

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

**AUDIT REPORT**

**JUNE 30, 2004**

**Wilkinson Hadley & Co., LLP  
250 E. Douglas Avenue  
Suite 200  
El Cajon, CA 92020**

*Introductory Section*

San Pasqual Valley Unified School District  
Audit Report  
For The Year Ended June 30, 2004

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
 <b>FINANCIAL SECTION</b>		
Independent Auditor's Report on Financial Statements.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	10	Exhibit A-1
Statement of Activities.....	11	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	12	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	13	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	14	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	15	Exhibit A-6
Statement of Fiduciary Net Assets - Fiduciary Funds.....	16	Exhibit A-7
Notes to the Financial Statements .....	17	
 <u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	26	Exhibit B-1
Special Reserve Fund for Other Than Capital Outlay Projects.....	27	Exhibit B-2
 <b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>		
Schedule of Average Daily Attendance.....	28	Table C-1
Schedule of Instructional Time.....	29	Table C-2
Schedule of Financial Trends and Analysis.....	30	Table C-3
Reconciliation of Annual Financial and Budget Report		
With Audited Financial Statements.....	31	Table C-4
Schedule of Charter Schools.....	32	Table C-5
Schedule of Expenditures of Federal Awards .....	33	Table C-6
Notes to the Schedule of Expenditures of Federal Awards.....	34	
Report on Compliance and on Internal Control over Financial		
Reporting Based on an Audit of Financial Statements Performed		
in Accordance with <i>Government Auditing Standards</i> .....	35	
Report on Compliance with Requirements Applicable		
To each Major Program and Internal Control over Compliance		
In Accordance With OMB Circular A-133.....	36	
Auditor's Report on State Compliance.....	38	
Schedule of Findings and Questioned Costs .....	40	
Summary Schedule of Prior Audit Findings.....	42	

*Financial Section*



**Wilkinson Hadley & Co. LLP**  
CPAs and Advisors

250 E. Douglas Ave., Suite 200 ♦ El Cajon, CA 92020  
Tel (619) 447-6700 ♦ Fax (619) 447-6707

**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, 2004, 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, 2004, 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 December 8, 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.

*Wilkinson Hadley & Co. LLP*

Wilkinson Hadley & Co. LLP  
December 8, 2004

**San Pasqual Valley Unified School District**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(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, 2004. 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. This is the second year of implementation, and comparative financial data and statements will reflect prior year information. The district's financial statements follow this section.

**Financial Highlights**

- The SPVUSD's assets were \$8.6 million, and exceeded liabilities by \$8.2 million
- Unrestricted net assets (assets not invested in buildings, land, or equipment and not restricted for debt payment or reserved for projects and educational programs) were \$.14 million.
- Total revenues were \$11.9 million, which exceeded expenses by \$1.0 million.
- The SPVUSD enrollment decreased by 38 students for a total enrollment of 764 students in October, 2003 compared to 802 students in October, 2002.
- The District completed two critical hardship projects during the year, the "Septic to Sewer" project, and the HVAC replacement program, both of which are State funded projects, installed six relocatable classroom buildings, and built a double classroom building for the middle school.

**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 10-11 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 fiduciary funds.

- **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, and the special reserve for other than capital projects fund. Data from the other eight 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 17-25 of this report.



**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented on pages 12-15.

### **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 6/30/2004**

(In Millions of Dollars)

