

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

AUDIT REPORT

JUNE 30, 2005

**WILKINSON HADLEY & CO. LLP
250 E. Douglas Ave., Suite 200
El Cajon, CA 92020
Tel (619) 447-6700 Fax (619) 447-6707**

Introductory Section

San Pasqual Valley Unified School District
Audit Report
For The Year Ended June 30, 2005

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Financial Section

WILKINSON HADLEY & CO. LLP
CPA's 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, 2005, 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, 2005, 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 9, 2005, on our consideration of San Pasqual Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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 9, 2005

San Pasqual Valley Unified School District
Management's Discussion and Analysis
June 30, 2005
(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, 2005. The management's discussion and analysis is required as an element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. This the third 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 SPVUSDs net assets exceeded liabilities by \$7.5 million.
- Total change in District net assets was an increase of \$87 thousand
- Total general revenues were \$7.8 million.
- The SPVUSD enrollment increased by thirty students for a total enrollment of 794 students in October, 2004 compared to 764 students in October, 2003.
- The District completed two critical hardship projects during the year, the "Septic to Sewer" project, and the HVAC replacement program, both of which were 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 later in 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 eleven individual governmental funds. The eleventh, Fund 20, Reserve for Retiree Benefits was created in 2005. 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 fund for other than capital outlay. Data from the other 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, 2005. 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 later in this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented later in this report. Individual fund statements and schedules can be found in this report.

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 \$8.3 million at the close of the most recent fiscal year.

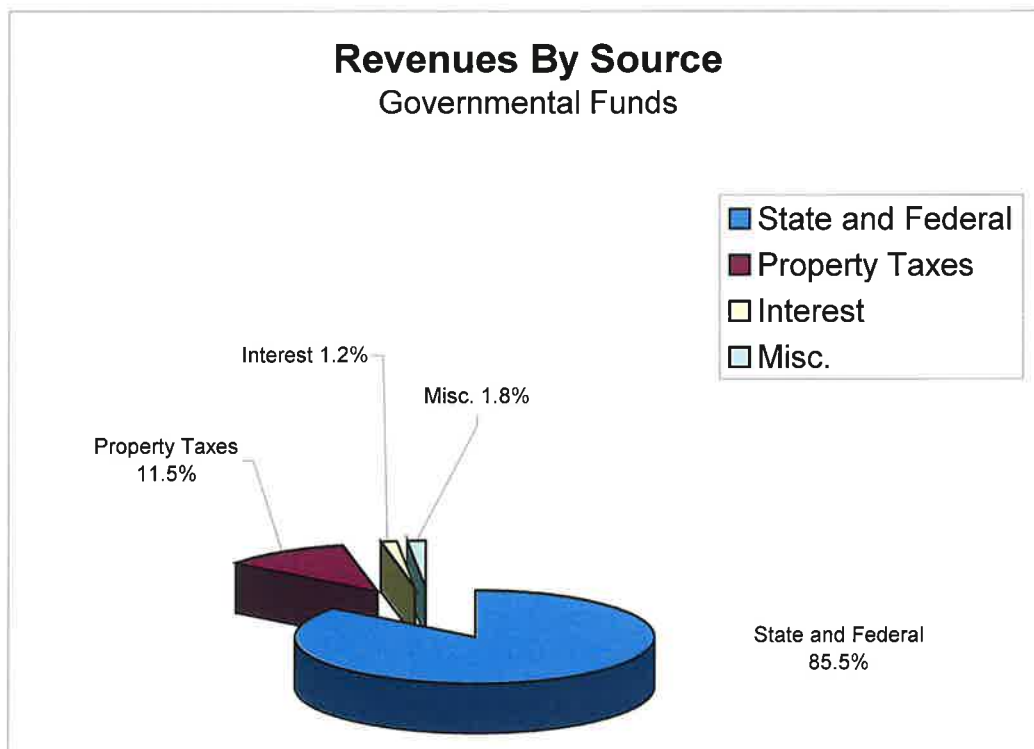
STATEMENT OF NET ASSETS			
(In Millions of Dollars)			
	2005		2004
ASSETS:			
Cash & Current Assets	\$	2.4	\$ 1.9
Capital Assets	\$	6.8	\$ 6.7
Total Assets	\$	9.2	\$ 8.6
LIABILITIES:			
Long-term Debt	\$.37	\$.14
Other Liabilities	\$.48	\$.28
Total Liabilities	\$.85	\$.42
TOTAL NET ASSETS	\$	8.35	\$ 8.18
DISTRIBUTION OF NET ASSETS			
Invested in Capital Assets	\$	6.57	\$ 6.70
Restricted for Capital Projects	\$.15	\$.17
Other Restricted	\$	1.63	\$ 1.18
Non-restricted	\$.00	\$.13
TOTAL NET ASSETS	\$	8.35	\$ 8.18

- The largest portion of the SPVUSD'S net assets (79%) 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 (2%) 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 (29%) 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 Districts net assets for the year ended June 30, 2005 and June 30, 2004 are as follows:

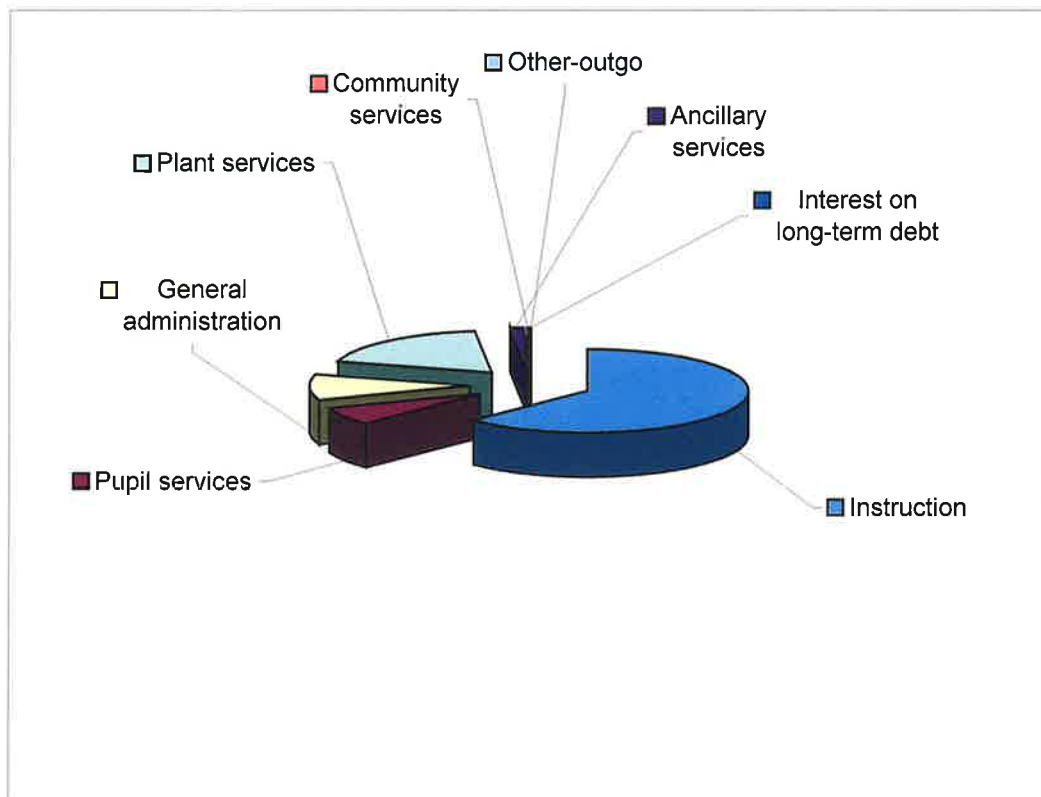
REVENUES		2003-2004	2004-2005
Program Revenues	\$	3,991,993	\$ 3,958,329
Property taxes	\$	819,844	\$ 663,248
Miscellaneous Revenue	\$	452,882	\$ 26,472
Federal & state aid not restricted	\$	6,584,107	\$ 7,080,064
Investment & interest earnings	\$	52,123	\$ 53,545
Total Revenues	\$	11,900,949	\$ 11,781,658
EXPENDITURES BY FUNCTION			
Instruction/Instruction related services	\$	6,397,688	\$ 6,816,332
Pupil services	\$	1,887,275	\$ 1,880,148
General administration	\$	997,310	\$ 1,093,082
Plant services	\$	1,522,963	\$ 1,723,767
Ancillary services	\$	117,081	\$ 104,819
Community services	\$	1,445	\$ 64,205
Interest on long-term debt	\$	0	\$ 12,000
Other-outgo	\$	14,575	\$ 0
Total Expenditures	\$	10,938,337	\$ 11,694,353
INCREASE IN NET ASSETS	\$	962,612	\$ 87,305
Net-Assets - Beginning	\$	7,249,262	\$ 8,246,022
Net-Assets - Ending	\$	8,211,874	\$ 8,333,327



\$ 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 decreased. The value of the base Revenue Limit for the year ended June 30, 2005 for SPVUSD was \$5,360.44.

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	\$4,983
2004-2005	\$5,360	\$5,194



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 \$8.35 million. This is the third year the district has compiled these reports. This compares with the 2003-04 fund balance of \$8.25 million.

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 decreased by \$65,594. This was primarily due to a decrease in certificated staff and associated benefits.
- 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 for GASB 34 reporting. The District previously 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, updated as of June 30, 2005.

The district completed two capital improvement projects, the "Septic to Sewer" project and the Heating Ventilation and Air Conditioning (HVAC) project during the year.

