\$	816,949	\$	770,140	\$	2,245,137

The accompanying notes are an integral part of this statement.

Special Revenue Funds					Capital Projects Funds						
Budget			Actual	3	Variance Favorable (Unfavorable)		Budget		Actual		Variance Favorable (Unfavorable)
			70.700	•	4.400	Φ.				•	
\$ 75,5	94	\$	79,733	\$	4,139	\$	-	2	110	\$	-
75,5	- 04		79,733	-	4,139	-				-	
224,0			281,284		57,284						
158,9			140,579		(18,359)						
80,6			80,520		(131)		65,000		208,837		143,837
539,1			582,116	-	42,933	-	65,000	1	208,837	-	143,837
339,1	00		302,110		72,000		00,000		200,007		140,007
44,0	90		39,746		4,344						
217,3			214,316		3,035		_				
53,6			27,661		26,034						
212,9			197,886		15,014		2		11,437		(11,435
94,8			107,777		(12,905)		67,030		85,780		(18,750
58,0			19,813		38,187		330,014		698,963		(368,949
00,0	-		10,010		30,101		136,509		136,509		
680,9	08		607,199	-	73,709		533,555		932,689		(399,134
(141,7	25)		(25,083)		116,642		(468,555)		(723,852)		(255,297
495,0	00		590,000		95,000		-		470,130		470,130
(400,0			(450,000)		(50,000)		(A)		(300,000)		(300,000
(33,1			(30,351)		2,804		-				***************************************
61,8			109,649	-	47,804		-	23111	170,130	-	170,130
(79,8	80)		84,566		164,446		(468,555)		(553,722)		(85,167
732,3	83		732,383				1,323,862		1,323,862		
\$ 652,5		\$	816,949	\$	164,446	\$	855,307	\$	770,140	\$	(85,167

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS YEAR ENDED JUNE 30, 2001

Totals (Memorandum Only)

	(Memorandum Only)					
		Budget		Actual		Variance Favorable (Unfavorable)
Revenue:						
Revenue limit sources:						
State apportionments	\$	3,169,808	\$	3,132,691	\$	(37,117)
Local sources		1,052,676		1,060,329		7,653
Total revenue limit		4,222,484		4,193,020		(29,464)
Federal		3,279,828		3,505,682		225,854
Other state		1,857,857		1,989,387		131,530
Other local		491,879		608,364		116,485
Total revenues		9,852,048		10,296,453	_	444,405
Expenditures:						
Current:						
Certificated salaries		3,972,546		3,808,010		164,536
Classified salaries		2,320,332		2,147,003		173,329
Employee benefits		1,427,780		1,193,401		234,379
Books and supplies		1,213,105		1,076,701		136,404
Services and other operating expenditures		938,096		1,124,655		(186,559)
Capital outlay		715,661		1,012,265		(296,604)
Debt service		136,509		136,509		3
Total expenditures		10,724,029	-	10,498,544	-	225,485
Excess (deficiency) of revenues						
over (under) expenditures		(871,981)		(202,091)		669,890
Other financing sources (uses):						
Operating transfers in		1,245,000		1,810,130		565,130
Operating transfers out		(1,315,000)		(1,810,130)		(495,130)
Other uses		(283,114)	100	(292,437)		(9,323)
Total other financing sources (uses)	-	(353,114)		(292,437)	_	60,677
Excess (deficiency) of revenues and other resources						
over (under) expenditures and other uses		(1,225,095)		(494,528)		730,567
Fund balances/equity, July 1		2,739,665		2,739,665		-
Fund balances/equity, June 30	\$	1,514,570	\$	2,245,137	\$_	730,567

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

A. Summary of Significant Accounting Policies

San Pasqual Valley Unified School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

Fund Accounting

District accounts are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of assets, liabilities, fund equity (or retained earnings), revenues and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. The fund types and funds utilized by the District are described below:

a. Governmental Funds:

The General Fund serves as the general operating fund. It is used to account for all financial resources of the District 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 following special revenue funds are utilized by the District:

- The Child Development Fund is used to account separately for federal, state, and local revenues to operate child development programs.
- The Adult Education Fund is used to account separately for federal, state, and local revenues for adult education programs.
- The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes.
- The Cafeteria Fund is used to account separately for federal, state, and local resources to operate the food service program.
- The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund money for general operating purposes.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

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

- 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 17070-17080).
- 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).
- The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes.

b. Fiduciary Funds:

Agency Funds account for resources held for others in a custodial capacity. The following funds are in use:

Student Body Funds are used to account for the activities of student groups.

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, the 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.