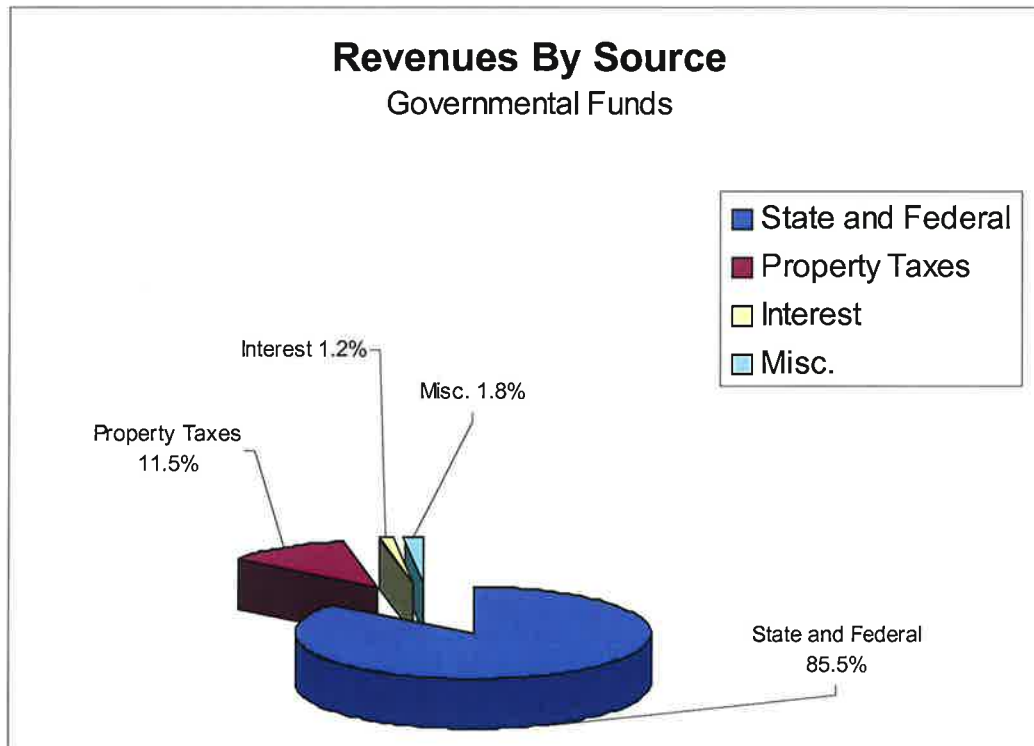
	2002-2003	2003-2004
<b>ASSETS:</b>		
Cash & Current Assets	\$ 2.73	\$ 1.93
Capital Assets	\$ 4.89	\$ 6.70
Total Assets	\$ 7.62	\$ 8.63
<b>LIABILITIES:</b>		
Long-term Debt	\$ .13	\$ .14
Other Liabilities	\$ .24	\$ .28
Total Liabilities	\$ .37	\$ .42
<b>TOTAL NET ASSETS</b>	<b>\$ 7.25</b>	<b>\$ 8.21</b>
<b>DISTRIBUTION OF NET ASSETS</b>		
Invested in Capital Assets	\$ 4.89	\$ 6.70
Restricted for Capital Projects	\$ .53	\$ .18
Other Restricted	\$ .64	\$ 1.19
Non-restricted	\$ 1.19	\$ .14
<b>TOTAL NET ASSETS</b>	<b>\$ 7.25</b>	<b>\$ 8.21</b>

- The largest portion of the SPVUSD'S net assets (100%) 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 statement of activities for the year ended June 30, 2004 are as follows:

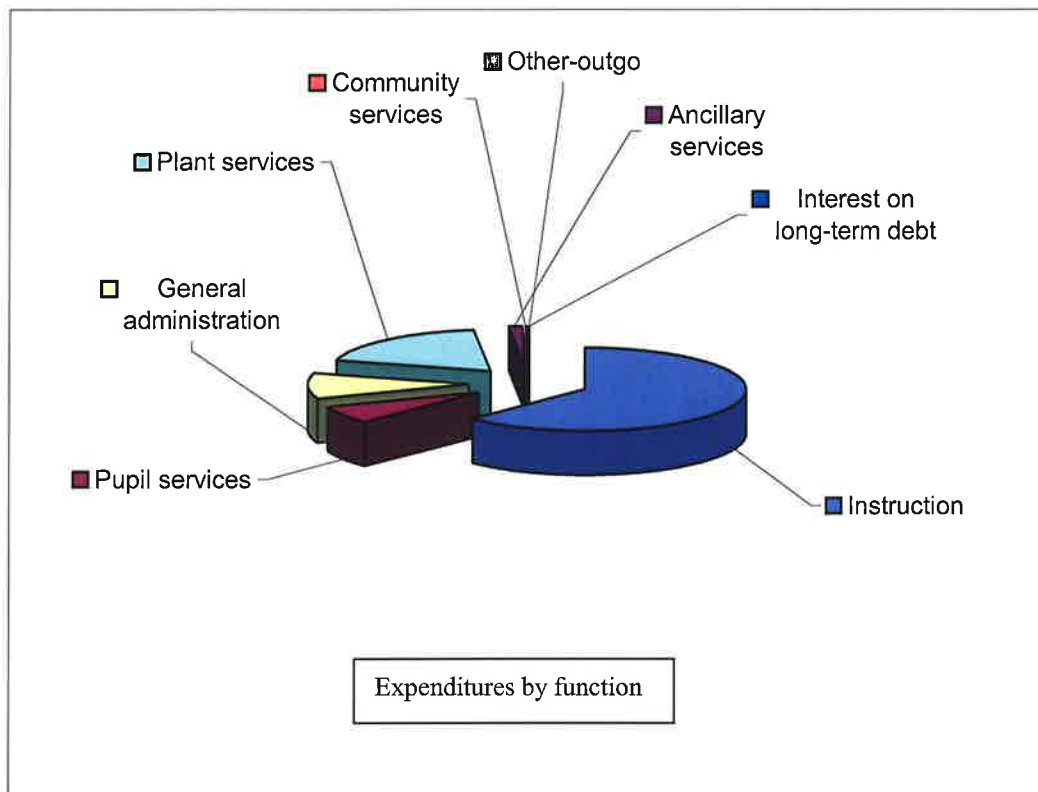
<b>REVENUES</b>	<b>2002-03</b>	<b>2003-04</b>
Program Revenues	\$ 3,041,812	\$ 3,991,993
Property taxes	\$ 886,204	\$ 819,844
Miscellaneous Revenue	\$ 137,665	\$ 452,882
Federal & state aid not restricted	\$ 6,589,451	\$ 6,584,107
Investment & interest earnings	\$ 101,195	\$ 52,123
Total Revenues	\$ 10,756,327	\$11,900,949
<b>EXPENDITURES BY FUNCTION</b>		
Instruction/Instruction Related	\$ 6,031,678	\$ 6,397,688
Pupil services	\$ 1,698,013	\$ 1,887,275
General administration	\$ 911,467	\$ 997,310
Plant services	\$ 1,375,012	\$ 1,522,963
Ancillary services	\$ 97,544	\$ 117,081
Community services	\$ 97,062	\$ 1,445
Interest on long-term debt	\$ 2,005	\$ 0
Other-outgo	\$ 3,382	\$ 14,575
Total Expenditures	\$ 10,216,163	\$ 10,938,337
<b>CHANGE IN NET ASSETS</b>	\$ 540,164	\$ 962,612
Net-Assets - Beginning	\$ 6,709,098	\$ 7,249,262
Net-Assets - Ending	\$ 7,249,262	\$ 8,211,874