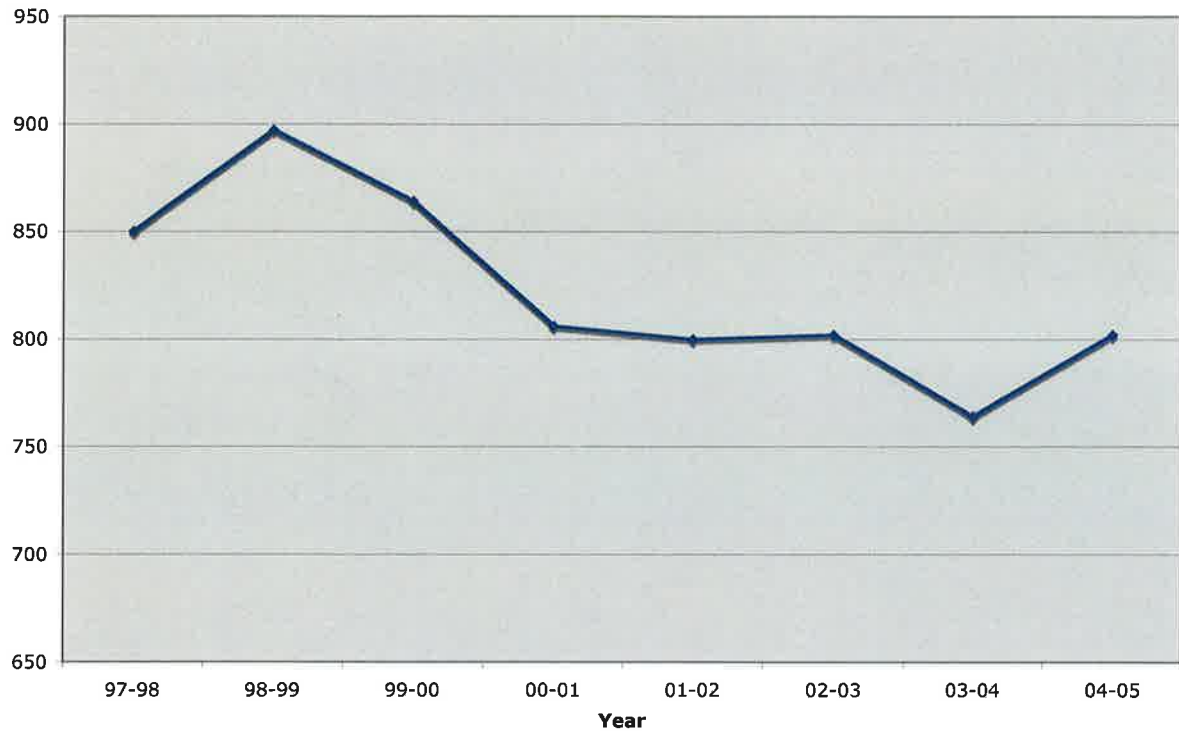
Additional information on the district's capital assets can be found in Note D to the basic financial statements.

Debt Administration. The District paid principal and interest on the lease purchase debt which assisted in the construction of the Family Resource Center facility on campus. Debt was serviced with revenues generated by those agencies leasing space in the building.

Changing Enrollment within the District

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

CBEDS Enrollment



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, 2005

	<u>Governmental Activities</u>
ASSETS:	
Cash in County Treasury	\$ 1,067,479
Cash in Revolving Fund	2,500
Accounts Receivable	1,358,370
Stores Inventories	7,351
Capital Assets:	
Land	66,865
Land Improvements	1,176,349
Buildings	7,047,735
Equipment	2,046,986
Work in Progress	117,601
Less Accumulated Depreciation	<u>(3,703,895)</u>
Total Assets	<u>9,187,341</u>
LIABILITIES:	
Accounts Payable	445,469
Deferred Revenues	38,816
Long-term Liabilities:	
Due within one year	169,729
Due in more than one year	<u>200,000</u>
Total Liabilities	<u>854,014</u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	6,548,573
Restricted for:	
Capital Projects	147,507
Debt Service	250,000
Educational Programs	<u>1,387,247</u>
Total Net Assets	<u>\$ 8,333,327</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, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
PRIMARY GOVERNMENT:				
Government Activities:				
<i>Instruction</i>	\$ 5,200,145	\$ 15,282	\$ 1,311,771	\$ (3,873,092)
<i>Instruction-Related Services</i>	1,616,187	-	803,745	(812,442)
<i>Pupil Services</i>	1,880,148	25,140	1,207,057	(647,951)
<i>Ancillary Services</i>	104,819	-	14,922	(89,897)
<i>Community Services</i>	64,205	-	71,783	7,578
<i>General Administration</i>	1,093,082	-	396,129	(696,953)
<i>Plant Services</i>	1,723,767	511	111,989	(1,611,267)
<i>Interest on Long-Term Debt</i>	12,000	-	-	(12,000)
Total Governmental Activities	<u>11,694,353</u>	<u>40,933</u>	<u>3,917,396</u>	<u>(7,736,024)</u>
Total Primary Government	<u>\$ 11,694,353</u>	<u>\$ 40,933</u>	<u>\$ 3,917,396</u>	<u>(7,736,024)</u>
General Revenues:				
<i>Taxes and Subventions</i>				663,248
<i>Federal and State Revenues, not restricted</i>				7,080,064
<i>Interest and Investment Earnings</i>				53,545
<i>Miscellaneous</i>				26,472
Total General Revenues				<u>7,823,329</u>
Change in Net Assets				87,305
Net Assets - Beginning				8,246,022
Net Assets - Ending				<u>\$ 8,333,327</u>

The accompanying notes are an integral part of this statement.

