

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

AUDIT REPORT

JUNE 30, 2006

**WILKINSON HADLEY & CO. LLP
250 E. Douglas Ave
El Cajon, CA 92020**

Introductory Section

San Pasqual Valley Unified School District
Audit Report
For The Year Ended June 30, 2006

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Financial Section

WILKINSON HADLEY & CO. LLP
CPA's and Advisors
250 E. Douglas Ave
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, 2006, 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, 2006, and the respective changes in financial position 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 January 11, 2007, 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 required supplementary 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 combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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
January 11, 2007

**San Pasqual Valley Unified School District
Management's Discussion and Analysis
June 30, 2006
(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, 2006. 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. Comparative financial data and statements will reflect prior year information when indicated. The district's financial statements follow this section.

Financial Highlights

- The SPVUSD's assets exceeded liabilities by \$8.3 million.
- Total change in District net assets was decreased by \$52 thousand.
- Total general revenues were \$7.9 million.
- The SPVUSD enrollment decreased by thirty-seven students for a total enrollment of 760 students in October, 2005 compared to 797 students in October, 2004.

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.

1. 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.

2. Fund Financial Statements

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

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

The SPVUSD maintains eleven individual governmental funds. Fund 20, Reserve for Retiree Benefits was recently 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 for Other Than Capital Projects Fund. Data from the other nine 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, 2006. 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 is 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 6/30/2006		
<i>(In Millions of Dollars)</i>		
ASSETS:	2004-05	2005-06
Cash & Current Assets	\$ 2.4	\$ 2.4
Capital Assets	\$ 6.8	\$ 6.6
Total Assets	\$ 9.2	\$ 9.0
LIABILITIES:		
Long-term Debt	\$ 0.4	\$ 0.2
Other Liabilities	\$ 0.5	\$ 0.4
Total Liabilities	\$ 0.9	\$ 0.7
TOTAL NET ASSETS	\$ 8.3	\$ 8.3
DISTRIBUTION OF NET ASSETS		
Invested in Capital Assets	\$ 6.5	\$ 6.3
Restricted for Capital Projects	\$ 0.1	\$ 0.2
Other Restricted	\$ 1.7	\$ 1.8
Non-restricted	\$ -	\$ -
TOTAL NET ASSETS	\$ 8.3	\$ 8.3

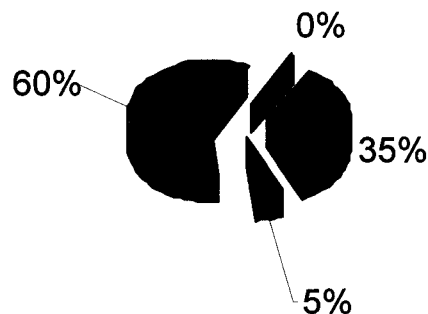
- The largest portion of the SPVUSD'S net assets (76%) reflects its investment in capital assets (e.g., land, equipment, buildings and improvements net of accumulated depreciation), less any related debt (bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those 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 (22%) 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, 2006 are as follows:

REVENUES		2005-2006
Program Revenues	\$	4,232,491
Property taxes	\$	515,384
Miscellaneous Revenue	\$	104,864
Federal & state aid not restricted	\$	7,235,924
Investment & interest earnings	\$	59,897
Total Revenues	\$	12,148,560
EXPENDITURES BY FUNCTION		
Instruction/Instruction related services	\$	7,317,467
Pupil services	\$	1,981,613
General administration	\$	932,738
Plant services	\$	1,658,230
Ancillary services	\$	123,504
Community services	\$	133,702
Interest on long-term debt	\$	10,000
Other-outgo	\$	43,786
Total Expenditures	\$	12,201,040
CHANGE IN NET ASSETS	\$	(52,480)
Net-Assets - Beginning	\$	8,383,325
Net-Assets - Ending	\$	8,280,845

REVENUE BY SOURCE Government-wide Activities



■ Misc. ■ Property Taxes ■ Federal & State ■ Interest

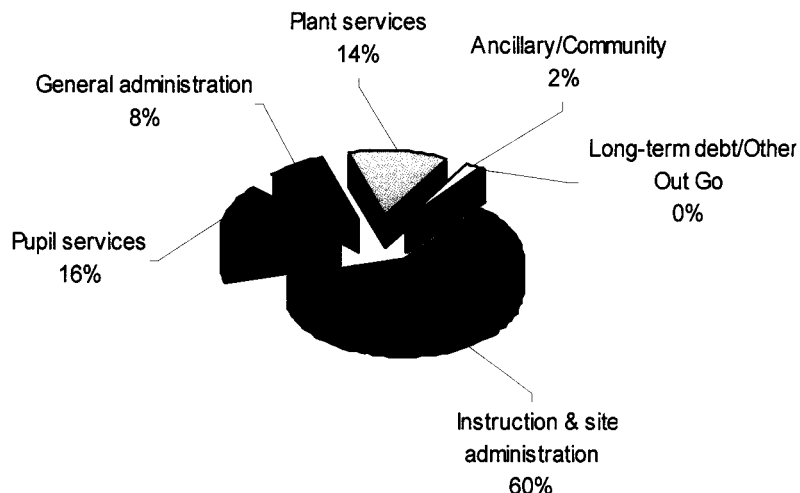
The largest dollar amount in revenue continues to be from federal and state aid as well as property taxes. Federal and state aid is a reflection of funding for specific programs. Revenue Limit apportionment, which is a combination of state aid and property taxes is the largest source of district revenue. 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, 2006 for SPVUSD was \$5,571.55.