- 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, 2004 for SPVUSD was \$5,215.37.

### 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	\$5,215	\$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 \$1.72 million. This is the second year the district has compiled these reports.

### **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.

- Salary and benefits increased \$542,492. This was primarily due to an increase in staffing caused by a significant new grant in the amount of \$369,000 and the remainder due to certificated and classified salaries and benefits negotiated .
- The district made several budget adjustments during the year to offset the state mid-year budget cuts and prepared a plan for recovery in the 04-05 year.

### **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. Those results, net of depreciation are contained in this report.

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

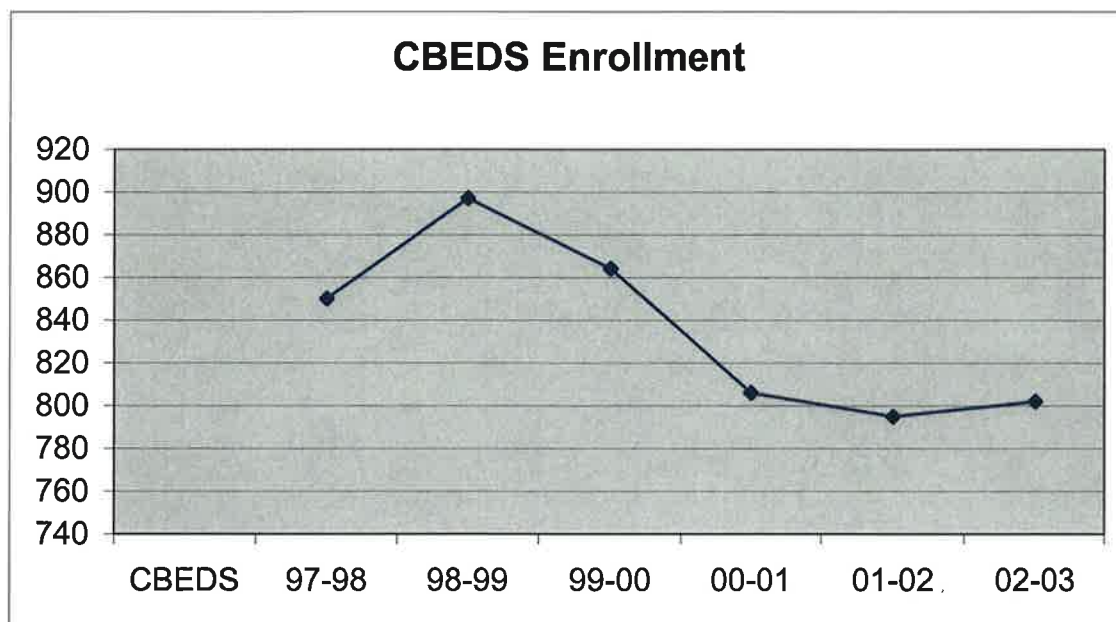
Additionally, the District installed six relocatable classrooms, leased from the State and built a two room classroom building for the middle school.