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

JUNE 30, 2005

	General Fund	Special Reserve Fund for Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
ASSETS:				
<i>Cash in County Treasury</i>	\$ 40,799	\$ 785,211	\$ 241,468	\$ 1,067,478
<i>Cash in Revolving Fund</i>	2,500	-	-	2,500
<i>Accounts Receivable</i>	1,184,948	4,116	169,306	1,358,370
<i>Due from Other Funds</i>	95,385	-	281,170	376,555
<i>Stores Inventories</i>	-	-	7,351	7,351
Total Assets	<u>\$ 1,323,632</u>	<u>\$ 789,327</u>	<u>\$ 699,295</u>	<u>\$ 2,812,254</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
<i>Accounts Payable</i>	\$ 437,802	\$ -	\$ 7,667	\$ 445,469
<i>Due to Other Funds</i>	281,170	-	95,385	376,555
<i>Deferred Revenue</i>	26,115	-	12,701	38,816
Total liabilities	<u>745,087</u>	<u>-</u>	<u>115,753</u>	<u>860,840</u>
Fund Balance:				
Reserved Fund Balances:				
<i>Reserve for Revolving Cash</i>	2,500	-	-	2,500
<i>Reserve for Stores Inventories</i>	-	-	7,351	7,351
<i>Reserve for Legally Restricted Balance</i>	67,892	-	-	67,892
Designated Fund Balances:				
<i>Designated for Economic Uncertainties</i>	495,800	789,000	-	1,284,800
<i>Designated for Unrealized Gains</i>	7,712	-	-	7,712
<i>Other Designated</i>	2,828	-	-	2,828
Unreserved	1,813	327	-	2,140
Unreserved, reported in nonmajor:				
<i>Special Revenue Funds</i>	-	-	428,414	428,414
<i>Capital Projects Funds</i>	-	-	147,777	147,777
Total Fund Balance	<u>578,545</u>	<u>789,327</u>	<u>583,542</u>	<u>1,951,414</u>
Total Liabilities and Fund Balances	<u>\$ 1,323,632</u>	<u>\$ 789,327</u>	<u>\$ 699,295</u>	<u>\$ 2,812,254</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, 2005

Total fund balances - governmental funds balance sheet	\$ 1,951,414
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.	6,751,642
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>(369,729)</u>
Net assets of governmental activities - statement of net assets	\$ <u><u>8,333,327</u></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, 2005

	General Fund	Special Reserve Fund for Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 3,536,974	\$ -	\$ 92,756	\$ 3,629,730
Local Sources	728,608	-	-	728,608
Federal Revenue	4,985,030	-	327,013	5,312,043
Other State Revenue	1,707,371	-	155,041	1,862,412
Other Local Revenue	381,405	8,163	159,298	548,866
Total Revenues	<u>11,339,388</u>	<u>8,163</u>	<u>734,108</u>	<u>12,081,659</u>
Expenditures:				
Instruction	4,913,267	-	198,202	5,111,469
Instruction - Related Services	1,593,698	-	-	1,593,698
Pupil Services	1,363,166	-	397,042	1,760,208
Ancillary Services	104,820	-	-	104,820
Community Services	116,971	-	-	116,971
General Administration	1,075,559	-	-	1,075,559
Plant Services	1,876,096	-	411,872	2,287,968
Debt Service:				
Principal	-	-	50,000	50,000
Interest	-	-	12,000	12,000
Total Expenditures	<u>11,043,577</u>	<u>-</u>	<u>1,069,116</u>	<u>12,112,693</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>295,811</u>	<u>8,163</u>	<u>(335,008)</u>	<u>(31,034)</u>
Other Financing Sources (Uses):				
Operating Transfers In	258,892	220,000	570,960	1,049,852
Operating Transfers Out	(711,610)	(220,000)	(118,242)	(1,049,852)
Other Sources	300,000 *	-	-	300,000
Total Other Financing Sources (Uses)	<u>(152,718)</u>	<u>-</u>	<u>452,718</u>	<u>300,000</u>
Net Change in Fund Balance	143,093	8,163	117,710	268,966
Fund Balance, July 1	435,452	781,164	465,832	1,682,448
Fund Balance, June 30	<u>\$ 578,545</u>	<u>\$ 789,327</u>	<u>\$ 583,542</u>	<u>\$ 1,951,414</u>

look out a base
Borrowed \$300,000
Capital

unaud. actuals -
Detail of objects
other uses

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, 2005

Net change in fund balances - total governmental funds \$ 268,966

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	346,733	
Depreciation expense	(299,848)	
Net		46,885

Debt service: In governmental funds, repayment of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

50,000

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were:

(300,000)

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:

21,454

Change in net assets of governmental activities - statement of activities \$ 87,305

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, 2005**Agency
FundStudent
Body
Fund**ASSETS:***Cash on Hand and in Banks*

Total Assets

\$ 70,428

\$ 70,428

LIABILITIES:*Due to Student Groups*

Total Liabilities

\$ 70,428

70,428

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, 2005

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, 2005

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, 2005

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.

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, 2005

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, 2005

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

1. 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 (\$1,067,479 as of June 30, 2005). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$1,067,479. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$70,428 as of June 30, 2005) 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, 2005

D. Capital Assets

Capital asset activity for the period ended June 30, 2005, 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	74,188	43,413	-	117,601
Total capital assets not being depreciated	141,053	43,413	-	184,466
<i>Capital assets being depreciated:</i>				
Buildings	6,990,574	57,161	-	7,047,735
improvements	1,176,349	-	-	1,176,349
Equipment	1,815,827	246,159	15,000	2,046,986
Total capital assets being depreciated	9,982,750	303,320	15,000	10,271,070
Less accumulated depreciation for:				
Buildings	(2,001,646)	(157,032)	-	(2,158,678)
improvements	(134,760)	(55,097)	-	(189,857)
Equipment	(1,282,641)	(87,719)	(15,000)	(1,355,360)
Total accumulated depreciation	(3,419,047)	(299,848)	(15,000)	(3,703,895)
Total capital assets being depreciated, net	6,563,703	3,472	-	6,567,175
Governmental activities capital assets, net	\$ 6,704,756	\$ 46,885	\$ -	\$ 6,751,641