BASE REVENUE LIMITS FOR UNIFIED DISTRICTS

	SPVUSD	Statewide Average
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
2005-2006	\$5,572	\$5,195

EXPENDITURES BY FUNCTION

Government-wide Activities



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 net assets have a combined balance of \$8.3 million. This is the third year the district has compiled these reports. This compares with the 2004-05 net asset balance of \$8.3 million. The net change in assets is a negative \$52,480.

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 due to a natural attrition in certificated and classified staff including the associated benefits.
- The district made several budget adjustments during the year to offset the projected revenue and ADA figures.

Capital Asset and Debt Administration

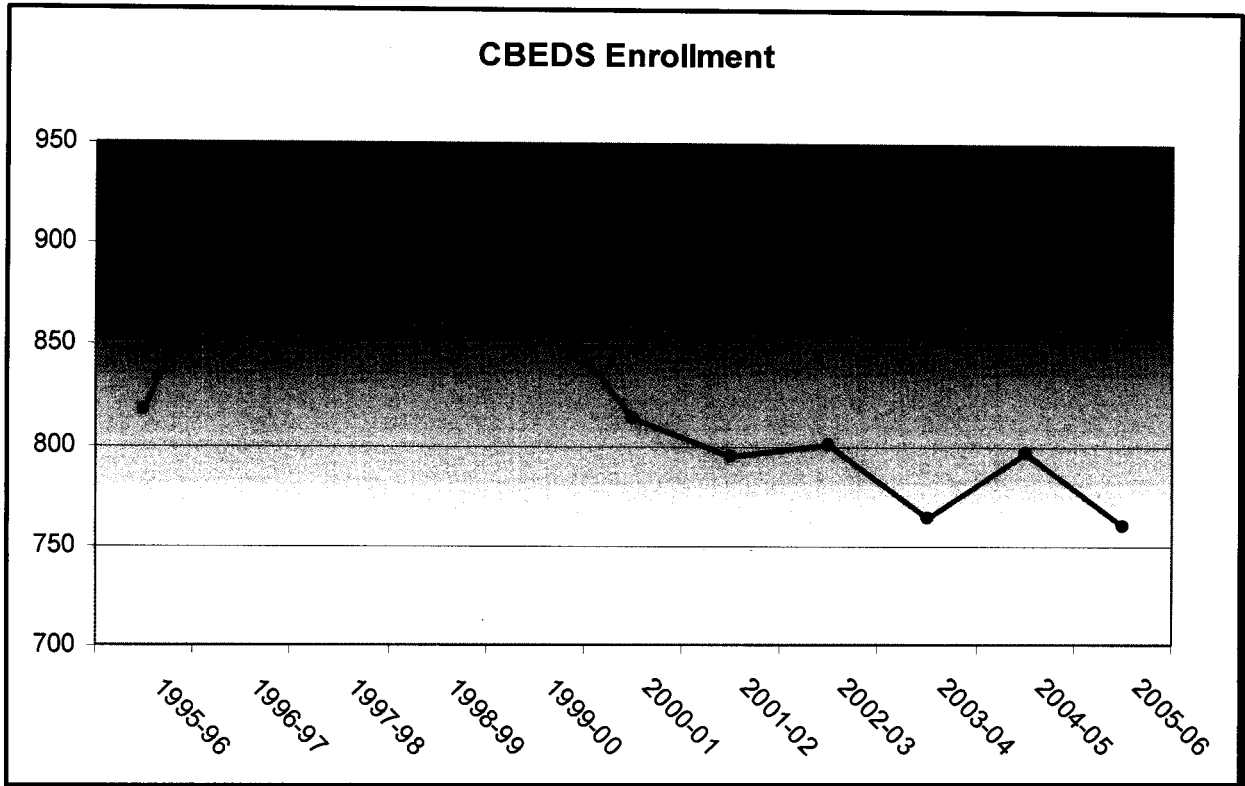
Capital Assets. The Board of Trustees adopted a minimum of \$5,000 as the threshold for recognition of capital assets for GASB34 reporting. The District previously contracted with American Appraisal Services to conduct the District's capital asset inventory and valuation. Those results, net of depreciation are contained in this report, updated as of June 30, 2006.

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

Debt Administration. The District paid principal and interest on the lease purchase debt, which assisted 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 declining enrollment for the past several years, with the exception of the current year. Adjustments in services were made to accommodate the reduced funding due to the reduction in 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, 2006

EXHIBIT A-1

	<u>Governmental Activities</u>
ASSETS:	
<i>Cash in County Treasury</i>	\$ 1,292,665
<i>Cash in Revolving Fund</i>	2,500
<i>Accounts Receivable</i>	1,113,187
<i>Stores Inventories</i>	6,381
<i>Capital Assets:</i>	
<i>Land</i>	66,865
<i>Land Improvements</i>	1,176,349
<i>Buildings</i>	7,111,974
<i>Equipment</i>	2,105,658
<i>Work in Progress</i>	96,056
<i>Less Accumulated Depreciation</i>	(4,010,351)
<i>Total Assets</i>	<u>8,961,284</u>
LIABILITIES:	
<i>Accounts Payable</i>	314,598
<i>Deferred Revenues</i>	118,741
<i>Long-term Liabilities:</i>	
<i>Due within one year</i>	97,100
<i>Due in more than one year</i>	150,000
<i>Total Liabilities</i>	<u>680,439</u>
NET ASSETS:	
<i>Invested in Capital Assets, net of related debt</i>	6,259,279
<i>Restricted for:</i>	
<i>Capital Projects</i>	165,116
<i>Debt Service</i>	157,170
<i>Educational Programs</i>	1,349,280
<i>Other Purposes (nonexpendable)</i>	350,000
<i>Total Net Assets</i>	<u>\$ 8,280,845</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, 2006

