

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

**AUDIT REPORT**

**JUNE 30, 2007**

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

San Pasqual Valley Unified School District  
 Audit Report  
 For The Year Ended June 30, 2007

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## Financial Section

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**Independent Auditor's Report on Financial Statements**

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Pasqual Valley Unified School District as of and for the year ended June 30, 2007, 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, 2007, 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 December 14, 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison 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*

El Cajon, California  
December 14, 2007

**San Pasqual Valley Unified School District  
Management's Discussion and Analysis  
June 30, 2007  
(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, 2007. 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 \$9.4 million.
- Total change in District net assets was an increase of \$1,191,378.
- Total general revenues were \$8.6 million.
- The SPVUSD enrollment increased by four students for a total enrollment of 764 students in October, 2006 compared to 760 students in October, 2005.

**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. 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, 2007. The basic governmental fund financial statements can be found later in this report.

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

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

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the SPVUSD, assets exceeded liabilities by \$9.4 million at the close of the most recent fiscal year.

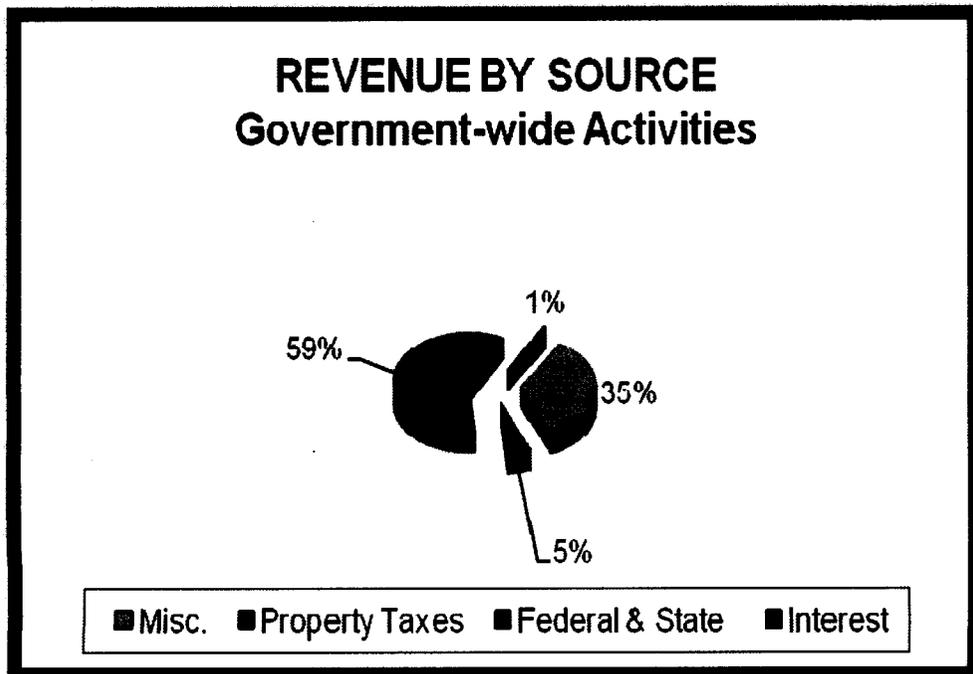
<b>STATEMENT OF NET ASSETS 6/30/2007</b>			
<i>(In Millions of Dollars)</i>			
<b>ASSETS:</b>		<b>2005-06</b>	<b>2006-07</b>
Cash & Current Assets	\$	2.4	\$ 4.6
Capital Assets	\$	6.5	\$ 6.5
Total Assets	\$	9.0	\$ 11.1
<b>LIABILITIES:</b>			
Long-term Debt	\$	0.2	\$ 0.2
Other Liabilities	\$	0.4	\$ 1.5
Total Liabilities	\$	0.7	\$ 1.7
<b>TOTAL NET ASSETS</b>	<b>\$</b>	<b>8.3</b>	<b>\$ 9.4</b>
<b>DISTRIBUTION OF NET ASSETS</b>			
Invested in Capital Assets	\$	6.3	\$ 6.1
Restricted for Capital Projects	\$	0.2	\$ 0.1
Other Restricted	\$	1.9	\$ 3.1
Non-restricted	\$	-	\$ -
<b>TOTAL NET ASSETS</b>	<b>\$</b>	<b>8.3</b>	<b>\$ 9.4</b>

