

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

AUDIT REPORT

JUNE 30, 2003

**WILKINSON & HADLEY, LLP
250 E. Douglas Ave, Suite 200
El Cajon, CA 92020
619-447-6700**

Introductory Section

San Pasqual Valley Unified School District
Audit Report
For The Year Ended June 30, 2003

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Financial Section

WILKINSON & HADLEY LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S

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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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Pasqual Valley Unified School District as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of San Pasqual Valley Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Pasqual Valley Unified School District as of June 30, 2003, and the respective changes in financial position thereof 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 February 6, 2004, 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.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the San Pasqual Valley Unified School District's basic financial statements. 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 supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Wilkinson & Hadley, LLP".

Wilkinson & Hadley, LLP
February 6, 2004

**San Pasqual Valley Unified School District
Management's Discussion and Analysis
June 30, 2003
(Unaudited)**

This section of San Pasqual Valley Unified School District's (SPVUSD) annual financial report presents management's discussion and analysis of the SPVUSD's financial performance during the year ending June 30, 2003. The management's discussion and analysis is required as a new element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. Because this is the first year of implementation, the financial data and statements will not reflect prior year information; however, this information will be supplied in subsequent years. The district's financial statements follow this section.

Financial Highlights

- The SPVUSD's net assets exceeded liabilities by \$7.2 million.
- Restricted net assets (assets not invested in buildings, land, or equipment) were \$2.3 million.
- Total revenues were \$10.7 million, which exceeded expenses by \$540,164.
- The SPVUSD enrollment increased by seven students for a total enrollment of 802 students in October, 2002 compared to 795 students in October, 2001.
- The District commenced two critical hardship projects during the year, the "Septic to Sewer" project, and the HVAC replacement program, both of which are State funded projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the SPVUSD's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the SPVUSD's finances, in a manner similar to a private-sector business.

- The statement of net assets presents information on all of the assets and liabilities of the SPVUSD, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

- The statement of activities presents information showing how the net assets of the SPVUSD changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The SPVUSD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district are governmental funds except for the Associated Student Body accounts, which are a fiduciary fund.

- **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The SPVUSD maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, the special reserve for other than capital projects fund, and the adult education fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement will be provided for the general fund to demonstrate compliance with this budget with the closing of the books at June 30, 2004. The basic governmental fund financial statements can be found later in this report.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-30 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented on pages 14-19.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the SPVUSD, assets exceeded liabilities by \$7.3million at the close of the most recent fiscal year.

STATEMENT OF NET ASSETS 6/30/2003			
<i>(In Millions of Dollars)</i>			
ASSETS:			
Cash & Current Assets	\$	2.1	
Capital Assets	\$	5.5	
Total Assets	\$	7.6	
LIABILITIES:			
Long-term Debt	\$.1	
Other Liabilities	\$.272	
Total Liabilities	\$.372	
TOTAL NET ASSETS	\$	7.2	
DISTRIBUTION OF NET ASSETS			
Invested in Capital Assets	\$	4.89	
Restricted for Capital Projects	\$.53	
Other Restricted	\$	1.78	
Non-restricted	\$.00	
TOTAL NET ASSETS	\$	7.2	

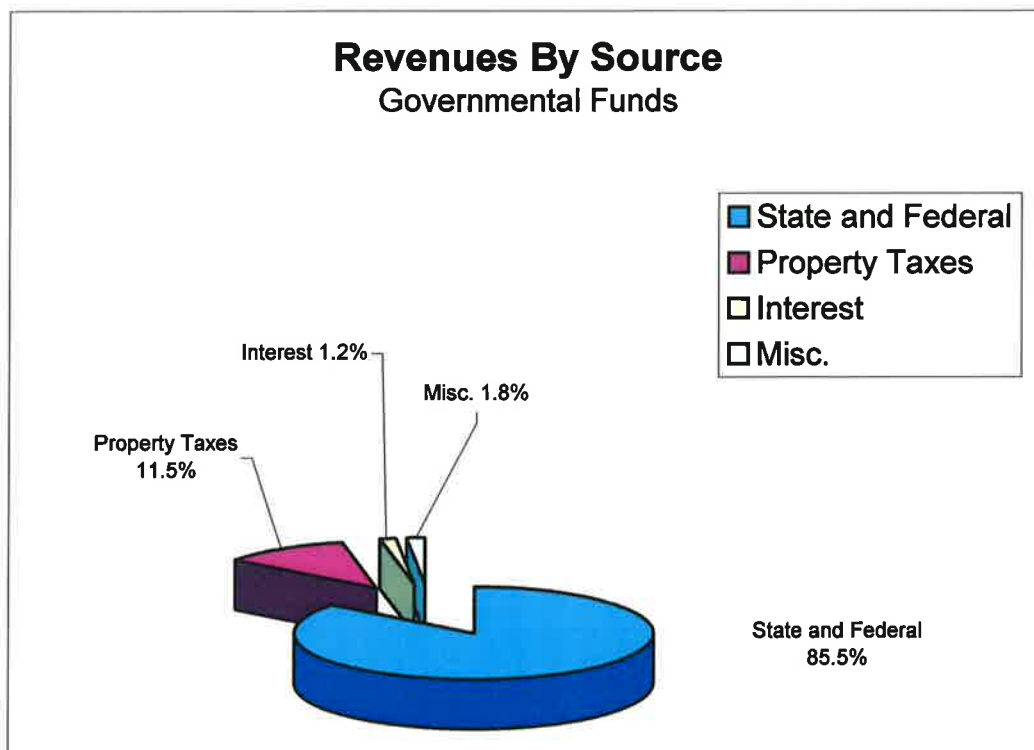
- The largest portion of the SPVUSD'S net assets (67%) reflects its investment in capital assets (e.g., land, equipment, buildings and improvements net of accumulated depreciation), less any related debt (bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that is still outstanding. The SPVUSD uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- An additional portion of the SPVUSD's net assets (7%) represents resources that are restricted for capital projects. The sources are bonds funds, developer fees, state school building funds and the district's reserve for capital projects.
- The remaining balance of restricted and unrestricted net assets (26%) may be used to meet the SPVUSD's obligations to students, employees, and creditors and to honor next year's budget.