Depreciation was charged to functions as follows:

Instruction	\$ 116,941
Instruction-Related Services	22,489
Pupil Services	119,939
Community Services	1,499
General Administration	38,980
	<u>\$ 299,848</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2005, consisted of the following:

Due To Fund	Due From Fund	Amount
Adult Education Fund	General Fund	\$ 12,102
Child Development Fund	General Fund	70,313
Cafeteria Fund	General Fund	7,457
Deferred Maintenance Fund	General Fund	5,513
General Fund	Deferred Maintenance Fund	39,000
General Fund	Special Reserve Fund	157,170
General Fund	Special Reserve Fund	85,000
	Total	<u>\$ 376,555</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, 2005

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2005, consisted of the following:

Transfers To	Transfers From	Amount
General Fund	Child Development Fund	\$ 51,435
General Fund	Cafeteria Fund	7,457
General Fund	Special Reserve Fund	200,000
Child Development Fund	General Fund	10,000
Child Development Fund	Special Reserve Fund	20,000
Cafeteria Fund	General Fund	100,000
Deferred Maintenance Fund	General Fund	84,440
Deferred Maintenance Fund	Special Reserve Fund	27,173
Special Reserve Fund	General Fund	220,000
Special Reserve Fund	General Fund	157,170
Special Reserve Fund	General Fund	140,000
Special Reserve Fund	Deferred Maintenance Fund	32,177
	Total	<u>\$ 1,049,852</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.

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, 2005, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital leases	-	300,000	50,000	300,000	50,000
Compensated absences *	141,183	-	21,454	119,729	119,729
Total governmental activities	<u>\$ 141,183</u>	<u>\$ 300,000</u>	<u>\$ 71,454</u>	<u>\$ 419,729</u>	<u>\$ 169,729</u>

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, 2005, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2006	\$ 169,729	\$ 10,000	\$ 179,729
2007	50,000	8,000	58,000
2008	50,000	6,000	56,000
2009	100,000	4,000	104,000
Totals	<u>\$ 369,729</u>	<u>\$ 28,000</u>	<u>\$ 397,729</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2005, as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 50,000	\$ 10,000	\$ 60,000
2007	50,000	8,000	58,000
2008	50,000	6,000	56,000
2009	100,000	4,000	104,000
Totals	\$ 250,000	\$ 28,000	\$ 278,000

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, 2005 is as follows:

Total Assets	\$	(571)
Total Liabilities		1,110
Total Fund Balance		(1,681)
Total Cash Receipts	\$	(8)
Total Cash Disbursements	-	
Net Change in Fund Balance		(8)

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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-05 was 9.952% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2005, 2004 and 2003 were \$277,543, \$233,018 and \$58,180, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$2,138.

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 2004-05 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, 2005, 2004 and 2003 were \$315,311, \$326,685 and \$311,989, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$202,914.

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 2005, expenditures of \$30,140 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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 3,094,973	\$ 3,536,974	\$ 3,536,974	\$ -
Local Sources	828,995	728,608	728,608	-
Federal Revenue	4,306,521	4,985,030	4,985,030	-
Other State Revenue	1,423,817	1,707,371	1,707,371	-
Other Local Revenue	311,842	381,405	381,405	-
Total Revenues	9,966,148	11,339,388	11,339,388	-
Expenditures:				
Instruction	4,702,195	4,913,267	4,913,267	-
Instruction - Related Services	1,208,497	1,593,698	1,593,698	-
Pupil Services	1,401,690	1,363,166	1,363,166	-
Ancillary Services	113,599	104,820	104,820	-
Community Services	60,000	116,971	116,971	-
General Administration	966,725	1,075,559	1,075,559	-
Plant Services	1,204,051	1,876,096	1,876,096	-
Total Expenditures	9,656,757	11,043,577	11,043,577	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	309,391	295,811	295,811	-
Other Financing Sources (Uses):				
Operating Transfers In	750,000	258,892	258,892	-
Operating Transfers Out	(850,000)	(711,610)	(711,610)	-
Other Sources	-	300,000	300,000	-
Total Other Financing Sources (Uses)	(100,000)	(152,718)	(152,718)	-
Net Change in Fund Balance	209,391	143,093	143,093	-
Fund Balance, July 1	435,452	435,452	435,452	-
Fund Balance, June 30	\$ 644,843	\$ 578,545	\$ 578,545	\$ -

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY PROJECTS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT B-2

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
<i>Other Local Revenue</i>	\$ 13,000	\$ 8,163	\$ 8,163	\$ -
Total Revenues	13,000	8,163	8,163	-
Expenditures:				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,000	8,163	8,163	-
Other Financing Sources (Uses):				
<i>Operating Transfers In</i>	750,000	220,000	220,000	-
<i>Operating Transfers Out</i>	(750,000)	(220,000)	(220,000)	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	13,000	8,163	8,163	-
Fund Balance, July 1	781,164	781,164	781,164	-
Fund Balance, June 30	\$ 794,164	\$ 789,327	\$ 789,327	\$ -