EXHIBIT A-2

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>	\$ 5,415,734	\$ 8,186	\$ 1,451,071	\$ (3,956,477)
<i>Instruction-Related Services</i>	1,901,733	-	1,060,539	(841,194)
<i>Pupil Services</i>	1,981,613	9,439	1,297,796	(674,378)
<i>General Administration</i>	932,738	-	185,375	(747,363)
<i>Plant Services</i>	1,658,230	152	79,911	(1,578,167)
<i>Ancillary Services</i>	123,504	-	15,831	(107,673)
<i>Community Services</i>	133,702	-	81,449	(52,253)
<i>Interest on Long-Term Debt</i>	10,000	-	-	(10,000)
<i>Other Outgo</i>	43,786	10,996	31,746	(1,044)
Total Governmental Activities	12,201,040	28,773	4,203,718	(7,968,549)
Total Primary Government	<u>\$ 12,201,040</u>	<u>\$ 28,773</u>	<u>\$ 4,203,718</u>	<u>(7,968,549)</u>
General Revenues:				
<i>Taxes and Subventions</i>				515,384
<i>Federal and State Revenues, not restricted</i>				7,235,924
<i>Interest and Investment Earnings</i>				59,897
<i>Miscellaneous</i>				104,864
Total General Revenues				<u>7,916,069</u>
Change in Net Assets				(52,480)
Net Assets - Beginning				8,333,325
Net Assets - Ending				<u>\$ 8,280,845</u>

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

EXHIBIT A-3

	General Fund	Special Reserve For Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
ASSETS:				
<i>Cash in County Treasury</i>	\$ 21,742	\$ 735,591	\$ 535,332	\$ 1,292,665
<i>Cash in Revolving Fund</i>	2,500	-	-	2,500
<i>Accounts Receivable</i>	1,019,935	5,413	87,838	1,113,186
<i>Due from Other Funds</i>	53,835	48,323	104,476	206,634
<i>Stores Inventories</i>	-	-	6,381	6,381
Total Assets	<u>\$ 1,098,012</u>	<u>\$ 789,327</u>	<u>\$ 734,027</u>	<u>\$ 2,621,366</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
<i>Accounts Payable</i>	\$ 259,468	\$ -	\$ 55,130	\$ 314,598
<i>Due to Other Funds</i>	147,286	-	59,348	206,634
<i>Unearned Revenue</i>	112,904	-	5,837	118,741
Total Liabilities	<u>519,658</u>	<u>-</u>	<u>120,315</u>	<u>639,973</u>
Fund Balance:				
Reserved Fund Balances:				
<i>Reserve for Revolving Cash</i>	2,500	-	-	2,500
<i>Reserve for Stores Inventories</i>	-	-	6,381	6,381
<i>Reserve for Legally Restricted Balance</i>	14,228	-	-	14,228
Designated Fund Balances:				
<i>Designated for Economic Uncertainties</i>	350,000	-	-	350,000
<i>Other Designated</i>	211,626	-	86,619	298,245
Unreserved	-	789,327	-	789,327
Unreserved, reported in nonmajor:				
<i>Special Revenue Funds</i>	-	-	355,597	355,597
<i>Capital Projects Funds</i>	-	-	165,115	165,115
Total Fund Balance	<u>578,354</u>	<u>789,327</u>	<u>613,712</u>	<u>1,981,393</u>
Total Liabilities and Fund Balances	<u>\$ 1,098,012</u>	<u>\$ 789,327</u>	<u>\$ 734,027</u>	<u>\$ 2,621,366</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, 2006

Total fund balances - governmental funds balance sheet	\$ 1,981,393
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.	6,546,552
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>(247,100)</u>
Net assets of governmental activities - statement of net assets	\$ <u><u>8,280,845</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, 2006

EXHIBIT A-5

	General Fund	Special Reserve For Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 3,817,550	\$ -	\$ 91,613	\$ 3,909,163
Local Sources	577,904	-	-	577,904
Federal Revenue	5,081,060	-	241,170	5,322,230
Other State Revenue	1,775,248	-	152,764	1,928,012
Other Local Revenue	329,935	11,677	69,641	411,253
Total Revenues	<u>11,581,697</u>	<u>11,677</u>	<u>555,188</u>	<u>12,148,562</u>
Expenditures:				
Instruction	5,143,947	-	169,235	5,313,182
Instruction - Related Services	1,840,571	-	1,877	1,842,448
Pupil Services	1,419,051	-	460,643	1,879,694
Ancillary Services	123,505	-	-	123,505
Community Services	124,691	-	-	124,691
General Administration	1,005,368	-	-	1,005,368
Plant Services	1,600,702	-	125,207	1,725,909
Other Outgo	43,786	-	-	43,786
Debt Service:				
Principal	-	-	50,000	50,000
Interest	-	-	10,000	10,000
Total Expenditures	<u>11,301,621</u>	<u>-</u>	<u>816,962</u>	<u>12,118,583</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>280,076</u>	<u>11,677</u>	<u>(261,774)</u>	<u>29,979</u>
Other Financing Sources (Uses):				
Transfers In	1,008,148	907,323	481,092	2,396,563
Transfers Out	(1,288,415)	(919,000)	(189,148)	(2,396,563)
Total Other Financing Sources (Uses)	<u>(280,267)</u>	<u>(11,677)</u>	<u>291,944</u>	<u>-</u>
Net Change in Fund Balance	(191)	-	30,170	29,979
Fund Balance, July 1	578,545	789,327	583,542	1,951,414
Fund Balance, June 30	<u>\$ 578,354</u>	<u>\$ 789,327</u>	<u>\$ 613,712</u>	<u>\$ 1,981,393</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, 2006

Net change in fund balances - total governmental funds \$ 29,979

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	101,368	
Depreciation expense	<u>(306,456)</u>	
Net		(205,088)