At the end of the current fiscal year, the SPVUSD has a positive balance of net assets.

Governmental activities. The key elements of the District's net assets for the year ended June 30, 2003 are as follows:

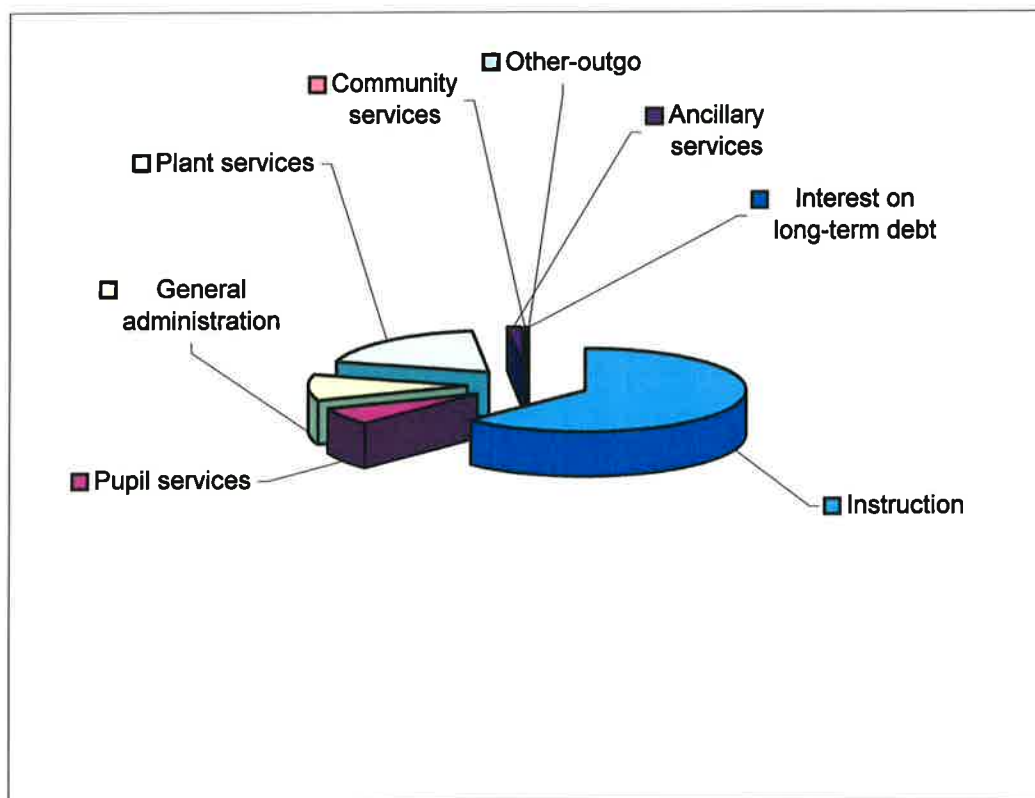
REVENUES	DOLLARS
Program revenues	\$ 3,041,812
Property taxes	\$ 886,204
Miscellaneous revenue	\$ 137,665
Federal & state aid not restricted	\$ 6,589,451
Investment & interest earnings	\$ 101,195
Total Revenues	\$ 10,756,327
EXPENDITURES BY FUNCTION	
Instruction	\$ 6,031,678
Pupil services	\$ 1,698,013
General administration	\$ 911,467
Plant services	\$ 1,375,012
Ancillary services	\$ 97,544
Community services	\$ 97,062
Interest on long-term debt	\$ 2,005
Other-outgo	\$ 3,382
Total Expenditures	\$ 10,216,163
INCREASE IN NET ASSETS	\$ 540,164
Net-Assets – Beginning	\$ 6,709,098
Net-Assets – Ending	\$ 7,249,262



- The largest dollar amount in revenue continues to be from federal and state aid as well as property taxes. Federal and state aid are a reflection of funding for specific programs. Revenue Limit apportionment, which is a combination of state aid and property taxes is the largest source of district revenue. ADA is based on average daily attendance (ADA). If a student is in attendance a full 180 days, the state awards the district one ADA. The state guarantees that if local taxes do not provide money equal to the base Revenue Limit guarantee it will make up the difference with state funding. When property taxes grow, the amount of state Revenue Limit apportionment from the state decreases. The value of the base Revenue Limit for the year ended June 30, 2003 for SPVUSD was \$5,117.85.