***Combining Statements and Budget Comparisons
as Supplementary Information***

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2005

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
<i>Cash in County Treasury</i>	\$ 179,611	\$ 61,857	\$ 241,468
<i>Accounts Receivable</i>	168,386	920	169,306
<i>Due from Other Funds</i>	196,170	85,000	281,170
<i>Stores Inventories</i>	7,351	-	7,351
Total Assets	<u>\$ 551,518</u>	<u>\$ 147,777</u>	<u>\$ 699,295</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
<i>Accounts Payable</i>	\$ 7,667	\$ -	\$ 7,667
<i>Due to Other Funds</i>	95,385	-	95,385
<i>Deferred Revenue</i>	12,701	-	12,701
Total liabilities	<u>115,753</u>	<u>-</u>	<u>115,753</u>
Fund Balance:			
Reserved Fund Balances:			
<i>Reserve for Stores Inventories</i>	7,351	-	7,351
Unreserved, reported in nonmajor:			
<i>Special Revenue Funds</i>	428,414	-	428,414
<i>Capital Projects Funds</i>	-	147,777	147,777
Total Fund Balance	<u>435,765</u>	<u>147,777</u>	<u>583,542</u>
Total Liabilities and Fund Balances	<u>\$ 551,518</u>	<u>\$ 147,777</u>	<u>\$ 699,295</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Revenue Limit Sources:			
State Apportionments	\$ 92,756	\$ -	\$ 92,756
Federal Revenue	263,421	63,592	327,013
Other State Revenue	155,041	-	155,041
Other Local Revenue	91,356	67,942	159,298
Total Revenues	<u>602,574</u>	<u>131,534</u>	<u>734,108</u>
Expenditures:			
Instruction	198,202	-	198,202
Pupil Services	397,042	-	397,042
Plant Services	118,839	293,033	411,872
Debt Service:			
Principal	-	50,000	50,000
Interest	-	12,000	12,000
Total Expenditures	<u>714,083</u>	<u>355,033</u>	<u>1,069,116</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(111,509)</u>	<u>(223,499)</u>	<u>(335,008)</u>
Other Financing Sources (Uses):			
Operating Transfers In	398,783	172,177	570,960
Operating Transfers Out	(91,069)	(27,173)	(118,242)
Total Other Financing Sources (Uses)	<u>307,714</u>	<u>145,004</u>	<u>452,718</u>
Net Change in Fund Balance	196,205	(78,495)	117,710
Fund Balance, July 1	239,560	226,272	465,832
Fund Balance, June 30	<u>\$ 435,765</u>	<u>\$ 147,777</u>	<u>\$ 583,542</u>

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 46,284	\$ 1,548	\$ -	\$ 179,611
69,353	52,518	-	168,386
-	39,000	157,170	196,170
7,351	-	-	7,351
<u>\$ 122,988</u>	<u>\$ 93,066</u>	<u>\$ 157,170</u>	<u>\$ 551,518</u>
\$ 5,705	\$ -	\$ -	\$ 7,667
7,457	5,513	-	95,385
-	-	-	12,701
<u>13,162</u>	<u>5,513</u>	<u>-</u>	<u>115,753</u>
7,351	-	-	7,351
102,475	87,553	157,170	428,414
<u>109,826</u>	<u>87,553</u>	<u>157,170</u>	<u>435,765</u>
<u>\$ 122,988</u>	<u>\$ 93,066</u>	<u>\$ 157,170</u>	<u>\$ 551,518</u>

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ - 263,421 17,720 31,434 <u>312,575</u>	\$ - - 56,363 270 <u>56,633</u>	\$ - - - - <u>-</u>	\$ 92,756 263,421 155,041 91,356 <u>602,574</u>
- 397,042 8,076 <u>405,118</u>	- - 110,763 <u>110,763</u>	- - - <u>-</u>	198,202 397,042 118,839 <u>714,083</u>
<u>(92,543)</u>	<u>(54,130)</u>	<u>-</u>	<u>(111,509)</u>
100,000 (7,457) <u>92,543</u>	111,613 (32,177) <u>79,436</u>	157,170 - <u>157,170</u>	398,783 (91,069) <u>307,714</u>
- 109,826 <u>109,826</u>	25,306 62,247 <u>87,553</u>	157,170 - <u>157,170</u>	196,205 239,560 <u>435,765</u>
\$ <u>109,826</u>	\$ <u>87,553</u>	\$ <u>157,170</u>	\$ <u>435,765</u>

County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 547	\$ 8,095	\$ 61,857
3	646	920
-	85,000	85,000
<u>\$ 550</u>	<u>\$ 93,741</u>	<u>\$ 147,777</u>
 <u>-</u>	 <u>-</u>	 <u>-</u>
 <u>\$ 550</u>	 <u>\$ 93,741</u>	 <u>\$ 147,777</u>
<u>\$ 550</u>	<u>\$ 93,741</u>	<u>\$ 147,777</u>
<u>\$ 550</u>	<u>\$ 93,741</u>	<u>\$ 147,777</u>

County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ -	\$ 63,592	\$ 63,592
13	55,369	67,942
<u>13</u>	<u>118,961</u>	<u>131,534</u>
-	293,033	293,033
-	50,000	50,000
-	12,000	12,000
<u>-</u>	<u>355,033</u>	<u>355,033</u>
13	(236,072)	(223,499)
-	172,177	172,177
-	(27,173)	(27,173)
<u>-</u>	<u>145,004</u>	<u>145,004</u>
13	(91,068)	(78,495)
537	184,809	226,272
<u>\$ 550</u>	<u>\$ 93,741</u>	<u>\$ 147,777</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 D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE

YEAR ENDED JUNE 30, 2005

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	53.48	53.38
Grades 1 through 3	167.82	167.17
Grades 4 through 6	180.53	179.52
Grades 7 and 8	97.39	95.46
Special education	13.09	13.05
Elementary totals	<u>512.31</u>	<u>508.58</u>
High School:		
Grades 9 through 12, regular classes	170.46	167.47
Special education	5.23	5.21
Continuation education	23.00	23.36
Opportunity schools	0.94	0.74
High school totals	<u>199.63</u>	<u>196.78</u>
Regional Occupational Centers	10.86	10.74
Classes for adults:		
State apportioned	4.23	3.88
Independent Study	<u>44.30</u>	<u>44.43</u>
ADA totals	<u>771.33</u>	<u>764.41</u>

Summer SchoolHours of
Attendance

Elementary	21,516
High School	6,037

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, 2005**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2004-05 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	61,950	180	-	Complied
Grades 1 through 2	55,125	50,400	58,020	180	-	Complied
Grade 3	55,125	50,400	60,150	180	-	Complied
Grades 4 through 5	55,125	54,000	60,150	180	-	Complied
Grade 6	55,125	54,000	67,440	180	-	Complied
Grades 7 through 8	66,000	54,000	67,440	180	-	Complied
Grades 9 through 12	66,000	64,800	67,440	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, 2005

TABLE D-3

General Fund	(Budget) 2006	2005	2004	2003
Revenues and other financial sources	\$ 12,585,836	\$ 11,898,280	\$ 11,923,596	\$ 10,202,988
Expenditures, other uses and transfers out	12,598,016	11,755,187	11,985,619	10,514,130
Change in fund balance (deficit)	(12,180)	143,093	(62,023)	(311,142)
Ending fund balance	\$ 566,365	\$ 578,545	\$ 435,452	\$ 497,475
Available reserves	\$ 420,120	\$ 508,153	\$ 427,338	\$ 466,242
Available reserves as a percentage of total outgo	3.3%	4.3%	3.6%	4.4%
Total long-term debt	\$ 200,000	\$ 369,729	\$ 141,183	\$ 131,862
Average daily attendance at P-2	788	771	720	767

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 \$262,962 over the past three years. The fiscal year 2005-06 budget projects an additional decrease of \$12,180. 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 increased by \$113,248 over the past three years.

Average daily Attendance (ADA) has increased by 38 over the past three years.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET

REPORT WITH AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

The fund balances 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, 2005*

TABLE D-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 D-6**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

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	-	\$ 8,057
Total U. S. Department of Health and Human Services			<u>8,057</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Programs:			
Impact Aid - P.L. 81.874	84.041	-	3,001,423
Indian Education	84.060	-	78,852
School Success for Indian Children	84.298	-	324,522
Total Direct Programs			<u>3,404,797</u>
Passed Through California Department of Education:			
Title I	84.010	03064	684,614
Special Education *	84.027	03379	181,826
Vocational Education	84.048	03569	13,576
Drug Free Schools	84.186	03453	3,003
Title IV - Twenty First Century	84.287	10009	83,457
Title V - Innovative Strategies	84.298	03037	6,616
Title II - Technology	84.318	03207	18,972
Title VI - Rural and Low Income Schools	84.358	03471	23,073
Title III - LEP	84.365	03453	15,597
Mathematics and Science Partnership	84.366	03596	562,171
Title II - Teacher Quality	84.367	03207	98,489
Title VI - English Language Development Test	84.369	03817	1,152
Total Passed Through California Department of Education			<u>1,692,546</u>
Total U. S. Department of Education			<u>5,097,343</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through California Department of Education:			
National School Lunch Program *	10.555	03396	263,420
Total U. S. Department of Agriculture			<u>263,420</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,368,820</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, 2005

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
CPA's and Advisors
250 E. Douglas Ave., Suite 200
El Cajon, CA 92020
Tel (619) 447-6700 Fax (619) 447-6707

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

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

Members of the Board of Trustees:

We have audited the 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, 2005, and have issued our report thereon dated December 9, 2005. 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.

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 opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted certain other matters involving internal controls that we have reported on in the Schedule of Findings and Questioned Costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Pasqual Valley Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

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 9, 2005

WILKINSON HADLEY & CO. LLP
CPA's 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, 2005. 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, 2005.

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 reportable 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 caused by error or fraud 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 9, 2005

WILKINSON HADLEY & CO. LLP
CPA's 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, 2005, and have issued our report thereon dated December 9, 2005. 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	8	Yes
Kindergarten Continuation	3	Yes
Independent Study	22	Yes
Continuation Education	10	Yes
Adult Education	9	Yes
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	Yes
Instructional Materials:		
General Requirements	12	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
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	Not Applicable
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-Safe) Program	3	Not Applicable
School Accountability Report Card	3	Yes

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 9, 2005

Findings and Recommendations Section

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid
84.298	School Success for Indian Children
84.010	Title I
84.366	Mathematics and Science Partnerships

Dollar threshold used to distinguish between type A and type B programs: \$300,000

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, 2005

3. State Awards

Internal control over state programs:

Material weakness(es) identified?