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 the measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become both measurable and available to financial expenditures in 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 thereafter 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) except for unmatured interest on General Long-Term Debt, which is recognized when due.

Agency funds are also accounted for on the modified accrual basis.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental 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.

Formal budgetary integration was used 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 code.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

6. Assets, Liabilities, and Equity

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, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

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

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

Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

Fixed Assets

Expenditures for fixed assets are charged to current operations as incurred. Such assets are not capitalized in a separate account group.

d. Deferred Revenue

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

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end. The noncurrent portion of the liabilities is recognized in the general long-term debt account group.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

f. Long-Term Obligations

The long-term debt of governmental funds is reported at face value in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

g. 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.

h. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 the reported amount of revenues and expenses during the reporting period. Actual results could differ from those reported.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

7. 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.

On-Behalf Payments

GASB 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 seperate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to all California school districts. These on-behalf payments are not reflected in the accompanying financial statements as the net results to the general fund balance at year end is zero. The estimated amount of these on-behalf payments made for the district during 2000-01 are \$179,225.

B. 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 (\$2,131,289 as of June 30, 2001). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$2,131,289. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer. 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 (\$71,909 as of June 30, 2001) and in the revolving fund (\$2,500) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments:

Investment Accounting Policy

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

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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

Excess of Expenditures Over Appropriations

As of June 30, 2001, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures	
General Fund:		
Services and other operating expenditures	\$	154,904
Deferred Maintenance Fund:		
Classified salaries		3,034
Employee benefits		376
Books and supplies		3,234
Services and other operating expenditures		11,018
Child Development Fund:		
Certificated salaries		638
Services and other operating expenditures		40
Cafeteria Fund:		
Services and other operating expenditures		1,663
Adult Education Fund:		
Services and other operating expenditures		184
Special Reserve Fund:		
Books and supplies		11,435
Services and other operating expenditures		18,750
Capital outlay		368,949
, , , , , , , , , , , , , , , , , , ,		

D. Accounts Receivable

Accounts receivable as of June 30, 2001, consist of the following:

	_	General Fund	Special Revenue Funds	Capital Project Funds	Totals
Federal Government: Federal Programs	\$	76,193 \$	69,476 \$	- \$	145,669
State Government: Categorical Aid Programs Other Deferred Maintenance		146,670 -	4,129 - 35,136	73,143	4,129 219,813 35,136
Total State Government	_	146,670	39,265	73,143	259,078
Interest		16,720	9,164	7,225	33,109
Miscellaneous Totals	\$	239,583 \$	3,866 121,771 \$	80,368 \$	3,866 441,722

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

Interfund Transactions

Due From/Due To Other Funds .

Individual fund interfund receivable and payable balances as of June 30, 2001, are as follows:

Fund	Interfund eceivables	Interfund Payables
General Fund	\$ 23,995	\$ -
Adult Education Fund		5,724
Cafeteria Fund		14,494
Child Development Fund		25
Deferred Maintenance Fund		3,752
Totals	\$ 23,995	\$ 23,995

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2000-2001 fiscal year are as follows:

Transfers In	Transfers Out	Amount
General	Special Reserve	\$ 450,000
General	Special Reserve	300,000
Cafeteria	General	50,000
Deferred Maintenance	General	90,000
Special Reserve	General	450,000
Special Reserve	General	470,130
Total		\$ 1,810,130

F. Fund Balances-Reserved and Designated

The following amounts have been reserved and designated by the Board of Trustees for the purposes noted.

4	General Fund		Cafeteria Fund		Adult Education Fund	Special Reserve Fund
\$	2,500	\$		\$	- \$	5.
	2		744		540	41
	2		9,630			21
\$	2,500	\$	10,374	\$	- \$	
\$	420,000	\$	1.0	\$	25,000 \$	-
	54,280				₹)	-
	181,268				-	273,020
\$	655,549	\$		\$	25,000 \$	273,020
	\$\$	\$ 2,500 \$ 2,500 \$ 2,500 \$ 420,000 54,280 181,268	\$ 2,500 \$ \$ 2,500 \$ \$ 2,500 \$ \$ 420,000 \$ 54,280 181,268	Fund Fund \$ 2,500 \$ - 744	Fund Fund \$ 2,500 \$ - \$ - 744 - 9,630 \$ 2,500 \$ 10,374 \$ \$ 420,000 \$ - \$ 54,280 - 181,268	General Fund Cafeteria Fund Education Fund \$ 2,500 \$ - \$ - \$ - \$ 744 - 9,630 - \$ 2,500 \$ 10,374 \$ - \$ \$ 420,000 \$ - \$ 25,000 \$ 54,280 - 181,268 \$ - \$ - \$