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

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: 72,629

Change in net assets of governmental activities - statement of activities \$ (52,480)

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, 2006

EXHIBIT A-7

	Agency Fund
	Student Body Fund
ASSETS:	
<i>Cash on Hand and in Banks</i>	\$ 54,481
Total Assets	\$ 54,481
LIABILITIES:	
<i>Due to Student Groups</i>	\$ 54,481
Total Liabilities	54,481
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, 2006

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, 2006

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, 2006

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	25-50
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, 2006

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, 2006

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Excess of Expenditures Over Appropriations

As of June 30, 2006 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Instruction-related services	\$ 11,244
Pupil services	32,139
Community services	4,974
General administration	92,412
Plant services	68,993
Other outgo	43,786

D. 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 (\$1,292,665 as of June 30, 2006). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$1,292,665. 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 (\$54,481 as of June 30, 2006) and in the revolving fund (\$2,500) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

Investment Accounting Policy

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

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

E. Capital Assets

Capital asset activity for the year ended June 30, 2006 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	117,600	42,695	64,239	96,056
Total capital assets not being depreciated	184,465	42,695	64,239	162,921
<i>Capital assets being depreciated:</i>				
Buildings	7,047,735	64,239	-	7,111,974
improvements	1,176,349	-	-	1,176,349
Equipment	2,046,986	58,672	-	2,105,658
Total capital assets being depreciated	10,271,070	122,911	-	10,393,981
Less accumulated depreciation for:				
Buildings	(2,158,678)	(158,133)	-	(2,316,811)
improvements	(189,857)	(55,097)	-	(244,954)
Equipment	(1,355,360)	(93,226)	-	(1,448,586)
Total accumulated depreciation	(3,703,895)	(306,456)	-	(4,010,351)
Total capital assets being depreciated, net	6,567,175	(183,545)	-	6,383,630
Governmental activities capital assets, net	\$ 6,751,640	\$ (140,850)	\$ 64,239	\$ 6,546,551

Depreciation was charged to functions as follows:

Instruction	\$ 136,239
Instruction-Related Services	59,285
Pupil Services	101,920
Community Services	9,012
	<u>\$ 306,456</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2006 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
Special Reserve	General Fund	\$ 48,323
Special Reserve	Deferred Maintenance Fund	5,513
Cafeteria Fund	General Fund	61,639
Deferred Maintenance Fund	General Fund	37,324
General Fund	Deferred Maintenance Fund	1,017
General Fund	Special Reserve Fund	14,372
General Fund	Adult Education Fund	20,329
General Fund	Child Development Fund	18,117
	Total	<u>\$ 206,634</u>

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2006 consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>
Cafeteria Fund	General Fund	\$ 178,639
Cafeteria Fund	Special Reserve Fund	30,000
General Fund	Cafeteria Fund	42,000
General Fund	Adult Education Fund	20,128
Deferred Maintenance Fund	General Fund	75,091
General Fund	Special Reserve Fund	889,000
Special Reserve Fund	General Fund	837,323
Special Reserve Fund	Special Reserve Fund	70,000
Special Reserve Fund	General Fund	53,700
General Fund	Special Reserve Fund	57,020
Special Reserve Fund	General Fund	143,662
	Total	<u>\$ 2,396,563</u>

G. Short-Term Debt Activity

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2006 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital leases	\$ 250,000	\$ -	\$ 50,000	\$ 200,000	\$ 50,000
Compensated absences *	119,729	-	72,629	47,100	47,100
Total governmental activities	<u>\$ 369,729</u>	<u>\$ -</u>	<u>\$ 122,629</u>	<u>\$ 247,100</u>	<u>\$ 97,100</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, 2006 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2007	\$ 97,100	\$ 8,000	\$ 105,100
2008	50,000	6,000	56,000
2009	100,000	4,000	104,000
Totals	<u>\$ 247,100</u>	<u>\$ 18,000</u>	<u>\$ 265,100</u>

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2006 are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 50,000	\$ 8,000	\$ 58,000
2008	50,000	6,000	56,000
2009	100,000	4,000	104,000
Totals	<u>\$ 200,000</u>	<u>\$ 18,000</u>	<u>\$ 218,000</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

I. Joint Ventures (Joint Powers Agreements)

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

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2006 is as follows:

Total Assets	\$	72,629
Total Liabilities	-	
Total Fund Balance		72,629
 Total Cash Receipts	 \$	 309,560
Total Cash Disbursements		335,749
Net Change in Fund Balance		(26,189)

J. Employee Retirement Systems

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

PERS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2005-06 was 9.12% 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, 2006, 2005 and 2004 were \$218,299, \$277,543 and \$233,018, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$0.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

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 2005-06 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, 2006, 2005 and 2004 were \$337,682, \$315,311 and \$326,685, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$184,843.

K. 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 2006, expenditures of \$37,920 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.

L. Alternative Pension Plans

All current employees are eligible to participate in a 403 (b) plan and 457 (b) plan under the County Schools FBC Deferred Compensation Program upon date of hire. Voluntary contributions made by the employee vest immediately. The District does not contribute to these plans and does not match any employee voluntary contributions.