- The largest portion of the SPVUSD'S net assets (65%) 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 (33%) 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, 2007 are as follows:

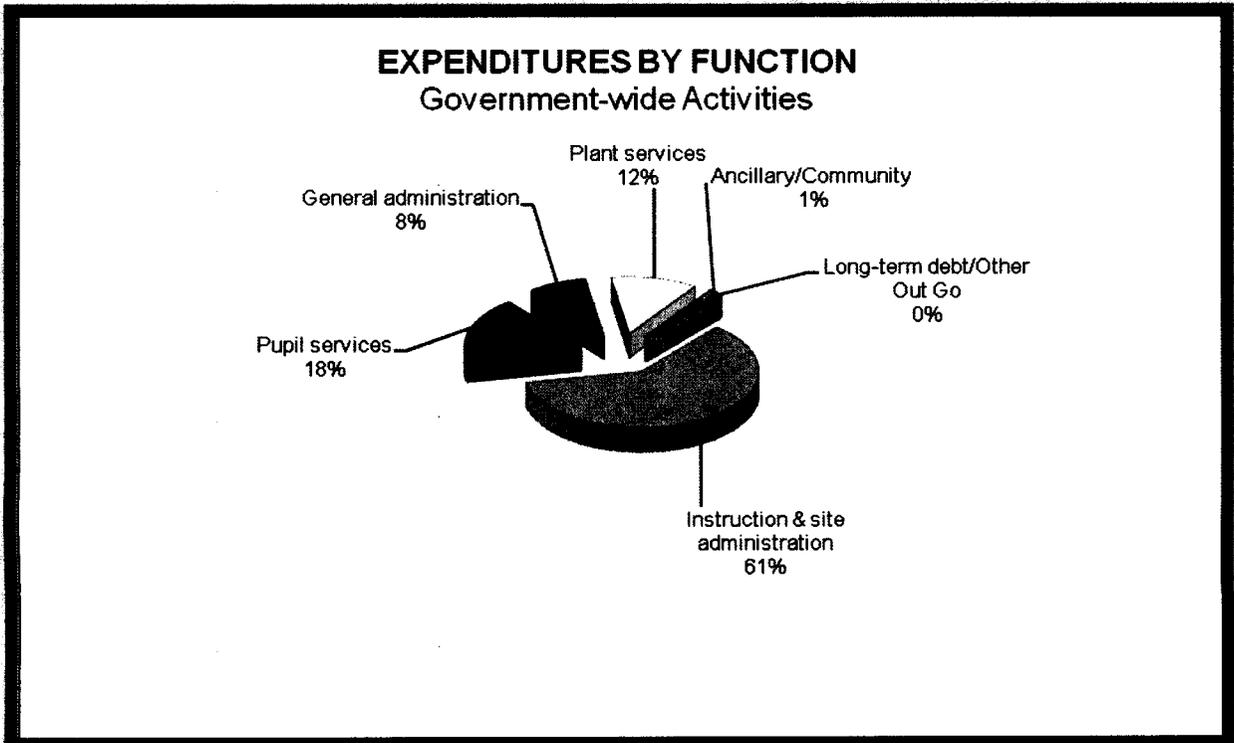
	<u>2006-07</u>	<u>2005-06</u>
<b>REVENUES</b>		
Program Revenues	\$ 4,437,799	\$ 4,232,491
Property Taxes	636,882	515,384
Miscellaneous Revenue	216,810	104,864
Federal & State Aid, not restricted	7,699,146	7,235,924
Investment & Interest Earnings	125,748	59,897
<b>Total Revenues</b>	<u>13,116,385</u>	<u>12,148,560</u>
<b>EXPENDITURES BY FUNCTION</b>		
Instruction/Instruction Related	7,225,867	7,317,467
Pupil Services	2,083,306	1,981,613
General Administration	962,890	932,738
Plant Services	1,422,579	1,658,230
Ancillary Services	130,161	123,504
Community Services	21,759	133,702
Interest on Long-Term Debt	39,418	10,000
Other Outgo	39,027	43,786
<b>Total Expenditures</b>	<u>11,925,007</u>	<u>12,201,040</u>
<b>CHANGE IN NET ASSETS</b>	1,191,378	(52,480)
<b>NET ASSETS – BEGINNING</b>	<u>8,218,684</u>	<u>8,321,164</u>
<b>NET ASSETS – ENDING</b>	<u>\$ 9,410,062</u>	<u>\$ 8,218,684</u>