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

G. Leases

Capital Leases

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

Year Ending			
June 30	Lease Paymen		
2002	\$	136,509	
2003		136,509	
Total Minimum Lease Payments	\$	273,018	
Less Amount Representing Interest		(15,719)	
Present Value of Net Minimum Lease Payments	\$	257,299	

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

H. Changes in General Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below.

	Balance July 1 2000	Additions	Deductions	Balance June 30 2001
Compensated Absences	\$ 94,662	\$ 21,531	\$ -	\$ 116,193
Capital Leases	377,026	-	119,727	257,299
Totals	\$ 471,688	\$ 21,531	\$ 119,727	\$ 373,492

Joint Ventures (Joint Powers Agreements)

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

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

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2001 is as follows:

Total Assets	\$17,470
Total Liabilities	=
Total Fund Balance	17,470
Total Cash Receipts	62,165
Total Cash Disbursements	43,864
Net Change in Fund Balance	18,301

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

J. <u>Employee Retirement Systems</u>

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary (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 2000-01 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, 2001, 2000 and 1999 were \$0, \$0 and \$0, 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 2000-01 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, 2001, 2000 and 1999 were \$290,547, \$262,581 and \$234,415, respectively, and equal 100% of the required contributions for each year.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

K. Postemployment Benefits Other Than Pension Benefits

In addition to the pension benefits described in Note J, the District provides postretirement health care benefits, as established by board policy, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. On June 30, 2001, retirees met these eligibility requirements.

The District pays health insurance premiums on behalf of qualified pre-Medicare retirees at a rate ranging from 50% to 100% of the cost, depending on length of service and other factors. During the year ended June 30 2001, expenditures of \$29,336 were recognized for postretirement health care. These costs were funded on a pay-as-you-go basis. The District does not recognize a liability for future postemployment health care benefits because the amount cannot be reasonably determined.

Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

General Fund

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2001

	Budget			Actual		Variance Favorable (Unfavorable)	
Revenue:							
Revenue limit sources:							
State apportionments	\$	3,094,214	\$	3,052,958	\$	(41,256)	
Local sources		1,052,676		1,060,329		7,653	
Total revenue limit		4,146,890		4,113,287		(33,603)	
Federal		3,055,828		3,224,398		168,570	
Other state		1,698,919		1,848,808		149,889	
Other local		346,228		319,007		(27,221)	
Total revenues	-	9,247,865		9,505,500	- C	257,635	
Expenditures:							
Current:		0.000.450		2 722 224		100 100	
Certificated salaries		3,928,456		3,768,264		160,192	
Classified salaries		2,102,981		1,932,687		170,294	
Employee benefits		1,374,085		1,165,740		208,345	
Books and supplies		1,000,203		867,378		132,825	
Services and other operating expenditures		776,194		931,098		(154,904)	
Capital outlay	100	327,647		293,489		34,158	
Total expenditures	544	9,509,566		8,958,656	-	550,910	
Excess (deficiency) of revenues							
over (under) expenditures		(261,701)		546,844		808,545	
Other financing sources (uses):							
Operating transfers in		750,000		750,000		-	
Operating transfers out		(915,000)		(1,060,130)		(145,130)	
Other uses		(249,959)		(262,086)		(12,127)	
Total other financing sources (uses)		(414,959)	_	(572,216)		(157,257)	
Excess (deficiency) of revenues and other resources							
over (under) expenditures and other uses		(676,660)		(25,372)		651,288	
Fund balances/equity, July 1		683,420		683,420			
Fund balances/equity, June 30	\$	6,760	\$	658,048	\$	651,288	

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cafeteria Fund		Deferred aintenance Fund	Special Reserve Fund	 Totals June 30, 2001		
\$ 50,041 71,713 9,630 744	\$	74,550 35,721	\$ 513,082 6,497	\$ 720,897 121,771 9,630 744		
\$ 132,128	\$	110,271	\$ 519,579	\$ 853,042		
\$ 1,471 14,494 15,965	\$	4,360 3,752 8,112	\$ -	\$ 12,098 23,995 36,093		
9,630 744 - 105,789 116,163		102,159 102,159	519,579 519,579	9,630 744 25,000 781,575 816,949		
\$ 132,128	\$	110,271	\$ 519,579	\$ 853,042		