M. 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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 3,578,856	\$ 3,775,685	\$ 3,817,550	\$ 41,865
Local Sources	628,848	593,012	577,904	(15,108)
Federal Revenue	5,205,818	5,162,750	5,081,060	(81,690)
Other State Revenue	1,606,925	1,797,657	1,775,248	(22,409)
Other Local Revenue	400,830	369,524	329,935	(39,589)
Total Revenues	<u>11,421,277</u>	<u>11,698,628</u>	<u>11,581,697</u>	<u>(116,931)</u>
Expenditures:				
Instruction	4,873,518	5,232,802	5,143,947	88,855
Instruction - Related Services	2,103,041	1,829,327	1,840,571	(11,244)
Pupil Services	1,376,194	1,386,912	1,419,051	(32,139)
Ancillary Services	129,315	159,483	123,505	35,978
Community Services	112,000	119,717	124,691	(4,974)
General Administration	922,574	912,956	1,005,368	(92,412)
Plant Services	1,391,577	1,531,709	1,600,702	(68,993)
Other Outgo	-	-	43,786	(43,786)
Total Expenditures	<u>10,908,219</u>	<u>11,172,906</u>	<u>11,301,621</u>	<u>(128,715)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>513,058</u>	<u>525,722</u>	<u>280,076</u>	<u>(245,646)</u>
Other Financing Sources (Uses):				
Transfers In	750,000	873,648	1,008,148	134,500
Transfers Out	(970,700)	(1,141,129)	(1,288,415)	(147,286)
Total Other Financing Sources (Uses)	<u>(220,700)</u>	<u>(267,481)</u>	<u>(280,267)</u>	<u>(12,786)</u>
Net Change in Fund Balance	292,358	258,241	(191)	(258,432)
Fund Balance, July 1	<u>578,545</u>	<u>578,545</u>	<u>578,545</u>	-
Fund Balance, June 30	<u>\$ 870,903</u>	<u>\$ 836,786</u>	<u>\$ 578,354</u>	<u>\$ (258,432)</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, 2006

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Other Local Revenue</i>	\$ 6,000	\$ 6,000	\$ 11,677	\$ 5,677
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>11,677</u>	<u>5,677</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,000</u>	<u>6,000</u>	<u>11,677</u>	<u>5,677</u>
Other Financing Sources (Uses):				
<i>Transfers In</i>	750,000	859,000	907,323	48,323
<i>Transfers Out</i>	(750,000)	(789,000)	(919,000)	(130,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>70,000</u>	<u>(11,677)</u>	<u>(81,677)</u>
Net Change in Fund Balance	6,000	76,000	-	(76,000)
Fund Balance, July 1	789,327	789,327	789,327	-
Fund Balance, June 30	<u>\$ 795,327</u>	<u>\$ 865,327</u>	<u>\$ 789,327</u>	<u>\$ (76,000)</u>

*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, 2006

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
<i>Cash in County Treasury</i>	\$ 377,111	\$ 158,221	\$ 535,332
<i>Accounts Receivable</i>	86,457	1,381	87,838
<i>Due from Other Funds</i>	98,963	5,513	104,476
<i>Stores Inventories</i>	6,381	-	6,381
Total Assets	<u>\$ 568,912</u>	<u>\$ 165,115</u>	<u>\$ 734,027</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
<i>Accounts Payable</i>	\$ 55,130	\$ -	\$ 55,130
<i>Due to Other Funds</i>	59,348	-	59,348
<i>Unearned Revenue</i>	5,837	-	5,837
Total Liabilities	<u>120,315</u>	<u>-</u>	<u>120,315</u>
Fund Balance:			
Reserved Fund Balances:			
<i>Reserve for Stores Inventories</i>	6,381	-	6,381
Designated Fund Balances:			
<i>Other Designated</i>	86,619	-	86,619
Unreserved, reported in nonmajor:			
<i>Special Revenue Funds</i>	355,597	-	355,597
<i>Capital Projects Funds</i>	-	165,115	165,115
Total Fund Balance	<u>448,597</u>	<u>165,115</u>	<u>613,712</u>
Total Liabilities and Fund Balances	<u>\$ 568,912</u>	<u>\$ 165,115</u>	<u>\$ 734,027</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, 2006

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Revenue Limit Sources:			
State Apportionments	\$ 91,613	\$ -	\$ 91,613
Federal Revenue	241,170	-	241,170
Other State Revenue	152,764	-	152,764
Other Local Revenue	65,965	3,676	69,641
Total Revenues	<u>551,512</u>	<u>3,676</u>	<u>555,188</u>
Expenditures:			
Instruction	169,235	-	169,235
Instruction - Related Services	1,877	-	1,877
Pupil Services	460,643	-	460,643
Plant Services	125,207	-	125,207
Debt Service:			
Principal	-	50,000	50,000
Interest	-	10,000	10,000
Total Expenditures	<u>756,962</u>	<u>60,000</u>	<u>816,962</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(205,450)</u>	<u>(56,324)</u>	<u>(261,774)</u>
Other Financing Sources (Uses):			
Transfers In	337,430	143,662	481,092
Transfers Out	(119,148)	(70,000)	(189,148)
Total Other Financing Sources (Uses)	<u>218,282</u>	<u>73,662</u>	<u>291,944</u>
Net Change in Fund Balance	12,832	17,338	30,170
Fund Balance, July 1	435,765	147,777	583,542
Fund Balance, June 30	<u>\$ 448,597</u>	<u>\$ 165,115</u>	<u>\$ 613,712</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****JUNE 30, 2006**

	Adult Education Fund	Child Development Fund
ASSETS:		
<i>Cash in County Treasury</i>	\$ 133,112	\$ 21,106
<i>Accounts Receivable</i>	3,870	8,887
<i>Due from Other Funds</i>	-	-
<i>Stores Inventories</i>	-	-
Total Assets	<u>\$ 136,982</u>	<u>\$ 29,993</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
<i>Accounts Payable</i>	\$ 24,197	\$ 2,807
<i>Due to Other Funds</i>	20,329	18,117
<i>Unearned Revenue</i>	5,837	-
Total Liabilities	<u>50,363</u>	<u>20,924</u>
Fund Balance:		
Reserved Fund Balances:		
<i>Reserve for Stores Inventories</i>	-	-
Designated Fund Balances:		
<i>Other Designated</i>	86,619	-
Unreserved, reported in nonmajor:		
<i>Special Revenue Funds</i>	-	9,069
Total Fund Balance	<u>86,619</u>	<u>9,069</u>
Total Liabilities and Fund Balances	<u>\$ 136,982</u>	<u>\$ 29,993</u>