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

**Debt Administration.** At June 30, 2004, the District had debt of \$141,183.

### **Changing Enrollment within the District**

The SPVUSD has decreased enrollment for the past several years, with the exception of the immediate past year. Adjustment 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, 2004

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
<i>Cash in County Treasury</i>	\$ 731,412
<i>Cash in Revolving Fund</i>	2,500
<i>Accounts Receivable</i>	1,191,827
<i>Stores Inventories</i>	5,956
Capital Assets:	
Land	66,865
Improvement of Sites	1,176,349
Buildings	6,990,574
Equipment	1,815,827
Work in Progress	74,187
Less Accumulated Depreciation	<u>(3,419,045)</u>
Total Assets	<u>8,636,452</u>
<b>LIABILITIES:</b>	
Accounts Payable	265,788
Deferred Revenues	17,607
Long-Term Liabilities:	
Due within One Year	141,183
Due in More Than One Year	<u>-</u>
Total Liabilities	<u>424,578</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, net of Related Debt	6,704,758
Restricted For:	
Capital Projects	184,809
Educational Programs	1,183,727
Unrestricted	138,580
Total Net Assets	<u>\$ 8,211,874</u>

The accompanying notes are an integral part of this statement.

# SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities				
<b>PRIMARY GOVERNMENT:</b>				
Government Activities:				
<i>Instruction</i>	\$ 5,257,620	\$ -	\$ 1,266,386	\$ (3,991,234)
<i>Instruction-Related Services</i>	1,140,068	-	313,377	(826,691)
<i>Pupil Services</i>	1,887,275	26,030	1,111,771	(749,474)
<i>General Administration</i>	997,310	-	205,385	(791,925)
<i>Plant Services</i>	1,522,963	476	19,385	(1,503,102)
<i>Ancillary Services</i>	117,081	-	37,800	(79,281)
<i>Community Services</i>	1,445	-	-	(1,445)
<i>Other Outgo</i>	14,575	-	1,011,383	996,808
Total Governmental Activities	10,938,337	26,506	3,965,487	(6,946,344)
Total Primary Government	\$ 10,938,337	\$ 26,506	\$ 3,965,487	(6,946,344)
General Revenues:				
<i>Taxes and Subventions</i>				819,844
<i>Federal and State Revenues, not restricted</i>				6,584,107
<i>Interest and Investment Earnings</i>				52,123
<i>Miscellaneous</i>				452,882
Total General Revenues				7,908,956
Change in Net Assets				962,612
Net Assets - Beginning				7,249,262
Net Assets - Ending				\$ 8,211,874

The accompanying notes are an integral part of this statement.



**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2004

	General Fund	Special Reserve for Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
<i>Cash in County Treasury</i>	\$ 149,944	\$ 277,085	\$ 304,383	\$ 731,412
<i>Cash in Revolving Fund</i>	2,500	-	-	2,500
<i>Accounts Receivable</i>	1,088,725	4,080	99,019	1,191,824
<i>Due from Other Funds</i>	34,051	500,000	155,176	689,227
<i>Stores Inventories</i>	-	-	5,956	5,956
<b>Total Assets</b>	<u>\$ 1,275,220</u>	<u>\$ 781,165</u>	<u>\$ 564,534</u>	<u>\$ 2,620,919</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>Liabilities:</b>				
<i>Accounts Payable</i>	\$ 212,576	\$ -	\$ 53,212	\$ 265,788
<i>Due to Other Funds</i>	655,176	-	34,051	689,227
<i>Deferred Revenue</i>	4,906	-	12,701	17,607
<b>Total liabilities</b>	<u>872,658</u>	<u>-</u>	<u>99,964</u>	<u>972,622</u>
<b>Fund Balance:</b>				
<b>Reserved Fund Balances:</b>				
<i>Reserve for Revolving Cash</i>	2,500	-	-	2,500
<i>Reserve for Stores Inventories</i>	-	-	5,956	5,956
<i>Reserve for Legally Restricted Balance</i>	5,616	-	-	5,616
<b>Designated Fund Balances:</b>				
<i>Designated for Economic Uncertainties</i>	389,885	-	-	389,885
<i>Other Designated</i>	4,561	-	-	4,561
<b>Unreserved</b>	-	781,165	-	781,165
<b>Unreserved, reported in nonmajor:</b>				
<i>Special Revenue Funds</i>	-	-	232,349	232,349
<i>Capital Projects Funds</i>	-	-	226,265	226,265
<b>Total Fund Balance</b>	<u>402,562</u>	<u>781,165</u>	<u>464,570</u>	<u>1,648,297</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,275,220</u>	<u>\$ 781,165</u>	<u>\$ 564,534</u>	<u>\$ 2,620,919</u>