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Totals June 30, 2001		
\$		\$	\$	\$ 79,733		
1 1000	*	:50	*	79,733		
	274,641	· ·		281,284		
	19,094	32,485		140,579		
	47,206	1,348	25,335	80,520		
	340,941	33,833	25,335	582,116		
	* 1		2	39,746		
	119,588	35,535	-	214,316		
	13,507	3,501		27,661		
	178,506	4,534	· ·	197,886		
	67,943	12,018	~ _	107,777		
	(=)			19,813		
1277	379,544	55,588		607,199		
	(38,603)	(21,755)	25,335	(25,083)		
	50,000	90,000	450,000	590,000		
	00,000	-	(450,000)	(450,000)		
	(14,494)	(3,752)	2	(30,351)		
- 100 100 100	35,506	86,248	-	109,649		
	(3,097)	64,493	25,335	84,566		
	119,260	37,666	494,244	732,383		
\$	116,163	\$ 102,159	\$ 519,579	\$ 816,949		

		Child De	velopment Fu			Cafeteria Fund						
Budget			Actual	Fav	riance orable vorable)	-	Budget	Actual		Variance Favorable (Unfavorable		
				¢.		\$		\$		\$		
\$		\$		\$		³		Ψ	-	Ψ		
			- 1				215,000		274,641		59,641	
	79,950		79,933		(17)		27,500		19,094		(8,406)	
	1,650		2,099		449		43,900		47,206		3,306	
	81,600		82,032		432		286,400		340,941		54,541	
	01,000											
	27,900		28,538		(638)							
	14,000		12,219		1,781		121,400		119,588		1,812	
	7,580		4,573		3,007		30,625		13,507		17,118	
	1,250		1,192		58		193,250		178,506		14,744	
	25,842		25,882		(40)		66,280		67,943		(1,663)	
	1,250				1,250		1,250			-	1,250	
	77,822		72,404	-	5,418		412,805		379,544		33,261	
	3,778		9,628		5,850		(126,405)		(38,603)		87,802	
	-				- 8		50,000		50,000			
	-		, ii		=				The start of the start			
	(6,355)	3	(6,381)		(26)		(16,500)		(14,494)		2,006	
	(6,355)	1 m	(6,381)		(26)		33,500		35,506	_	2,006	
	(2,577)		3,247		5,824		(92,905)		(3,097)		89,808	
	31,515		31,515		발		119,260		119,260		- 20,000	
\$	28,938	\$	34,762	\$	5.824	\$	26,355	\$	116,163	\$	89,808	

Special Reserve Fund for Other Than Capital Outlay Pro						ects Totals									
	udget	Actual		Variance Favorable (Unfavorable)			Budget		Actual	F	Variance Favorable nfavorable)				
\$	4	\$	-	\$		\$	75,594	\$	79,733	\$	4,139				
-			-		_	-	75,594		79,733		4,139				
			-		.=1		224,000		281,284		57,284				
	-		-		.e.		158,938		140,579		(18,359)				
	30,000		25,335		(4,665)		80,651		80,520		(131)				
	30,000		25,335		(4,665)	-	539,183		582,116		42,933				
			160		_		44,090		39,746		4,344				
			1.2		-		217,351		214,316		3,035				
					_		53,695		27,661		26,034				
							212,900		197,886		15,014				
					= 1		94,872		107,777		(12,905)				
	2		2		-		58,000		19,813		38,187				
					141	_	680,908		607,199		73,709				
	30,000		25,335		(4,665)		(141,725)		(25,083)		116,642				
	400,000		450,000		50,000		495,000		590,000		95,000				
	(400,000)		(450,000)		(50,000)		(400,000)		(450,000)		(50,000)				
	(100,000)				:=:		(33,155)		(30,351)		2,804				
			-				61,845		109,649		47,804				
	30,000		25,335		(4,665)		(79,880)		84,566		164,446				
	494,244		494,244		-		732,383		732,383	11,000					
\$	524,244	\$	519,579	\$	(4,665)	\$	652,503	\$	816,949	\$	164,446				

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

COMBINING BALANCE SHEET ALL CAPITAL PROJECTS FUNDS JUNE 30, 2001

	Capital Facilities Fund		Sc	State School Bldg. Lease		Capital Outlay Projects		Totals June 30, 2001	
ASSETS:			-						
Cash in county treasury	\$	150	\$	468	\$	719,149	\$	719,767	
Accounts receivable		2		6		80,360		80,368	
Total assets	\$	152	\$	474	\$	799,509	\$	800,135	
LIABILITIES AND FUND EQUITY: Liabilities:									
Accounts payable	\$	-	\$	=	\$	29,995	\$	29,995	
Total liabilities						29,995		29,995	
Fund Equity:									
Other Designated Fund Balance						273,020		273,020	
Undesignated/unappropriated		152		474		496,494		497,120	
Total fund equity		152		474		769,514		770,140	
Total liabilities and fund equity	\$	152	\$	474	\$	799,509	\$	800,135	