BASE REVENUE LIMITS FOR UNIFIED DISTRICTS

	SPVUSD	Statewide Average
1999-2000	\$4,713	\$4,347
2000-2001	\$4,851	\$4,486
2001-2002	\$5,033	\$4,660
2002-2003	\$5,118	\$4,753
2003-2004	\$5,206	\$4,753



Financial Analysis of the District's Funds

As noted earlier, the SPVUSD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the SPVUSD's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. As the SPVUSD completed the year, its governmental funds reported a combined fund balance of \$2.49 million. This is the first year the district has compiled these reports. In the future, comparisons will be made between the current year's combined fund balance and the previous year's combined fund balance.

General Fund Budgetary Highlights

The SPVUSD's budget is prepared on the modified accrual basis of accounting according to California law. During the year, the Board revised the SPVUSD's budget. Budget amendments were to reflect changes in programs and related funding. The change in fund balance was primarily caused by the correction of the audit adjustment for the 2000-01 school year.

- Salary and benefits increased \$112,900. This was primarily due to an increase in certificated negotiated .
- The district made several budget adjustments during the year to offset the state mid-year budget cuts.

Capital Asset and Debt Administration

Capital Assets. The Board of Trustees adopted a minimum of \$5,000 as the threshold for recognition of capital assets, in preparation for the GASB 34 implementation. The District contracted with American Appraisal Services to conduct the District's capital asset inventory and valuation.

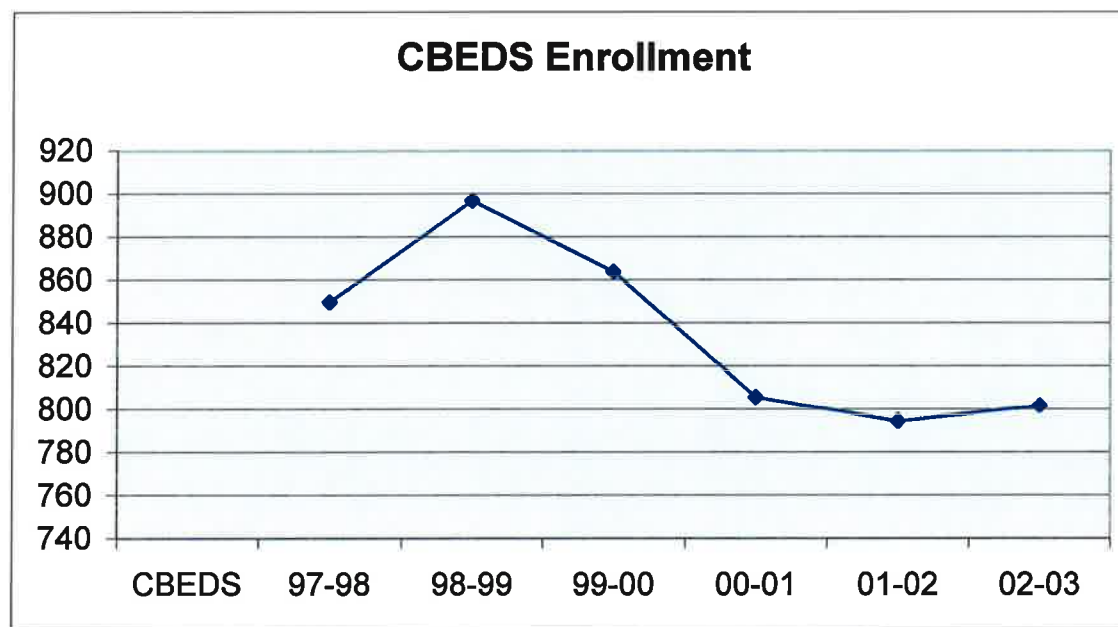
Currently the district is in the process completing two capital improvement projects, the "Septic to Sewer" project and the Heating Ventilation and Air Conditioning (HVAC) project.

Additional information on the district's capital assets can be found in Note E to the basic financial statements.

Debt Administration. The District paid the remaining principal and interest on the lease purchase debt which assisted the construction of the Cafeteria, District Administration and Maintenance, Operations and Transportation buildings.

Changing Enrollment within the District

The SPVUSD has decreased enrollment for the past several years, with the exception of the current year. Adjustments in services were made to accommodate the reduced funding.



Requests for Information

This financial report is designed to provide a general overview of the San Pasqual Valley Unified School District's finances for all those with an interest in the summary financial information of this District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent, Business Services, San Pasqual Valley Unified School District, 676 Baseline Road, Winterhaven, CA 92283.