EXHIBIT C-3

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 14,049	\$ 38,721	\$ 170,123	\$ 377,111
36,500	35,781	1,419	86,457
61,639	37,324	-	98,963
6,381	-	-	6,381
<u>\$ 118,569</u>	<u>\$ 111,826</u>	<u>\$ 171,542</u>	<u>\$ 568,912</u>
\$ 9,711	\$ 18,415	\$ -	\$ 55,130
-	6,530	14,372	59,348
-	-	-	5,837
<u>9,711</u>	<u>24,945</u>	<u>14,372</u>	<u>120,315</u>
6,381	-	-	6,381
-	-	-	86,619
102,477	86,881	157,170	355,597
<u>108,858</u>	<u>86,881</u>	<u>157,170</u>	<u>448,597</u>
<u>\$ 118,569</u>	<u>\$ 111,826</u>	<u>\$ 171,542</u>	<u>\$ 568,912</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Adult Education Fund	Child Development Fund
Revenues:		
Revenue Limit Sources:		
<i>State Apportionments</i>	\$ 91,613	\$ -
<i>Federal Revenue</i>	1,929	-
<i>Other State Revenue</i>	1,979	60,074
<i>Other Local Revenue</i>	3,131	46,986
Total Revenues	<u>98,652</u>	<u>107,060</u>
Expenditures:		
<i>Instruction</i>	71,896	97,339
<i>Instruction - Related Services</i>	-	1,877
<i>Pupil Services</i>	-	-
<i>Plant Services</i>	-	-
Total Expenditures	<u>71,896</u>	<u>99,216</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,756</u>	<u>7,844</u>
Other Financing Sources (Uses):		
<i>Transfers In</i>	-	-
<i>Transfers Out</i>	(20,128)	-
Total Other Financing Sources (Uses)	<u>(20,128)</u>	<u>-</u>
Net Change in Fund Balance	6,628	7,844
Fund Balance, July 1	79,991	1,225
Fund Balance, June 30	<u>\$ 86,619</u>	<u>\$ 9,069</u>

EXHIBIT C-4

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ 91,613
239,241	-	-	241,170
50,042	40,669	-	152,764
11,169	1,359	3,320	65,965
<u>300,452</u>	<u>42,028</u>	<u>3,320</u>	<u>551,512</u>
-	-	-	169,235
-	-	-	1,877
460,643	-	-	460,643
7,416	117,791	-	125,207
<u>468,059</u>	<u>117,791</u>	<u>-</u>	<u>756,962</u>
<u>(167,607)</u>	<u>(75,763)</u>	<u>3,320</u>	<u>(205,450)</u>
208,639	75,091	53,700	337,430
(42,000)	-	(57,020)	(119,148)
<u>166,639</u>	<u>75,091</u>	<u>(3,320)</u>	<u>218,282</u>
(968)	(672)	-	12,832
109,826	87,553	157,170	435,765
<u>\$ 108,858</u>	<u>\$ 86,881</u>	<u>\$ 157,170</u>	<u>\$ 448,597</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR CAPITAL PROJECTS FUNDS****JUNE 30, 2006**

	Building Fund	Capital Facilities Fund
ASSETS:		
<i>Cash in County Treasury</i>	\$ 14	\$ 54,523
<i>Accounts Receivable</i>	-	365
<i>Due from Other Funds</i>	-	-
Total Assets	<u>\$ 14</u>	<u>\$ 54,888</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance:		
Unreserved, reported in nonmajor:		
<i>Capital Projects Funds</i>	\$ 14	\$ 54,888
Total Fund Balance	<u>14</u>	<u>54,888</u>
Total Liabilities and Fund Balances	<u>\$ 14</u>	<u>\$ 54,888</u>

County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 560	\$ 103,124	\$ 158,221
4	1,012	1,381
-	5,513	5,513
<u>\$ 564</u>	<u>\$ 109,649</u>	<u>\$ 165,115</u>
<u>-</u>	<u>-</u>	<u>-</u>
\$ 564	\$ 109,649	\$ 165,115
<u>564</u>	<u>109,649</u>	<u>165,115</u>
<u>\$ 564</u>	<u>\$ 109,649</u>	<u>\$ 165,115</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Building Fund	Capital Facilities Fund
Revenues:		
<i>Other Local Revenue</i>	\$ -	\$ 1,415
Total Revenues	<u>-</u>	<u>1,415</u>
Expenditures:		
Debt Service:		
<i>Principal</i>	-	-
<i>Interest</i>	-	-
Total Expenditures	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>1,415</u>
Other Financing Sources (Uses):		
<i>Transfers In</i>	-	-
<i>Transfers Out</i>	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	1,415
Fund Balance, July 1	14	53,473
Fund Balance, June 30	<u>\$ 14</u>	<u>\$ 54,888</u>

EXHIBIT C-6

County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 14	\$ 2,247	\$ 3,676
14	2,247	3,676
-	50,000	50,000
-	10,000	10,000
-	60,000	60,000
14	(57,753)	(56,324)
-	143,662	143,662
-	(70,000)	(70,000)
-	73,662	73,662
14	15,909	17,338
550	93,740	147,777
\$ 564	\$ 109,649	\$ 165,115

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
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2006