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, 2007 for SPVUSD was \$5,946.79.

**BASE REVENUE LIMIT  
FOR UNIFIED DISTRICTS**

	<b>SPVUSD</b>	<b>Statewide Average</b>
2000-2001	\$ 4,851	\$ 4,486
2001-2002	\$ 5,033	\$ 4,660
2002-2003	\$ 5,118	\$ 4,753
2003-2004	\$ 5,206	\$ 4,753
2004-2005	\$ 5,360	\$ 4,983
2005-2006	\$ 5,572	\$ 5,194
2006-2007	\$ 5,947	\$ 5,568



## **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 \$9.4 million. This is the fourth year the district has compiled these reports. This compares with the 2005-06 net asset balance of \$8.2 million. The net change in assets is a positive \$1,191,378.

### **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**

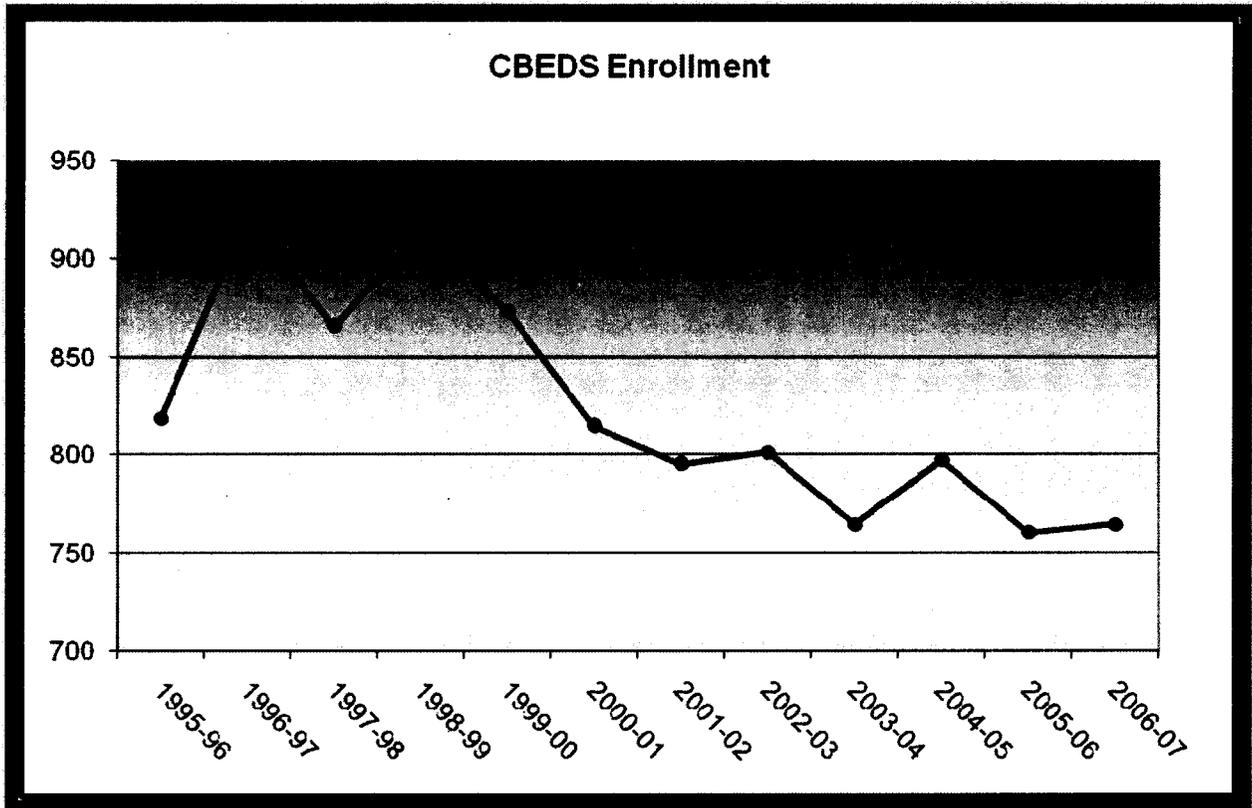
**Capital Assets.** The Board of Trustees adopted a minimum of \$5,000 as the threshold for recognition of capital assets for GASB34 reporting. The District previously contracted with American Appraisal Services to conduct the District's capital asset inventory and valuation. Those results, net of depreciation are contained in this report, updated as of June 30, 2007.