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL CAPITAL PROJECTS FUNDS YEAR ENDED JUNE 30, 2001

	Capital Facilities Fund	Sch	State ool Bldg. _ease	24	Capital Outlay Projects		Totals June 30, 2001
Revenue:	.	œ	26	\$	208,802	\$	208,837
Other local	\$ 9	\$	26	Φ	208,802		208,837
Total revenues	9			250	200,002	-	200,007
Expenditures: Current:							341
Books and supplies	-		:-		11,437		11,437
Services and other operating expenditures					85,780		85,780
Capital outlay			-		698,963		698,963
Debt service			021		136,509		136,509
Total expenditures	-		<u> </u>	-	932,689		932,689
Excess (deficiency) of revenues							
over (under) expenditures	9		26		(723,887)		(723,852)
Other financing sources (uses):							
Operating transfers in	*		R#6		470,130		470,130
Operating transfers out			: #1		(300,000)		(300,000)
Total other financing sources (uses)	·				170,130		170,130
Excess (deficiency) of revenues and other resources							
over (under) expenditures and other uses	9		26		(553,757)		(553,722)
Fund balances/equity, July 1	_ 143		448		1,323,271		1,323,862
Fund balances/equity, June 30	\$ 152	\$	474	\$	769,514	\$	770,140

***************************************			g Lease-Pu ctual	Va Fav	Variance Favorable (Unfavorable)		Budget		Actual	F	Variance Favorable nfavorable)
Budge		^	Juai	(Office	volable)	_	Budget	0.55	/ totala	_(_	marorable)
\$	-	\$	26	\$	26	\$	65,000	\$	208,802	\$	143,802
			26		26	_	65,000		208,802		143,802
	-						2		11,437		(11,435)
	-		-		9		67,030		85,780		(18,750)
	-		-		22		330,014		698,963		(368,949)
	-		-				136,509		136,509		
					-		533,555		932,689	-	(399,134)
2	-		26		26		(468,555)		(723,887)		(255,332)
					-		+		470,130		470,130
	=		41						(300,000)		(300,000)
			-			===	:•:	-	170,130	-	170,130
			26		26		(468,555)		(553,757)		(85,202)
	448		448		91		1,323,271		1,323,271		
s	448	S	474	\$	26	\$	854,716	\$	769,514	\$	(85,202)

EXHIBIT B-7 Page 2 of 2

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2001

		I otals									
	Budget		Actual	Variance Favorable (Unfavorable)							
Revenue:											
Other local	\$ 65,000	\$	208,837	\$	143,837						
Total revenues	65,000		208,837	_	143,837						
Expenditures:											
Current:											
Books and supplies	2		11,437		(11,435)						
Services and other operating expenditures	67,030		85,780		(18,750)						
Capital outlay	330,014		698,963		(368,949)						
Debt service	136,509		136,509		-						
Total expenditures	533,555		932,689		(399,134)						
Excess (deficiency) of revenues											
over (under) expenditures	(468,555)		(723,852)		(255,297)						
Other financing sources (uses):											
Operating transfers in	=		470,130		470,130						
Operating transfers out	-		(300,000)		(300,000)						
Total other financing sources (uses)	 		170,130	000	170,130						
Excess (deficiency) of revenues and other resources											
over (under) expenditures and other uses	(468,555)		(553,722)		(85,167)						
Fund balances/equity, July 1	1,323,862		1,323,862		-						
Fund balances/equity, June 30	\$ 855,307	\$	770,140	\$	(85,167)						

Trust and Agency Funds

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2001

		Balance July 1, 2000	Additions	Deductions		Balance June 30, 2001
ELEMENTARY STUDENT ACTIVITIES ASSETS					-	
Cash and investments	\$	20,698 \$	12,319	\$ 8,383	\$	24,634
Total Assets	\$	20,698 \$	12,319	8,383	\$	24,634
LIABILITIES						
Due to student groups	\$	20,698 \$	12,319	8,383	\$	24,634
Total Liabilities	\$	20,698 \$	12,319	\$ 8,383	\$	24,634
HIGH SCHOOL STUDENT ACTIVITIES ASSETS						
Cash and investments	\$	41,274 \$	175,703	\$ 169,702	\$	47,275
Total Assets	\$	41,274 \$	175,703	\$ 169,702	\$	47,275
LIABILITIES	×					
Due to student groups	\$	41,274 \$	175,703	\$ 169,702	\$	47,275
Total Liabilities	\$	41,274 \$	175,703	\$ 169,702	\$	47,275
TOTAL AGENCY FUNDS: ASSETS						
Cash and investments	\$	61,972 \$	188,022	178,085	\$	71,909
Total Assets	\$	61,972 \$	188,022	\$ 178,085	\$	71,909
LIABILITIES						
Due to student groups	\$	61,972 \$	188,022	178,085	\$	71,909
Total Liabilities	\$	61,972 \$	188,022	\$ 178,085	\$	71,909

The accompanying notes are an integral part of this statement.