TABLE D-1

	Revised Second Period Report	Revised Annual Report
Elementary:		
Kindergarten	60.06	60.14
Grades 1 through 3	170.00	169.16
Grades 4 through 6	167.67	167.07
Grades 7 and 8	92.58	92.73
Special education	11.53	16.78
Opportunity schools	6.31	6.17
Elementary totals	<u>508.15</u>	<u>512.05</u>
High School:		
Grades 9 through 12, regular classes	157.44	154.77
Special education	9.35	11.35
Continuation education	28.18	26.77
High school totals	<u>194.97</u>	<u>192.89</u>
Regional Occupational Centers	<u>8.49</u>	<u>9.40</u>
Classes for adults:		
State apportioned	2.87	2.53
Independent study	<u>1.00</u>	<u>0.77</u>
ADA totals	<u><u>715.48</u></u>	<u><u>717.64</u></u>
	Hours of Attendance	
Summer School		
Elementary	14,238	
High School	5,517	

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
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2006

TABLE D-2

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2005-06 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	65,550	180	-	Complied
Grades 1 through 2	55,125	50,400	58,020	180	-	Complied
Grade 3	55,125	50,400	60,720	180	-	Complied
Grades 4 through 5	55,125	54,000	60,730	180	-	Complied
Grade 6	55,125	54,000	67,750	180	-	Complied
Grades 7 through 8	66,000	54,000	67,750	180	-	Complied
Grades 9 through 12	66,000	64,800	67,750	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, 2006

TABLE D-3

<u>General Fund</u>	<u>(Budget) 2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues and other financial sources	\$ <u>12,979,072</u>	\$ <u>12,589,843</u>	\$ <u>11,898,280</u>	\$ <u>11,923,596</u>
Expenditures, other uses and transfers out	<u>12,885,252</u>	<u>12,590,034</u>	<u>11,755,187</u>	<u>11,985,619</u>
Change in fund balance (deficit)	<u>93,820</u>	<u>(191)</u>	<u>143,093</u>	<u>(62,023)</u>
Ending fund balance	\$ <u>672,174</u>	\$ <u>578,354</u>	\$ <u>578,545</u>	\$ <u>435,452</u>
Available reserves	\$ <u>669,674</u>	\$ <u>561,626</u>	\$ <u>508,153</u>	\$ <u>427,338</u>
Available reserves as a percentage of total outgo	<u>5.2%</u>	<u>4.5%</u>	<u>4.3%</u>	<u>3.6%</u>
Total long-term debt	\$ <u>150,000</u>	\$ <u>247,100</u>	\$ <u>369,729</u>	\$ <u>141,183</u>
Average daily attendance at P-2	<u>729</u>	<u>715</u>	<u>771</u>	<u>720</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 increased by \$80,879 over the past three years. The fiscal year 2006-07 budget projects an additional increase of \$93,820. 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 \$115,238 over the past three years.

Average Daily Attendance (ADA) has decreased by 52 over the past three years.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET

REPORT WITH AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

TABLE D-4

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, 2006

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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Programs:			
Impact Aid - P.L. 81.874	84.041	-	2,958,487
Indian Education	84.060	-	81,794
School Succss for Indian Children	84.298	-	440,536
Total Direct Programs			<u>3,480,817</u>
Passed Through California Department of Education:			
Adult Education	84.002	03905	1,929
Title I	84.010	03064	597,699
Title I - Migrant Education	84.011	03060	30,287
Special Education *	84.027	03379	162,256
Vocational Education	84.048	03569	12,358
Title IV - Drug Free	84.186	03453	18,098
Title IV - 21st Century	84.287	10009	171,380
Title V - Innovative Strategies	84.298	03037	4,253
Title II - EETT	84.318	03207	14,396
Title I - Reading First	84.357	14797	2,096
Title VI - Rural and Low Income Schools	84.358	03471	24,114
Title III - LEP	84.365	03453	13,816
Mathematics and Science Partnerships	84.366	03596	422,084
Title II - Teacher Quality	84.367	03207	95,715
Title VI - English Language Development Test	84.369	03817	25
Total Passed Through California Department of Education			<u>1,570,506</u>
Total U. S. Department of Education			<u>5,051,323</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through California Department of Education:			
National School Lunch Program *	10.555	03396	270,907
Total U. S. Department of Agriculture			<u>270,907</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,322,230</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, 2006

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
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, 2006, which collectively comprise the San Pasqual Valley Unified School District's basic financial statements and have issued our report thereon dated January 11, 2007. 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 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 or other matters 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
January 11, 2007

WILKINSON HADLEY & CO. LLP
CPA's and Advisors
250 E. Douglas Ave
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, 2006. 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, 2006.

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
January 11, 2007

School Construction Funds:		
School District Bonds	3	Not Applicable
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	Yes
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	No
School Accountability Report Card	3	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Only One School Serving Grades K-3	4	Yes
Contemporaneous Records of Attendance, For Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	Not Applicable
Additional Nonclassroom-Based Instruction, For Charter Schools	1	Not Applicable
Determination of Funding for Nonclassroom-Based		
Instruction, For Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	Not Applicable

We did not apply the audit procedures for the California School Age Families Education program because the District did not offer the program during the current fiscal year.

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

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

Wilkinson Hadley & Co., LLP

Wilkinson Hadley & Co. LLP
January 11, 2007

Findings and Recommendations Section

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

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

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, 2006

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

Finding 2006-1 (30000)
Vacation Carryover

Criteria or Specific Requirement

Determine the amount established as compensated absences is materially correct and all employees are within the district's policy for vacation carryover.

Condition

In our review of compensated absences, we noted a total of seven employees that exceeded the vacation carryover maximum amount as allowed by board policy. The District is not utilizing an appropriate request form to carry over the excess amount over board policy as approved by their immediate supervisor or district administrator.

Questioned Costs

None

Recommendation

We recommend that procedures be implemented that will reduce the amount of vacation carryover for the employees that have exceeded the maximum amount allowed. Utilize an appropriate request form for all employees carrying over any excess time that is approved by an immediate supervisor or district administrator.