Basic Financial Statements

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2003

	Governmental Activities
ASSETS:	
<i>Cash in County Treasury</i>	\$ 2,072,151
<i>Cash in Revolving Fund</i>	2,500
<i>Accounts Receivable</i>	648,675
<i>Stores Inventories</i>	9,630
<i>Other Current Assets</i>	744
<i>Capital Assets:</i>	
<i>Land</i>	66,865
<i>Improvement of Sites</i>	141,100
<i>Buildings</i>	5,654,100
<i>Equipment</i>	1,626,600
<i>Work in Progress</i>	818,486
<i>Less Accumulated Depreciation</i>	(3,419,843)
<i>Total Assets</i>	<u>7,621,008</u>
LIABILITIES:	
<i>Accounts Payable</i>	227,183
<i>Deferred Revenues</i>	12,701
<i>Noncurrent Liabilities:</i>	
<i>Due Within One Year</i>	131,862
<i>Due In More Than One Year</i>	-
<i>Total Liabilities</i>	<u>371,746</u>
NET ASSETS:	
<i>Invested in Capital Assets, Net of Related Debt</i>	4,887,308
<i>Restricted For:</i>	
<i>Capital Projects</i>	530,746
<i>Educational Programs</i>	642,315
<i>Other Purposes (nonexpendable)</i>	1,188,893
<i>Unrestricted</i>	-
<i>Total Net Assets</i>	<u>\$ 7,249,262</u>

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Assets

Governmental
Activities

\$ (3,781,265)
(750,215)
(489,025)
(694,992)
(1,350,597)
(89,596)
(15,000)
(2,005)
(1,656)

(7,174,351)

(7,174,351)

886,204
6,589,451
101,195
137,665

7,714,515

540,164
6,709,098

\$ 7,249,262

Special Reserve For Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
\$ 829,789	\$ 257,604	\$ 2,072,151
-	-	2,500
3,747	126,514	648,675
-	18,873	64,546
-	9,630	9,630
-	744	744
<u>\$ 833,536</u>	<u>\$ 413,365</u>	<u>\$ 2,798,246</u>
\$ -	\$ 3,878	\$ 227,183
-	45,673	64,546
-	12,701	12,701
<u>-</u>	<u>62,252</u>	<u>304,430</u>
-	-	2,500
-	9,630	9,630
-	744	744
-	-	28,733
-	-	450,000
650,000	91,338	791,817
183,536	-	960,991
-	218,460	218,460
-	30,941	30,941
<u>833,536</u>	<u>351,113</u>	<u>2,493,816</u>
<u>\$ 833,536</u>	<u>\$ 413,365</u>	<u>\$ 2,798,246</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003

Total fund balances - governmental funds balance sheet	\$ 2,493,816
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds, net of accumulated depreciation	4,887,308
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of	(131,862)
Net assets of governmental activities - statement of net assets	\$ <u>7,249,262</u>

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	General Fund	Special Reserve for Other Than Capital Outlay
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ 3,072,502	\$ -
Local Sources	1,065,398	-
Federal Revenue	4,125,881	-
Other State Revenue	1,486,457	-
Other Local Revenue	452,750	13,828
Total Revenues	<u>10,202,988</u>	<u>13,828</u>
Expenditures:		
Instruction	4,895,461	-
Instruction - Related Services	828,531	-
Pupil Services	1,196,947	-
Ancillary Services	97,544	-
Community Services	97,062	-
General Administration	878,447	-
Plant Services	1,512,625	-
Other Outgo	3,382	-
Total Expenditures	<u>9,509,999</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>692,989</u>	<u>13,828</u>
Other Financing Sources (Uses):		
Operating Transfers In	-	225,000
Operating Transfers Out	(833,995)	-
Other Uses	(135,899)	-
Total Other Financing Sources (Uses)	<u>(969,894)</u>	<u>225,000</u>
Net Change in Fund Balance	(276,905)	238,828
Fund Balance, July 1	808,617	538,627
Fund Balance, June 30	<u>\$ 531,712</u>	<u>\$ 777,455</u>

The accompanying notes are an integral part of this statement.

Special Reserve For Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 113,618	\$ 3,186,120
-	-	1,065,398
90,900	283,268	4,500,049
-	98,535	1,584,992
22,013	67,077	555,668
<u>112,913</u>	<u>562,498</u>	<u>10,892,227</u>
-	197,614	5,093,075
-	20,948	849,479
-	395,588	1,592,535
-	-	97,544
-	-	97,062
-	-	878,447
646,620	34,254	2,193,499
-	-	3,382
<u>646,620</u>	<u>648,404</u>	<u>10,805,023</u>
<u>(533,707)</u>	<u>(85,906)</u>	<u>87,204</u>
437,895	171,100	833,995
-	-	(833,995)
-	-	(135,899)
<u>437,895</u>	<u>171,100</u>	<u>(135,899)</u>
(95,812)	85,194	(48,695)
929,348	265,919	2,542,511
<u>\$ 833,536</u>	<u>\$ 351,113</u>	<u>\$ 2,493,816</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

Net change in fund balances - total governmental funds \$ (48,695)

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

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

Expenditures for capital outlay	818,812	
Depreciation expense	(220,678)	
Net		598,134

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was

(9,275)

Change in net assets of governmental activities: \$ 540,164

The accompanying notes are an integral part of this statement.