ORGANIZATION JUNE 30, 2001

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. The district is currently operating one elementary school, one middle school, one regular high school and one continuation high school.

_	_	
Carre	rning	Poord
GOVE	HIIII	Board

Name	Office	Term Expires
Ms. Bernadine Swiftarrow	President	November, 2001
Mrs. Barbara Bensel	Vice President	November, 2004
Mr. Robert Johnson	Clerk	November, 2004
Ms. LaRue Nelson	Member	November, 2001
Mr. Damon Polk	Member	November, 2004

Administration

Dr. Joen Hendricks Superintendent

Mr. Douglas Isaly Assistant Superintendent Business Services SCHEDULE OF AVERAGE DAILY ATTENDANCE YEAR ENDED JUNE 30, 2001

	Second Period Report	Annual Report
Flomenton"	Troport	
['] Elementary: Kindergarten	61.19	60.73
Grades 1 through 3	170.42	170.13
Grades 4 through 6	183.06	181.56
Grades 7 and 8	120.96	119.78
Opportunity Schools	5,94	6.16
Home and Hospital	0.19	0.14
Special education	16.34	16.33
Elementary totals	558.1	554.83
High School:	158.27	155.23
Grades 9 through 12, regular classes	6.16	6.08
Special education	8.63	8.91
Continuation education	173.06	170.22
High school totals	173.00	170.22
Regional Occupational Programs:		
Mandated Programs	5.24	5.26
Classes for adults:	44.40	10.52
Not concurrently enrolled	11.16	31.13
Independent study	29.66	31.13
ADA totals	777.22	771.96
	Hours of	
Cumman Coh a al	Attendance	
Summer School	Allendance	
Elementary	18,266	
High School	8,078	
1 11311 0011001		

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.

SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2001

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2000-01 Actual Minutes	Status
Kindergarten	28,000	36,000	42,735	Complied
Grades 1 through 3	55,125	50,400	57,060	Complied
Grades 4 through 6	55,125	54,000	57,060	Complied
Grades 7 through 8	66,000	54,000	66,600	Complied
Grades 9 through 12	66,000	64,800	66,600	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 Educational 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.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS YEAR ENDED JUNE 30, 2001

General Fund		(Budget) 2002		2001	2000		1999
Revenues and other financial sources	\$	10,136,054	\$	10,255,500	\$ 9,447,344	\$	8,102,640
Expenditures and Other uses and transfers out		10,095,382	_	10,280,872	9,302,703		8,232,411
Change in fund balance (deficit)		40,672		(25,372)	144,641	.====	(129,771)
Ending fund balance	\$	698,720	\$	658,048	\$ 683,420	\$	538,779
Available reserves	\$	696,220	\$	655,548	\$ 680,920	\$	536,279
Available reserves as a percentage of total outgo	-	6.9%	-	6.4%	7.3%	_	6.5%
Total long-term debt	\$	253,000	\$	373,492	\$ 471,688	\$	621,577
Average daily attendance at P-2		777	-	777	831	_	843

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

The general fund balance has decreased by \$10,502 over the past three years. The fiscal year 2001-02 budget projects an increase of \$40,672. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures and other outgo.

Total long-term debt has decreased by \$274,903 over the past three years.

Average daily attendance (ADA) is not expected to increase during 2001-02.

YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Medi-Cal *	93.778		\$ 74,380
Total U. S. Department of Health and Human Services			74,380
U. S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Impact Aid - P.L. 81.874	84.041		2,598,697
Title IX Indian Education	84.060		65,509
Total Direct Programs			2,664,206
Passed Through California Department of Education:			
Adult Education	84.002	03055	6,644
IASA Title I	84.010	03064	294,146
Special Education *	84.027	03379	90,044
Vocational Education	84.048	03569	6,535
21st Century *	84.173	10042	35,414
Title IV	84.186	03453	3,509
Title II	84.281	03207	6,405
IASA Title VI	84.298	03340	10,783
Federal Class Size Reduction	84.298	03073	34,454
School to Career	84.278	10009	4,521
Total Passed Through California Department of Education			492,455
Total U. S. Department of Education			3,156,661
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	03988	63,167
National School Lunch Program *	10.555	03396	211,474
Total Passed Through State Department of Education			274,641
Total U. S. Department of Agriculture			274,641
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,505,682

^{*} Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2001

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 modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (J-200) WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

All fund balances at June 30, 2001, 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.