The accompanying notes are an integral part of this statement.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

Total fund balances - governmental funds balance sheet	\$ 1,648,297
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.	6,704,760
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:	<u>(141,183)</u>
Net assets of governmental activities - statement of net assets	\$ <u>8,211,874</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, 2004**

	General Fund	Special Reserve for Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Revenue Limit Sources:				
<i>State Apportionments</i>	\$ 3,295,698	\$ -	\$ 70,618	\$ 3,366,316
<i>Local Sources</i>	866,857	-	-	866,857
<i>Federal Revenue</i>	4,202,725	-	244,428	4,447,153
<i>Other State Revenue</i>	1,547,096	-	1,026,489	2,573,585
<i>Other Local Revenue</i>	318,328	13,711	362,444	694,483
<b>Total Revenues</b>	<u>10,230,704</u>	<u>13,711</u>	<u>1,703,979</u>	<u>11,948,394</u>
<b>Expenditures:</b>				
<i>Instruction</i>	4,956,129	-	200,034	5,156,163
<i>Instruction - Related Services</i>	1,120,738	-	-	1,120,738
<i>Pupil Services</i>	1,421,571	-	370,062	1,791,633
<i>Ancillary Services</i>	117,081	-	-	117,081
<i>General Administration</i>	889,793	-	-	889,793
<i>Plant Services</i>	1,624,556	-	2,054,728	3,679,284
<i>Other Outgo</i>	14,575	-	-	14,575
<b>Total Expenditures</b>	<u>10,144,443</u>	<u>-</u>	<u>2,624,824</u>	<u>12,769,267</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>86,261</u>	<u>13,711</u>	<u>(920,844)</u>	<u>(820,872)</u>
<b>Other Financing Sources (Uses):</b>				
<i>Operating Transfers In</i>	1,660,002	1,250,000	1,181,318	4,091,320
<i>Operating Transfers Out</i>	<u>(1,841,176)</u>	<u>(1,260,000)</u>	<u>(990,144)</u>	<u>(4,091,320)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(181,174)</u>	<u>(10,000)</u>	<u>191,174</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>(94,913)</u>	<u>3,711</u>	<u>(729,671)</u>	<u>(820,873)</u>
<b>Fund Balance, July 1</b>	<u>497,475</u>	<u>777,454</u>	<u>1,194,241</u>	<u>2,469,170</u>
<b>Fund Balance, June 30</b>	<u>\$ 402,562</u>	<u>\$ 781,165</u>	<u>\$ 464,570</u>	<u>\$ 1,648,297</u>

The accompanying notes are an integral part of this statement.

**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, 2004**

Net change in fund balances - total governmental funds \$ (820,873)

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	2,156,321	
Depreciation expense	<u>(258,912)</u>	
Net		1,897,409

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(104,803)

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:

(9,121)

Change in net assets of governmental activities - statement of activities \$ 962,612

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, 2004**

### **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).

#### **1. Reporting Entity**

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

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

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

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

#### **2. Basis of Presentation, Basis of Accounting**

##### **a. Basis of Presentation**

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

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

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

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2004**

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,

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 account for the acquisition and/or construction of all major governmental general fixed assets.

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2004**

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, 2004**

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, 2004**

**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. 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 (\$731,412 as of June 30, 2004). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$731,412. 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 (\$61,311 as of June 30, 2004) 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.

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.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2004**

**D. Capital Assets**

Capital asset activity for the period ended June 30, 2004, 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	2,056,537	2,800,836	74,187
Total capital assets not being depreciated	885,351	2,056,537	2,800,836	141,052
<i>Capital assets being depreciated:</i>				
Buildings	5,654,100	1,579,474	243,000	6,990,574
Improvements	141,100	1,035,249	-	1,176,349
Equipment	1,626,600	285,897	96,670	1,815,827
Total capital assets being depreciated	7,421,800	2,900,620	339,670	9,982,750
Less accumulated depreciation for:				
Buildings	(2,047,587)	(141,979)	(187,920)	(2,001,646)
Improvements	(105,542)	(29,216)	-	(134,758)
Equipment	(1,266,714)	(87,717)	(71,790)	(1,282,641)
Total accumulated depreciation	(3,419,843)	(258,912)	(259,710)	(3,419,045)
Total capital assets being depreciated, net	4,001,957	2,641,708	79,960	6,563,705
Governmental activities capital assets, net	\$ 4,887,308	\$ 4,698,245	\$ 2,880,796	\$ 6,704,757

Depreciation was charged to functions as follows:

Instruction	\$ 101,456
Instruction-Related Services	19,330
Pupil Services	104,688
Community Services	1,445
General Administration	31,993
	<u>\$ 258,912</u>