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 decreased enrollment for the past several years. Past adjustments in services were made to accommodate the reduced funding due to the reduction in enrollment. Current enrollment has leveled for the foreseeable future.



### 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, 2007

	Governmental Activities
<b>ASSETS:</b>	
Cash in County Treasury	\$ 2,584,777
Cash in Revolving Fund	2,500
Cash with Fiscal Agent	750,645
Accounts Receivable	1,213,587
Stores Inventories	8,194
Capital Assets:	
Land	66,865
Land Improvements	1,176,349
Buildings	7,135,974
Equipment	2,394,398
Work in Progress	96,056
Less Accumulated Depreciation	(4,320,149)
Total Assets	<u>11,109,196</u>
<b>LIABILITIES:</b>	
Accounts Payable	682,773
Current Loans Payable	710,000
Deferred Revenues	120,993
Long-term Liabilities:	
Due within one year	85,368
Due in more than one year	100,000
Total Liabilities	<u>1,699,134</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	6,399,493
Restricted for:	
Capital Projects	140,691
Debt Service	220,967
Educational Programs	2,298,911
Other Purposes (nonexpendable)	350,000
Total Net Assets	<u>\$ 9,410,062</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, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>PRIMARY GOVERNMENT:</b>				
Government Activities:				
Instruction	\$ 5,581,519	\$ 13,085	1,729,192	\$ (3,839,242)
Instruction-Related Services	1,644,348	-	763,057	(881,291)
Pupil Services	2,083,306	8,431	1,618,412	(456,463)
General Administration	962,890	-	189,937	(772,953)
Plant Services	1,422,579	127	64,901	(1,357,551)
Ancillary Services	130,161	-	18,417	(111,744)
Community Services	21,759	-	-	(21,759)
Interest on Long-Term Debt	39,418	-	-	(39,418)
Other Outgo	39,027	13,818	18,422	(6,787)
Total Governmental Activities	<u>11,925,007</u>	<u>35,461</u>	<u>4,402,338</u>	<u>7,487,208</u>
Total Primary Government	<u>\$ 11,925,007</u>	<u>\$ 35,461</u>	<u>\$ 4,402,338</u>	<u>7,487,208</u>
General Revenues:				
				636,882
Taxes and Subventions				7,699,146
Federal and State Revenues, not restricted				125,748
Interest and Investment Earnings				216,810
Miscellaneous				<u>8,678,586</u>
Total General Revenues				<u>1,191,378</u>
Change in Net Assets				<u>8,218,684</u>
Net Assets - Beginning				<u>\$ 9,410,062</u>
Net Assets - Ending				