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

Board of Trustees San Pasqual Valley Unified School District Winterhaven, California 92283

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

Members of the Board of Trustees:

We have audited the general purpose financial statements of San Pasqual Valley Unified School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 7, 2001. That report was qualified because of the omission of the general fixed assets account group from the financial statements. 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.

Compliance

As part of obtaining reasonable assurance about whether San Pasqual Valley Unified School District's general purpose 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 general purpose 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 general purpose 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 and use of management, others within the organization, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 7, 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 92283

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

Members of the Board of Trustees:

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, 2001. San Pasqual Valley Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the San Pasqual Valley Unified School District's management. Our responsibility is to express an opinion on San Pasqual Valley Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of 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 San Pasqual Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on San Pasqual Valley Unified School 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, 2001.

Internal Control Over Compliance

The management of the San Pasqual Valley Unified School 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 San Pasqual Valley Unified School 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 the 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 and use of management, others within the organization, the Board of Trustees, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Edgehard Beether Eller December 7, 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 92283

AUDITOR'S REPORT ON STATE COMPLIANCE

Members of the Board of Trustees:

We have audited the general purpose financial statements of the San Pasqual Valley Unified School District ("District") as of and for the year ended June 30, 2001 and have issued our report thereon dated December 7, 2001. That report was qualified because of the omission of the general fixed assets account group from the financial statements. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State 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 of 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:

	Procedures	
	In Controller's	Procedures
Description	Audit Guide	Performed
Attendance accounting:		••
Attendance reporting	3	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes
Independent study	13	Yes
Continuation education	-12	No (see below)
Adult education	8	Yes
Regional occupational center/programs	5	Yes
County Office of Education programs	9	Not applicable
Incentive for longer instructional day:	2	Yes
School districts	3	
County offices of education	3	Not applicable





Description	Procedures In Controller's Audit Guide	Procedures Performed
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	11	Yes
Option two classes	10	Not applicable
Option one and two classes	16	Not applicable
Program to reduce class size in two courses in grade 9	8	Not applicable
State instructional materials fund (K-8)	8	Yes
Schiff-Bustamante standards-based instructional materials	4	Yes
Digital high school education technology grant program	5	Yes
California Public Schools Act of 1998	4	Yes
Computer usage	2	Yes
Office of Criminal Justice Planning		Not applicable

We did not perform testing for continuation education because the continuation education ADA was under the level that requires testing.

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

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

December 7, 2001



SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2001

A. Summary of Auditor's Results

1.	Financial Statements			
	Type of auditor's report issued:	Qualified		
	Internal control over financial reporting:			
	Material weakness(es) identified?	Yes	X	No
	Reportable condition(s) identified that are not considered to be material weaknesses?	Yes	X	None Reported
	Noncompliance material to financial statements noted?	Yes	X	No
2.	Federal Awards			
	Internal control over major programs:			. *
	Material weakness(es) identified?	Yes	X	No
	Reportable condition(s) identified that are not considered to be material weaknesses?	Yes	X	None Reported
	Type of auditor's report issued on compliance for major programs:	Unqualified		
	Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes	X	No
	Identification of major programs:			
	CFDA Number(s) Name of Federal P 84.041 Impact Aid	rogram or Cluster		
	Dollar threshold used to distinguish between type A and type B programs:	\$300,000		
	Auditee qualified as low-risk auditee?	Yes	X	No

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2001

shipping cost value at year end.

В.

3.	State Awards		
	Internal control over state programs:		
	Material weakness(es) identified?	Yes	X No
	Reportable condition(s) identified that are not considered to be material weaknesses?	Yes	X None Reporte
	Type of auditor's report issued on compliance for state programs:	Unqualified	
Fin	ancial Statement Findings		
	ding 2001-1 (30000) Teteria Inventory		
	Criteria or Specific Requirement For financial statement presentation determine that the commodities on hand at year end.	district used the fair n	narket value for USDA
	Condition In our examination of the inventory, we noted the USDA at fair market value.	commodities were v	alued at cost rather than
	Questioned Costs None		
	Recommendation We recommend, when computing the value of the food commodities at fair market value for financial statement	inventory, the district presentation.	assess the USDA
	LEA's Response The district shall use the fair market value column for th	e commodities invent	tory instead of the

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2001

Finding 2001-2 (30000) State Preschool Program

Criteria or Specific Requirement

Determine all financial and attendance reports are filed timely and the information contained in the report is complete and accurate.