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****JUNE 30, 2003**

	Agency Fund	Student Body Fund
ASSETS:		
<i>Cash on Hand and in Banks</i>	\$ 73,252	
Total Assets	\$ 73,252	
LIABILITIES:		
<i>Due to Student Groups</i>		73,252
Total Liabilities		73,252
NET ASSETS:		
Total Net Assets	\$ -	

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

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 (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

For the fiscal period ended June 30, 2003, the District implemented the new reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial reporting model has been implemented.

1. Reporting Entity

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Special Reserve Fund for Other Than Capital Outlay Projects. This fund is used to provide for the accumulation of General Fund money for general operating purposes.

Special Reserve Fund for Capital Outlay Projects. This fund exists primarily to provide for the accumulation of General Fund money for capital outlay purposes.

In addition, the District reports the following fund types:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds. These funds are used to account for the acquisition and/or construction of all major governmental capital assets.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus. Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

3. Encumbrances

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

4. Assets, Liabilities, and Equity

a. Deposits and Investments

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

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.

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. 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.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

h. Property Taxes

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

i. 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.

j. Use of Estimates

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Excess of Expenditures Over Appropriations

As of June 30, 2003, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Pupil services	\$ 46,606
General administration	112,889
Plant services	374,373

D. 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 (\$2,072,151 as of June 30, 2003). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$2,072,151. 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 (\$73,252 as of June 30, 2003) 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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

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.

E. Capital Assets

Capital asset activity for the period ended June 30, 2003, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 66,865	\$ -	\$ -	\$ 66,865
Work in progress	-	818,486	-	818,486
Total capital assets not being depreciated	66,865	818,486	-	885,351
<i>Capital assets being depreciated:</i>				
Improvements	141,100	-	-	141,100
Buildings	5,654,100	-	-	5,654,100
Equipment	1,624,269	2,331	-	1,626,600
Total capital assets being depreciated	7,419,469	2,331	-	7,421,800
Less accumulated depreciation for:				
Improvements	(102,207)	(3,335)	-	(105,542)
Buildings	(1,913,845)	(133,742)	-	(2,047,587)
Equipment	(1,183,113)	(83,601)	-	(1,266,714)
Total accumulated depreciation	(3,199,165)	(220,678)	-	(3,419,843)
Total capital assets being depreciated, net	4,220,304	(218,347)	-	4,001,957
Governmental activities capital assets, net	\$ 4,287,169	\$ 600,139	\$ -	\$ 4,887,308

Depreciation was charged to functions as follows:

Instruction	\$ 72,125
Instruction-Related Services	19,330
Pupil Services	104,703
General Administration	24,520
	<u>\$ 220,678</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2003, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	Adult Education Fund	\$ 15,798
General Fund	Child Development Fund	23,076
General Fund	Cafeteria Fund	\$ (2)
General Fund	Deferred Maintenance Fund	6,801
Adult Education Fund	General Fund	8,756
Child Development Fund	General Fund	10,117
	Total	\$ 64,546

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2003, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Child Development Fund	\$ 25,000
General Fund	Cafeteria Fund	100,000
General Fund	Deferred Maintenance Fund	34,000
General Fund	Special Reserve Fund	225,000
General Fund	State School Building Fund	12,100
General Fund	Special Reserve Fund	437,895
	Total	\$ 833,995

G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax revenue anticipation notes	\$ -	\$ 1,210,000	\$ 1,210,000	\$ -

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2003, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Capital leases	\$ 133,694	\$ -	\$ 133,694	\$ -	\$ -
Compensated absences *	122,787	9,075	-	131,862	131,862
Total governmental activities	\$ 256,481	\$ 9,075	\$ 133,694	\$ 131,862	\$ 131,862

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2003, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 131,862	\$	\$ 131,862
Totals	\$ 131,862	\$ -	\$ 131,862

I. 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, 2003 is as follows:

Total Assets	\$	2,948
Total Liabilities		1,000
Total Fund Balance		1,948
 Total Cash Receipts		 48
Total Cash Disbursements	-	
Net Change in Fund Balance		48

J. 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).

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

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 rates for fiscal year 2002-03 were 2.894% of payroll for the six months ending December 31, 2002, and 2.771% of payroll for the remaining six months ending June 30, 2003. 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, 2003, 2002 and 2001 were \$58,180, \$0 and \$0, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$1,850.

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 2002-03 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, 2003, 2002 and 2001 were \$311,989, \$289,203 and \$290,547, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$190,540.

K. Postemployment Benefits Other Than Pension Benefits

The District provides postretirement health care benefits, as established by board policy, to certain eligible employees who retire from the District on or after attaining age 55 with at least 10 years of service.