LEA's Response

Vacation carry-over request form has been created and will be distributed to personnel with excessive accrued vacation time. This form includes a section for the employee to describe a plan to remedy. Form will be signed by Superintendent or designee.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Finding 2006-2 (30000)
High School Student Body Funds

Criteria or Specific Requirement

Determine that internal controls are in place to properly account for all transactions of the student body funds.

Condition

In our review of football gate receipts at the high school, we noted that proper, signed ticket reconciliation forms are not being used.

Questioned Costs

None

Recommendation

We recommend that a proper standard ticket reconciliation form be utilized for all football gate receipts and other pertinent events that properly reconciles revenues collected to tickets sold and discloses over and short amounts accordingly. Implement procedures to ensure all ticket reconciliations are signed by the ticket seller and verified by the student body clerk.

LEA's Response

An improved reconciliation form will be created to better describe over/shorts. Forms will have the appropriate signature lines as stated in the finding. High School ASB clerk has just returned from a training seminar.

Finding 2006-3 (30000)
Elementary School Student Body Funds

Criteria or Specific Requirement

Determine that internal controls are in place to properly account for all transactions of the student body funds.

Condition

In our review of student body receipts and disbursements at the elementary school, we noted that proper cash transmittal forms are not being completed for revenue collections and two checks were made payable to cash.

Questioned Costs

None

Recommendation

We recommend that a proper standard cash transmittal form be utilized for all revenue collections that reflects a preparer and a verification signature. Implement procedures to ensure that no checks are made payable to cash and that a custodian is assigned as the payee for any check that needs to be cashed for change to fill the cash boxes.

LEA's Response

An improved cash transmittal form will be created with signature lines for the preparer and verifier. A custodian will be assigned to properly fill cash change boxes to avoid checks being made to cash.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2006-4 (10000)
Kindergarten Continuance

Criteria or Specific Requirement

Determine that all students who are continued in kindergarten for a second year have on file the proper signed parental agreement-to-continue form.

Condition

In our review of kindergarten students enrolled for the 2005-06 year, we noted one student who was also enrolled in kindergarten for the 2004-05 year. Upon review, we noted the district did not have on file the proper signed parental agreement-to-continue form that has been approved by the California Department of Education.

Questioned Costs

Overstatement of .97 ADA at P2 and an overstatement of .97 ADA at Annual.

Recommendation

We recommend the P2 and Annual attendance reports be amended and the reported kindergarten average daily attendance (ADA) be reduced by .97 for both periods. In addition, we recommend the district begin using the correct kindergarten continuance form for all students who are continued in kindergarten for a second year.

LEA's Response

The P2 and Annual reports have been amended as recommended. The correct kindergarten continuance form has been issued to the site and will be used in future continuances.

Finding 2006-5 (40000)
Independent Study

Criteria or Specific Requirement

Determine that the average daily attendance reported for independent study reconciles to the documentation maintained by the district and that the amounts reported are materially correct.

Condition

In our review of full time independent study, we noted that an incorrect divisor was used to calculate apportionment attendance for the P2 reporting period. In addition, attendance apportionment was granted for students with incomplete work as the District counted days of enrollment instead of actual attendance apportionment earned based upon completion of assignments. Upon further review, all master agreements beginning and ending dates tested were longer than one semester and many agreements did not have the required certificated employee signature affixed to the contract.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Questioned Costs

Overstatement of 24.43 ADA at P2 and an overstatement of 23.40 ADA at Annual.

Recommendation

We recommend the P2 and Annual attendance reports be amended and the average daily attendance for independent study be reduced by 24.43 at P2 and reduced by 23.40 at Annual. In addition, we recommend that procedures be implemented which will ensure all master agreements are signed by a certificated employee and the beginning and ending dates are not longer than one half-year. Also, do not count attendance apportionment for incomplete work and utilize the correct divisor for calculation of attendance.

LEA's Response

The P2 and Annual reports have been amended as suggested. Management and staff have been instructed that all master agreements will be signed by a certificated employee with beginning and ending dates no longer than one-half year. The attendance apportionment for incomplete work will not be counted as suggested. The correct divisor will be utilized as suggested.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2005-1 ASB Cash</p> <p>Two elementary student body accounts were closed without board approval and the remaining account did not have bank statements or reconciliations retained for audit. In addition, access to the account on line was attached to an individual's personal account.</p> <p>Implement procedures which requires board approval for all closed cash accounts and require all bank statements and reconciliation sheets to be retained for audit purposes. In addition, do not allow district accounts to be attached to individual personal bank data.</p>	Implemented	
<p>Finding 2005-2 Attendance Reporting</p> <p>Absences posted in the system had not been recorded in the tabulation of daily attendance due to an error in calculation and some absences listed on the notes and phone logs had not been properly recorded, which resulted in the attendance being overstated on the P2 and Annual attendance reports.</p> <p>Amend the P2 and Annual attendance reports to reflect the proper attendance and review all subsequent notes, phone logs, and attendance data to ensure all absences are triggered and reflected in the calculation of attendance for future periods.</p>	Implemented	
<p>Finding 2005-3 Continuation Education</p> <p>In review of continuation education attendance, hand written calculations were utilized to record attendance; however, additional excess hours and backfill data was not utilized which resulted in understated attendance on the P2 and Annual attendance reports.</p> <p>Amend the P2 and Annual attendance reports to reflect the proper attendance.</p>	Implemented	

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2005-4 Staff Development Days</p> <p>In review of the tabulation for reimbursement of staff development days, a clerical error caused the number of days submitted for funding to be overstated.</p> <p>Amend the application for funding to report the proper number of days claimed for reimbursement.</p>	<p>Implemented</p>	