☐ Yes ☒ No

Reportable condition(s) identified that are
not considered to be material weaknesses?

☐ Yes ☒ None Reported

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

Unqualified

B. Financial Statement Findings

Finding 2005-1
ASB Cash

Criteria or Specific Requirement

Determine that any cash accounts which were opened or closed during the fiscal year were properly approved by the board of Directors. Determine that cash balances reflect a proper cutoff of receipts and are stated at the correct amount.

Condition

During our audit, we noted that two elementary school ASB accounts were closed without board approval. It was also noted that there was no bank statement or reconciliation retained for the remaining elementary school student council account and access to the account online was attached to the ASB clerk's personal account.

Questioned Costs

None

Recommendation

We recommend that the district implement controls which require board approval prior to the opening or closing of accounts. Implement procedures to require retention of bank statements and completion of reconciliations, and implement controls which do not allow personal accounts to be attached to district accounts.

LEA's Response

We have re-implemented internal controls at the elementary school where the new secretary needed to be trained in the proper methods of opening and closing of existing accounts, and reiterated the same to the interim principal. Also, we informed all staff about receiving official approval by the Board of Trustees prior to closing or opening accounts in the future. Additionally, new staff members were trained on exactly how to properly reconcile and retain appropriate records, rather than rely on the Bank's online system only. The staff member who had the link between her personal account and the ASB accounts so that she could do the online reconciliation had the link removed by the bank.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

Finding 2005-2
Attendance Reporting

Criteria or Specific Requirement

Determine that the district properly reported Average Daily Attendance (ADA) to the California Department of Education.

Condition

In our review of absences at the high school/middle school per the notes and phone logs, we noted nine exceptions out of thirty absences tested where the absence was not recorded in the attendance system. Upon further review, we noted that there were no absences recorded for the last week of attendance for months five through nine. The absences had been input into the system; however, they had not been recorded in the tabulation of daily attendance due to an error in the calculation. Revised reports were printed that triggered the absences which subsequently decreased daily attendance. The P2 report reflected an overstatement of 6.45 ADA and the Annual report reflected an overstatement of 5.87 ADA.

Questioned Costs

Reduction in P2 ADA of 6.45 and Annual ADA of 5.87.

Recommendation

We recommend that the district amend the P2 and Annual attendance reports to reflect accurate ADA. In addition we recommend that the district review all subsequent attendance reports from the system to ensure that all absences that are input are triggered and reflected in the calculation of ADA.

LEA's Response

The District has verified the exceptions which the auditor noted. The attendance information was entered correctly; however, the attendance reports were produced prematurely prior to the SIS posting and not checked properly by either the site or the District. The data was rerun correctly and adjustments to the P2 and Annual reports are being prepared. The new attendance personnel have been trained and will be monitored to ensure the reports generated at the sites and reviewed by the District are accurate.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Finding 2005-3
Continuation Education

Criteria or Specific Requirement

Verify that hourly attendance was used to calculate ADA for continuation education.

Condition

In our review of the attendance reporting for continuation education, we noted that the district utilized hand written calculations in addition to the computer generated calculations as support for the attendance claimed. The hand written calculations were recorded in days and did not reflect additional excess hours and backfill utilization. The attendance derived from the hand written calculations were used to report attendance for the P2 and Annual reporting periods; however, the computer generated reports calculated hourly attendance and provided proper excess hours and backfill data. Upon further review and testing of the calculated attendance, the computer generated reports are more accurate than the hand written summaries and reflect proper hourly attendance with utilization of excess and backfill calculations; therefore, this data should be used for reporting purposes. The P2 attendance report is understated 5.42 ADA and the Annual report is understated 5.84 ADA.

Questioned Costs

Increase in P2 ADA by 5.42 and Annual ADA by 5.84.

Recommendation

We recommend that the district amend the P2 and Annual attendance reports to reflect accurate ADA. In addition we recommend that the district utilize computer generated reports for subsequent reporting of attendance after reviewing for accuracy.

LEA's Response

The District now recognizes the ability of the computerized attendance system to generate as support the additional ADA verified by the auditor. The learning process with this automated system has been completed by the users and the calculations are accurate. It is appreciated that correction of this particular item generated additional ADA. The corrected P2 and Annual reports are being prepared.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Finding 2005-4
Staff Development Days

Criteria or Specific Requirement

Determine that the number of Instructional Time and Staff Development Reform Program staff development days funded are supported by contemporaneous records.

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 overstated by one hundred and nine teacher days.

Questioned Costs

Overstatement of one hundred and nine days, loss of \$33,409.

Recommendation

We recommend that the district amend the application for funding in the consolidated application. In addition we recommend that the district implement procedures to review records closely to ensure that the proper number of days are claimed.

LEA's Response

We concur with the clerical error produced by the former keeper of the records. We recognize that the simple math error resulted in an overstated number of staff development days and the Consolidated Application was electronically corrected the same day. No funds had been received by the District for this program, so the error did not generate a payable back to the State - just a revision to the District's accounts receivables, which was done immediately after the auditor detected the error.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2004-1 K-3 Class Size Reduction</p> <p>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 nineteen students.</p> <p>We recommended that the district amend Form J-7CSR to report the correct number of students in each class.</p>	<p>Implemented</p>	