**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at June 30, 2004, consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Adult Education Fund	\$ 12,248
General Fund	Child Development Fund	16,290
General Fund	Deferred Maintenance Fund	5,513
Adult Education Fund	General Fund	12,255
Cafeteria Fund	General Fund	16,608
Special Reserve Fund	General Fund	126,313
Special Reserve Fund	General Fund	500,000
	Total	<u>\$ 689,227</u>

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

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2004**

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2004, consisted of the following:

Transfers From	Transfers To	Amount
General Fund	Special Reserve Fund	\$ 1,250,000
General Fund	Adult Education Fund	12,255
General Fund	Child Development Fund	42,608
General Fund	Cafeteria Fund	10,000
General Fund	Special Reserve Fund	526,313
Deferred Maintenance Fund	Special Reserve Fund	259,202
Cafeteria Fund	General Fund	2
Special Reserve Fund	General Fund	1,260,000
Special Reserve Fund	General Fund	400,000
Special Reserve Fund	Deferred Maintenance Fund	330,940
	Total	<u>\$ 4,091,320</u>

F. 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.

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	\$ -	\$ 640,000	\$ 640,000	\$ -

G. 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, 2004, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Compensated absences *	\$ 132,062	\$ 9,121	\$ -	\$ 141,183	\$ 141,183
Total governmental activities	<u>\$ 132,062</u>	<u>\$ 9,121</u>	<u>\$ -</u>	<u>\$ 141,183</u>	<u>\$ 141,183</u>

\* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2004, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2005	\$ 141,183	\$ -	\$ 141,183
Totals	<u>\$ 141,183</u>	<u>\$ -</u>	<u>\$ 141,183</u>

# SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

### H. 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, 2004 is as follows:

Total Assets	\$	(561)
Total Liabilities	-	
Total Fund Balance		(561)
Total Cash Receipts		1,029
Total Cash Disbursements		3,530
Net Change in Fund Balance		(2,501)

### I. Employee Retirement Systems

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

PERS:

#### Plan Description

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

#### Funding Policy

Active plan members are required to contribute 7% of their salary (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 2003-04 were 2.894% of payroll for the six months ending December 31, 2003, and 2.771% of payroll for the remaining six months ending June 30, 2004. 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, 2004, 2003 and 2002 were \$233,018, \$58,180 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 \$2,074.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2004**

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 2003-04 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, 2004, 2003 and 2002 were \$326,685, \$311,989 and \$289,203, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$199,515.

J. Postemployment Benefits Other Than Pension Benefits

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.

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 2004, expenditures of \$22,805 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.

K. 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.

### *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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 3,285,434	\$ 3,295,698	\$ 3,295,698	\$ -
Local Sources	864,157	866,857	866,857	-
Federal Revenue	4,472,902	4,202,725	4,202,725	-
Other State Revenue	1,454,321	1,547,096	1,547,096	-
Other Local Revenue	364,643	318,328	318,328	-
Total Revenues	<u>10,441,457</u>	<u>10,230,704</u>	<u>10,230,704</u>	<u>-</u>
Expenditures:				
Instruction	5,172,350	4,956,129	4,956,129	-
Instruction - Related Services	1,313,049	1,120,738	1,120,738	-
Pupil Services	1,367,408	1,421,571	1,421,571	-
Ancillary Services	128,084	117,081	117,081	-
General Administration	929,618	889,793	889,793	-
Plant Services	1,589,443	1,624,556	1,624,556	-
Other Outgo	-	14,575	14,575	-
Total Expenditures	<u>10,499,952</u>	<u>10,144,443</u>	<u>10,144,443</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(58,495)</u>	<u>86,261</u>	<u>86,261</u>	<u>-</u>
Other Financing Sources (Uses):				
Operating Transfers In	1,660,000	1,660,002	1,660,002	-
Operating Transfers Out	<u>(1,204,873)</u>	<u>(1,841,176)</u>	<u>(1,841,176)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>455,127</u>	<u>(181,174)</u>	<u>(181,174)</u>	<u>-</u>
Net Change in Fund Balance	396,632	(94,913)	(94,913)	-
Fund Balance, July 1	<u>467,475</u>	<u>497,475</u>	<u>497,475</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 864,107</u>	<u>\$ 402,562</u>	<u>\$ 402,562</u>	<u>\$ -</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, 2004**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Other Local Revenue</i>	\$ 12,000	\$ 13,711	\$ 13,711	\$ -
Total Revenues	<u>12,000</u>	<u>13,711</u>	<u>13,711</u>	<u>-</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,000</u>	<u>13,711</u>	<u>13,711</u>	<u>-</u>
Other Financing Sources (Uses):				
<i>Operating Transfers In</i>	1,250,000	750,000	1,250,000	500,000
<i>Operating Transfers Out</i>	<u>(1,260,000)</u>	<u>(1,260,000)</u>	<u>(1,260,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(510,000)</u>	<u>(10,000)</u>	<u>500,000</u>
Net Change in Fund Balance	2,000	(496,289)	3,711	500,000
Fund Balance, July 1	<u>777,454</u>	<u>777,454</u>	<u>777,454</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 779,454</u>	<u>\$ 281,165</u>	<u>\$ 781,165</u>	<u>\$ 500,000</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