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 2003, expenditures of \$23,216 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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

L. 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.

M. Subsequent Events

In July 2003, the District entered into the California School Cash Reserve Program Authority 2003 Pooled Bonds, Series A in the amount of \$640,000. The bonds include interest that will yield 0.90%. The bonds were sold to supplement the district's cash flows and will mature July 6, 2004.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 2,978,952	\$ 3,069,876	\$ 3,072,502	\$ 2,626
Local Sources	1,044,567	1,094,567	1,065,398	(29,169)
Federal Revenue	4,036,338	4,221,068	4,125,881	(95,187)
Other State Revenue	1,746,246	1,752,805	1,486,457	(266,348)
Other Local Revenue	296,306	296,304	452,750	156,446
Total Revenues	<u>10,102,409</u>	<u>10,434,620</u>	<u>10,202,988</u>	<u>(231,632)</u>
Expenditures:				
Instruction	4,985,114	5,176,870	4,895,461	281,409
Instruction - Related Services	861,540	857,177	828,531	28,646
Pupil Services	1,096,014	1,150,341	1,196,947	(46,606)
Ancillary Services	113,155	113,157	97,544	15,613
Community Services	105,000	105,000	97,062	7,938
General Administration	766,352	765,558	878,447	(112,889)
Plant Services	1,138,247	1,138,252	1,512,625	(374,373)
Other Outgo	18,001	18,001	3,382	14,619
Total Expenditures	<u>9,083,423</u>	<u>9,324,356</u>	<u>9,509,999</u>	<u>(185,643)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,018,986</u>	<u>1,110,264</u>	<u>692,989</u>	<u>(417,275)</u>
Other Financing Sources (Uses):				
Operating Transfers Out	(357,875)	(134,000)	(833,995)	(699,995)
Other Uses	-	-	(135,899)	(135,899)
Total Other Financing Sources (Uses)	<u>(357,875)</u>	<u>(134,000)</u>	<u>(969,894)</u>	<u>(835,894)</u>
Net Change in Fund Balance	661,111	976,264	(276,905)	(1,253,169)
Fund Balance, July 1	808,617	808,617	808,617	-
Fund Balance, June 30	<u>\$ 1,469,728</u>	<u>\$ 1,784,881</u>	<u>\$ 531,712</u>	<u>\$ (1,253,169)</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY PROJECTS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2003

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Other Local Revenue</i>	\$ 20,000	\$ 20,000	\$ 13,828	\$ (6,172)
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>13,828</u>	<u>(6,172)</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,000</u>	<u>20,000</u>	<u>13,828</u>	<u>(6,172)</u>
Other Financing Sources (Uses):				
<i>Operating Transfers In</i>	(500,000)	(225,000)	225,000	450,000
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(225,000)</u>	<u>225,000</u>	<u>450,000</u>
Net Change in Fund Balance	(480,000)	(205,000)	238,828	443,828
Fund Balance, July1	538,627	538,627	538,627	-
Fund Balance, June 30	<u>\$ 58,627</u>	<u>\$ 333,627</u>	<u>\$ 777,455</u>	<u>\$ 443,828</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2003

Governing Board

Name	Office	Term Expires
Mrs. Barbara Bensei	President	November, 2003
Ms. Bernadine Swiftarrow	Vice President	November, 2005
Mr. Damon Polk	Clerk	November, 2003
Mr. Robert Johnson	Member	November, 2003
Ms. LaRue Nelson	Member	November, 2005

Administration

Mr. David F. Schoneman
Superintendent

Mr. Douglas Isaly
Assistant Superintendent
Business Services

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE

YEAR ENDED JUNE 30, 2003

	Second Period Report	Annual Report
Elementary:		
Kindergarten	61.74	61.65
Grades 1 through 3	175.65	177.48
Grades 4 through 6	172.01	173.49
Grades 7 and 8	111.13	110.37
Opportunity schools	3.17	2.51
Special education	18.50	18.44
Elementary totals	542.20	543.94
High School:		
Grades 9 through 12, regular classes	165.44	162.90
Special education	3.78	3.73
Continuation education	5.62	5.41
Opportunity schools	1.90	1.74
High school totals	176.74	173.78
Regional Occupational Centers	5.57	5.13
Classes for adults:		
State apportioned	8.68	9.13
Independent study	33.37	34.75
ADA totals	766.56	766.73
	Hours of Attendance	
Summer School		
Elementary	9,768	
High School	1,965	

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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME**YEAR ENDED JUNE 30, 2003**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2002-03 Actual Minutes</u>	<u>Number of Days Traditional Calender</u>	<u>Number of Days Multitrack Calender</u>	<u>Status</u>
Kindergarten	28,000	36,000	48,195	180	-	Complied
Grades 1 through 3	55,125	50,400	56,715	180	-	Complied
Grades 4 through 6	55,125	54,000	56,715	180	-	Complied
Grades 7 through 8	66,000	54,000	67,320	180	-	Complied
Grades 9 through 12	66,000	64,800	67,320	180	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Educational Code Section 46201. This schedule is required of all districts, including basic aid districts.