Condition

During our examination of the state preschool program, we noted the district was late in filing the June 30, 2001 reports. The reports were due to the California Department of Education on July 20, 2001. The reports were actually filed in October 2001.

Questioned Costs

None

Recommendation

We recommend the district implement a procedure to review the filing dates for all reports and develop a system that will ensure all reports are filed timely.

LEA's Response

The district is now filing reports to the state for the preschool program in a timely manner.

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

Finding 2001-3 (10000/40000)) Kindergarten Retention

Criteria or Specific Requirement

Determine that all students retained in kindergarten during the 2000-01 school year had on file the proper agreement-to-retain form in order for the district to claim apportionment attendance.

Condition

In our review of all students retained in kindergarten, we noted two students did not have the proper agreement-to-retain form on file. A review of the apportionment claimed for these two students resulted in the district claiming 1.78 ADA more than allowable.

Questioned Costs Loss of 1.78 ADA.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2001

Recommendation

We recommend the district file an amended P-2 attendance report, Form J-18/19, and reduce the average daily attendance claimed for kindergarten students by 1.78.

LEA's Response

It is regrettable that the death of the elementary school principal in mid-year, and the resulting turmoil resulted in the incorrect form being utilized for kindergarten retention. It is considered a travesty that even though the parents and the school were in one hundred percent agreement with the retention and that all proper procedures for the benefit of the children involved in the retention were used, that for the want of the only-acceptable-form, that 1.78 ADA will be lost, that we have been told that no waiver of this simple error is possible. A revised J-18/19 will be filed no later than December 20, 2001.

Finding 2001-4 (40000) California Public School Library Act

Criteria or Specific Requirement

Determine that all expenditures charged to the program are appropriate and within state guidelines.

Condition

In reviewing the expenditures chared to the program, we noted one expenditure in the amount of \$1,299 for conference attendance was included in the program expenses. Based on state criteria conference attendance is not an acceptable expenditure for the program.

Questioned Costs

\$1,299.

Recommendation

We recommend the district add back to the restricted carryover balance the \$1,299 that was charged to the program and charge the expense to the general education program. In addition, we recommend a review procedure be established to monitor all expenditures charged to the program to ensure compliance with state guidelines.

LEA's Response

The district now better understands that a conference for the library coordinator is not to be funded with CPSLA funds and the \$1,299 costs will be borne by the unrestricted funds in the district and the \$1,299 will be utilized in the future in the CPSLA Program.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2001

Finding 2001-5(40000) Class Size Reduction Program (K-3)

Criteria or Specific Requirement

Determine the information contained on Form J-7CSR is complete, accurate and prepared based on state guidelines.

Condition

In our review of Form J-7CSR, we noted the method used to calculate the number of students and classes eligible for funding was incorrect. As a result, the district overstated the number of students eligible for funding by 4.

Questioned Costs \$3,420.

Recommendation

We recommend the district file an amended Form J-7CSR and reduce the number of kindergarten students eligible for funding by 2 and reduce the number of grade three students eligible for funding by 2. In addition, we recommend in the future the district use the daily class size averaging method to calculate the students eligible for funding.

LEA's Response

The district will file an amended Form J-7CSR reflecting the daily average rather than the monthly average, which caused the error. The district will utilize the SDCOE Student Information System, SIS, report "ATTEND 72", which generates the proper averages now and in the future.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2001

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2000-1		
The district does not have a policy for the amount of vacation time that can be carried over from year to year.		÷7
Implement a policy to establish the number of vacation hours that can be carried over from year to year.	Implemented	
Finding 2000-2		
The district has not completed its inventory of all equipment over \$500.		
Complete the inventory and reconcile the results to the district's inventory listing.	Implemented	
Finding 2000-3		
Student body cash deposits were not being made to the bank in a timely manner.		
Implement procedures to require that all cash receipts are deposited into the bank timely.	Implemented	
Finding 2000-4		
Errors were noted in the posting of absences at the middle school and high school resulting in ADA being overstated.		
File amended P-2 and Annual attendance reports, Form J-18/19, and report the revised ADA.	Implemented	
Finding 2000-5		
Teachers were not dating the work samples being maintained for independent study students.		
Require teachers to date as well as sign all work samples being maintained.	Implemented	
Finding 2000-6		
The district did not comply with the requirement to hold a public meeting for the instructional materials.		
Develop a procedure to ensure all public meetings are held when required.	Implemented	