TABLE C-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2004

	Second Period Report	Annual Report
Elementary:		
Kindergarten	42.76	43.79
Grades 1 through 3	176.21	176.79
Grades 4 through 6	169.63	169.01
Grades 7 and 8	107.22	105.96
Opportunity schools	-	0.01
Special education	13.01	12.88
Elementary totals	508.83	508.44
High School:		
Grades 9 through 12, regular classes	159.64	155.86
Special education	5.28	4.91
Continuation education	9.33	11.23
Opportunity schools	2.17	2.34
High school totals	176.42	174.34
Regional Occupational Centers	0.06	0.06
Classes for adults:		
State apportioned	7.79	7.01
Independent study	26.63	27.98
ADA totals	719.73	717.83
	Hours of Attendance	
Summer School		
Elementary	18,874	
High School	5,718	

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 C-2****SCHEDULE OF INSTRUCTIONAL TIME****YEAR ENDED JUNE 30, 2004**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2003-04 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	28,000	36,000	52,680	180	-	Complied
Grades 1 through 3	55,125	50,400	58,080	180	-	Complied
Grades 4 through 6	55,125	54,000	60,225	180	-	Complied
Grades 7 through 8	66,000	54,000	67,375	180	-	Complied
Grades 9 through 12	66,000	64,800	67,190	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 Education Code Section 46201. This schedule is required of all districts, including basic aid districts.

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

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2004**

**TABLE C-3**

<u>General Fund</u>	(Budget) 2005	2004	2003	2002
Revenues and other financial sources	\$ <u>10,036,721</u>	\$ <u>11,890,706</u>	\$ <u>10,202,988</u>	\$ <u>10,053,768</u>
Expenditures, other uses and transfers out	<u>9,885,778</u>	<u>11,985,619</u>	<u>10,514,130</u>	<u>9,903,199</u>
Change in fund balance (deficit)	<u>150,943</u>	<u>(94,913)</u>	<u>(311,142)</u>	<u>150,569</u>
Ending fund balance	\$ <u>553,505</u>	\$ <u>402,562</u>	\$ <u>497,475</u>	\$ <u>808,617</u>
Available reserves	\$ <u>478,638</u>	\$ <u>394,448</u>	\$ <u>466,242</u>	\$ <u>739,135</u>
Available reserves as a percentage of total outgo	<u>4.8%</u>	<u>3.8%</u>	<u>4.4%</u>	<u>7.4%</u>
Total long-term debt	\$ <u>-</u>	\$ <u>141,183</u>	\$ <u>131,862</u>	\$ <u>256,481</u>
Average daily attendance at P-2	<u>725</u>	<u>720</u>	<u>767</u>	<u>733</u>

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 \$255,486 over the past three years. The fiscal year 2004-05 budget projects an increase of \$150,943. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures and other outgo.

Long-term debt has decreased by \$232,309 over the past three years.

Average daily attendance (ADA) has decreased by 57 over the past three years.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

**TABLE C-4**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004**

The fund balance for all funds as reported in the accompanying audited financial statements are in agreement with the fund balances reported by the district in their unaudited 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 SACS report to the audited financial statements. Funds that required no adjustment are not presented.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT****SCHEDULE OF CHARTER SCHOOLS****YEAR ENDED JUNE 30, 2004****TABLE C-5**

No charter schools are chartered by San Pasqual Valley Unified School District.

**Charter Schools****Included In  
Audit?****None****N/A**



**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**
**TABLE C-6**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2004**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Direct Program:			
Medi-Cal *	93.778	-	\$ 37,800
Total U. S. Department of Health and Human Services			<u>37,800</u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>			
Direct Programs:			
Impact Aid - P.L. 81.874	84.041	-	2,820,119
Title VII	84.060	-	91,465
School Success for Indian Children	84.298	-	167,672
Total Direct Programs			<u>3,079,256</u>
Passed Through State Department of Education:			
Title I	84.010	03064	582,461
Special Education *	84.027	03379	139,150
Vocational Education	84.048	03569	12,710
Title IV	84.186	03453	12,735
Title III	84.278	10009	14,890
Title II	84.281	03207	96,142
Title VI	84.298	03340	21,858
Title V	84.298	03037	7,318
Borderlink	84.303	03471	15,000
Technology Literacy	84.318	13285	23,724
CSRD	84.332	03170	159,860
Total Passed Through State Department of Education			<u>1,085,848</u>
Total U. S. Department of Education			<u>4,165,104</u>
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	244,249
Total U. S. Department of Agriculture			<u>244,249</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,447,153</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, 2004**

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.