The district has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2003

TABLE D-3

General Fund	(Budget) 2004	2003	2002	2001
Revenues and other financial sources	\$ 11,529,747	\$ 10,202,988	\$ 10,053,768	\$ 10,255,500
Expenditures, other uses and transfers out	11,257,050	10,479,893	9,903,199	10,280,872
Change in fund balance (deficit)	272,697	(276,905)	150,569	(25,372)
Ending fund balance	\$ 804,409	\$ 531,712	\$ 808,617	\$ 658,048
Available reserves	\$ 801,909	\$ 500,479	\$ 739,135	\$ 655,548
Available reserves as a percentage of total outgo	7.2%	4.8%	7.4%	6.4%
Total long-term debt	\$ -	\$ 131,862	\$ 256,481	\$ 373,492
Average daily attendance at P-2	773	767	733	777

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 \$151,708 during the past three years. The fiscal year 2003-04 budget projects an increase of \$272,697. 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 \$339,626 during the past three years.

Average daily attendance (ADA) has decreased by 64 during the past three years.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

TABLE D-4

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Medi-Cal *	93.778	-	\$ 82,062
Total U. S. Department of Health and Human Services			<u>82,062</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Program:			
Impact Aid - P.L. 81.874	84.041	-	3,005,987
Passed Through State Department of Education:			
Title I	84.010	03064	518,468
Special Education *	84.027	03379	132,796
Vocational Education	84.048	03569	23,406
Title IV	84.186	03453	11,750
Title III	84.278	10009	12,444
Title II	84.281	03207	97,504
Title VI	84.298	03340	17,520
Federal Class Size Reduction	84.298	03073	27,939
Title V	84.298	03037	9,551
Borderlink	84.303	03471	21,518
Technology Literacy	84.318	13285	13,100
CSRD	84.332	03170	159,680
School Renovation	84.352	03912	90,900
Total Passed Through State Department of Education			<u>1,136,576</u>
Total U. S. Department of Education			<u>4,142,563</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	275,424
Total U. S. Department of Agriculture			<u>275,424</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,500,049</u>

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

The accompanying notes are an integral part of this schedule.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

TABLE D-5

**RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL
REPORT (SACS) WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003**

	General Fund
June 30, 2003, annual financial and budget report (SACS) fund balances	\$ 578,159
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts payable understatement	(46,447)
June 30, 2003, audited financial statement fund balances	\$ 531,712

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

Other Independent Auditor's Reports

WILKINSON & HADLEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

250 E. DOUGLAS AVE., SUITE 200
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Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

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

Members of the Board of Trustees:

We have audited the basic financial statements of San Pasqual Valley Unified School District as of and for the year ended June 30, 2003, and have issued our report thereon dated February 6, 2004. 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 basic 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 basic 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 basic 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 considered to be material weaknesses. However, we noted certain other matters involving internal controls that we have included 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.



Wilkinson & Hadley, LLP
February 6, 2004

WILKINSON & HADLEY LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S

250 E. DOUGLAS AVE., SUITE 200
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Report on Compliance with Requirements Applicable
To each Major Program and Internal Control over Compliance
In Accordance With OMB Circular A-133

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

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, 2003. 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 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 States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2003.

Internal Control Over Compliance

The management of 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 considered 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.

A handwritten signature in black ink, appearing to read "Wilkinson & Hadley, LLP", written in a cursive, stylized script.

Wilkinson & Hadley, LLP
February 6, 2004

WILKINSON & HADLEY LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S

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Auditor's Report on State Compliance

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

Members of the Board of Trustees:

We have audited the basic financial statements of the San Pasqual Valley Unified School District ("District") as of and for the year ended June 30, 2003, and have issued our report thereon dated February 6, 2004. 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 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:


Description	Procedures In Controller's Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	4	Yes
Kindergarten Continuation	3	Yes
Independent Study	13	Yes
Continuation Education	11	No (see below)
Adult Education	8	Yes
Regional Occupational Center/Programs	4	Not Applicable
Staff Development Days	3	Yes
Incentive for Longer Instructional Day:		
School Districts	4	Yes
County Offices of Education	4	Not Applicable
GANN Limit Calculation	1	Yes
Early Retirement Incentive Program	5	Not Applicable
Community Day Schools	8	Not Applicable

Class Size Reduction Program:		
Option One Classes	10	Yes
Option Two Classes	9	Not Applicable
Option One and Two Classes	14	Not Applicable
Program to Reduce Class Size in Two Courses in Grade 9	8	Yes
State Instructional Materials Fund:		
Instructional Materials Funding Alignment Program	9	Yes
Schiff-Bustamante Standards-Based Instructional Materials	9	Yes
Digital High School Education Technology Grant Program	5	Yes
California Public Schools Act of 1998	4	Yes
Office of Criminal Justice Planning	--	Not Applicable
Ratios of Administrative Employees to Teachers	3	Yes

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, except as described in the Findings and Recommendations section of this report.

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.



Wilkinson & Hadley, LLP
February 6, 2004

Findings and Recommendations Section

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unqualified

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 Program or Cluster

84.041

Impact Aid

84.010

Title I

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, 2003

3. State Awards

Internal control over state programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Reportable condition(s) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for state programs:

Unqualified

B. Financial Statement Findings

Finding 2003-1 (30000)
Year End Accruals

Criteria or Specific Requirement

Determine that year end financial statements reflect correctly all financial transactions of the district and all accruals set up at year end are properly recorded.

Condition

In our review of the year end financial statements, we noted errors in the accounts payable. It appears the payroll liabilities had not been properly set up. As a result, we made an audit adjustment to correct the error noted.