*Other Independent Auditor's Reports*



**Wilkinson Hadley & Co. LLP**  
CPAs and Advisors

250 E. Douglas Ave., Suite 200 ♦ El Cajon, CA 92020  
Tel (619) 447-6700 ♦ Fax (619) 447-6707

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, 2004, and have issued our report thereon dated December 8, 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.

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 & Co. LLP*

Wilkinson Hadley & Co. LLP  
December 8, 2004



**Wilkinson Hadley & Co. LLP**  
CPAs and Advisors

250 E. Douglas Ave., Suite 200 ♦ El Cajon, CA 92020  
Tel (619) 447-6700 ♦ Fax (619) 447-6707

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, 2004. 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, 2004.

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.

*Wilkinson Hadley & Co. LLP*

Wilkinson Hadley & Co. LLP  
December 8, 2004



**Wilkinson Hadley & Co. LLP**  
CPAs and Advisors

250 E. Douglas Ave., Suite 200 ♦ El Cajon, CA 92020  
Tel (619) 447-6700 ♦ Fax (619) 447-6707

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, 2004, and have issued our report thereon dated December 8, 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's audit guide, *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Kindergarten Continuation	3	Yes
Independent Study	22	Yes
Continuation Education	10	No (see below)
Adult Education	9	No (see below)
Regional Occupational Centers and Programs	6	Not Applicable
Instructional Time and Staff Development Reform Program	7	Yes
Instructional Time:		
School Districts	4	Yes
County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
Class Size Reduction Program:		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Only One School Serving Grades K-3	4	Not Applicable

Instructional Materials:		
General Requirements	9	Yes
Grades K-8 Only	1	Yes
Grades 9-12 Only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes

We did not perform testing for continuation and adult education because the 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 & Co. LLP*

Wilkinson Hadley & Co. LLP  
December 8, 2004



## *Findings and Recommendations Section*

# SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2004

### 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:

\$500,000

Auditee qualified as low-risk auditee?

  X   Yes        No

# SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2004

### 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 Reported

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

### B. Financial Statement Findings

NONE

### C. Federal Award Findings and Questioned Costs

NONE

### D. State Award Findings and Questioned Costs

Finding 2004-1 (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 the supporting documentation for Form J-7CSR we noted a clerical error that caused the district to overstate the number of students eligible for class size reduction funding by 19 students. The errors noted resulted in the following changes:

<u>Class</u>	<u>Eligible Students Originally Reported</u>	<u>Eligible Students As Corrected</u>	<u>Over (Under) Reported</u>
Option 1			
Kindergarten	55	48	7
Grade 2	79	66	13
K-3 Combo	3	4	(1)
Total	<u>137</u>	<u>118</u>	<u>19</u>

#### Questioned Costs

Overstatement of 19 students. \$17,214 reduction of funding.

#### Recommendation

We recommend the district file a corrected Form J-7CSR and report the correct number of students in each class.

#### LEA's Response

The corrected Form J-7CSR has been filed.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2003-1 Year End Accruals</p> <p>Errors noted in setting up of year end payroll accruals.</p> <p>Perform a comprehensive review of all accruals prior to closing the books for the year.</p>	Implemented	
<p>Finding 2003-2 Elementary School Student Body Fund</p> <p>Paid invoices are not being properly defaced after payment.</p> <p>Require all invoices paid to be marked "paid" to avoid possible duplicate payment.</p>	Implemented	
<p>Finding 2003-3 Cafeteria Inventory</p> <p>The amount recorded on the books for inventory in the cafeteria fund has not changed since 2001.</p> <p>Perform a current physical inventory at year end and properly reflect the amount in the financial statements.</p>	Implemented	
<p>Finding 2003-4 Staff Development Days</p> <p>A clerical error caused the number of days claimed for funding to be understated by one day.</p> <p>File an amended Consolidated Application and report the correct number of days eligible for funding.</p>	Implemented	
<p>Finding 2003-5 K-3 Class Size Reduction</p> <p>A clerical error caused the district to overstate the number of students eligible for funding in grade three by 21 students.</p> <p>File an amended Form J7-CSR and report the correct number of students in grade three that are eligible for CSR funding.</p>	Implemented	