Questioned Costs

None

Recommendation

We recommend prior to closing the books, a comprehensive review be made of all funds to ensure all year end accruals are properly set up in order to reflect correct balances at year end.

LEA's Response

The District recognizes the error of failing to zero the holding accounts which resulted in a negative net change in the General Fund balance. The District completed the correcting audit adjustment journal entries and the net change will be shown on the second interim financial report. Adherence to existing closing procedures in the future will prevent this basic mistake.

Finding 2003-2 (30000)
Elementary School Student Body Fund

Criteria or Specific Requirement

Determine that internal controls are in place that provide for adequate safeguarding of the assets of the student body funds. In addition, determine that year end financial statements are materially correct and properly reflect the accounts of the student body.

Condition

In our review of cash disbursements, we noted that paid invoices are not being properly defaced with a notation of "paid".

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2003

Questioned Costs

None

Recommendation

To avoid the possibility of duplicate payment and to indicate the invoice has been paid, we recommend that all paid invoices be marked "paid" and retained for review during the annual audit.

LEA's Response

A "paid" stamp has been purchased and staff have been instructed to deface all paid invoices with the stamp to preclude an inadvertent duplicate payment of invoices.

Finding 2003-3 (30000)

Cafeteria Inventory

Criteria or Specific Requirement

Determine that the amount of inventory reflected in the year end financial statements is properly recorded in the general ledger and correctly reflects the inventory value at year end.

Condition

In our review of the inventory in the cafeteria fund, we noted the amount reflected in the year end financial statements was the same amount as reported at June 30, 2001 and June 30, 2002. We also noted the cost value of inventory items are not being updated on a regular basis to reflect the current value of the inventory.

Questioned Costs

None

Recommendation

We recommend the district implement a procedure to update their inventory values on a regular basis. This will allow for proper calculation of the inventory on hand at year end. We also recommend the district make the necessary adjusting journal entry at year end to reflect the correct inventory balance.

LEA's Response

The District now has a preclosing procedure to ensure the accurate, end-of-the-year inventory is properly shown on the financial statements, with the proper adjusting entries.

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

Finding 2003-4 (40000)

Staff Development Days

Criteria or Specific Requirement

Determine that the district has maintained contemporaneous records to substantiate the number of staff development days submitted for funding.

Condition

In our review of the tabulation for the reimbursement for staff development days, we noted a clerical error that caused the number of days submitted for funding to be understated by one day.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

Questioned Costs

Understatement of one day. Additional \$299 due District.

Recommendation

We recommend an amended Consolidated Application be filed to reflect the proper amount of days to be claimed for funding.

LEA's Response

The District revised the number of participant-days by one which will result in an increase of \$299 to the District for the counting error. This revision to page 14 of the Consolidated Application was accomplished electronically on January 30, 2004.

Finding 2003-5 (40000)
K-3 Class Size Reduction

Criteria or Specific Requirement

Determine the average class size for the specified classes that were certified as eligible for the Class Size Reduction Program were properly calculated and that the number of students reported as eligible students is correct based on state requirements.

Condition

In our review of Form J-7 CSR, we noted, due to clerical errors, the district reported an incorrect number of students eligible for class size reduction funding. The net results of the error caused the number of students eligible for class size reduction funding to be overstated by 21 students. The errors by grade are as follows:

Grade	Eligible Students Originally Reported	Eligible Students As Corrected	Over(Under) Reported
Three	60	39	21

Questioned Costs

Overstatement of 21 students eligible for funding. Loss of \$19,026.

Recommendation

We recommend, prior to submission of the class size reduction report Form J-7 CSR, a complete review be made of all supporting documentation to ensure all classes are properly reported on the form. In addition, we recommend the district file an amended form and report the correct number of students eligible for class size reduction funding.

LEA's Response

The District suspects an error in reporting occurred which is being checked. The results of the inquiry will be presented to the auditor for review and further action, and if necessary, will be taken by the District.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2002-1 Year End Accruals</p> <p>Several year end accruals were not properly set up. A number of audit adjustments were necessary to reconcile accounts receivable and accounts payable.</p> <p>Better review at year end to ensure all accruals are set up correctly.</p>	<p>Partially Implemented</p>	<p>See Current Year Finding</p>
<p>Finding 2002-2 Elementary School Student Body Fund</p> <p>Cash balances in the ASB records did not agree with the balances in the school's ledgers.</p> <p>At year end perform a reconciliation of all cash accounts and balance them with the ledgers.</p>	<p>Implemented</p>	
<p>Finding 2002-3 High School Student Body Fund</p> <p>No reconciliation is being made of ticket sales for football games with cash collections.</p> <p>Implement a procedure that will require a reconciliation of all tickets sold with cash collected.</p>	<p>Implemented</p>	
<p>Finding 2002-4 Cafeteria Inventory</p> <p>The stores inventory reported is the same as the previous year. No adjustments are being made to the asset account at year end.</p> <p>Require the inventory amount to be properly reported at year end with current values.</p>	<p>Not Implemented</p>	<p>See Current Year Finding</p>