The accompanying notes are an integral part of this statement.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

	General Fund	Special Reserve Fund for Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash in County Treasury	\$ 1,138,917	\$ 973,846	\$ 472,014	\$ 2,584,777
Cash in Revolving Fund	2,500	-	-	2,500
Cash with a Fiscal Agent/Trustee	750,645	-	-	750,645
Accounts Receivable	1,053,277	5,849	154,461	1,213,587
Due from Other Funds	4,478	-	77,142	81,620
Stores Inventories	-	-	8,194	8,194
<b>Total Assets</b>	<b>\$ 2,949,817</b>	<b>\$ 979,695</b>	<b>\$ 711,811</b>	<b>\$ 4,641,323</b>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 668,563	\$ -	\$ 14,210	\$ 682,773
Due to Other Funds	77,142	-	4,478	81,620
Current Loans	710,000	-	-	710,000
Deferred Revenue	102,692	-	18,301	120,993
<b>Total Liabilities</b>	<b>1,558,397</b>	<b>-</b>	<b>36,989</b>	<b>1,595,386</b>
Fund Balance:				
Reserved Fund Balances:				
Reserve for Revolving Cash	2,500	-	-	2,500
Reserve for Stores Inventories	-	-	8,194	8,194
Reserve for Legally Restricted Balance	99,451	-	-	99,451
Designated Fund Balances:				
Designated for Economic Uncertainties	350,000	-	-	350,000
Other Designated	691,793	-	-	691,793
Unreserved	247,676	979,695	-	1,227,371
Unreserved, reported in nonmajor:				
Special Revenue Funds	-	-	525,937	525,937
Capital Projects Funds	-	-	140,691	140,691
<b>Total Fund Balance</b>	<b>1,391,420</b>	<b>979,695</b>	<b>674,822</b>	<b>3,045,937</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,949,817</b>	<b>\$ 979,695</b>	<b>\$ 711,812</b>	<b>\$ 4,641,324</b>

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, 2007

Total fund balances - governmental funds balance sheet \$ 3,045,937

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost:	10,869,642	
Accumulated depreciation:	(4,320,149)	
	Net	6,549,493

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:

Capital leases payable	150,000	
Compensated absences payable	35,368	
	Total	(185,368)

Net assets of governmental activities - statement of net assets \$ 9,410,062

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, 2007**

	General Fund	Special Reserve Fu for Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Revenue Limit Sources:				
State Apportionments	\$ 4,010,506	\$ -	\$ (26,544)	\$ 3,983,962
Local Sources	703,974	-	-	703,974
Federal Revenue	4,875,104	-	452,308	5,327,412
Other State Revenue	2,361,125	-	189,843	2,550,968
Other Local Revenue	401,062	17,286	125,574	543,922
<b>Total Revenues</b>	<u>12,351,771</u>	<u>17,286</u>	<u>741,181</u>	<u>13,110,238</u>
<b>Expenditures:</b>				
Instruction	5,283,392	-	162,897	5,446,289
Instruction - Related Services	1,601,290	-	16,026	1,617,316
Pupil Services	1,727,253	-	494,790	2,222,043
Ancillary Services	130,161	-	-	130,161
Community Services	12,747	-	-	12,747
General Administration	986,104	-	-	986,104
Plant Services	1,386,919	-	59,659	1,446,578
Other Outgo	35,513	-	-	35,513
Debt Service:				
Principal	-	-	50,000	50,000
Interest	31,418	-	8,000	39,418
<b>Total Expenditures</b>	<u>11,194,797</u>	<u>-</u>	<u>791,372</u>	<u>11,986,169</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,156,974</u>	<u>17,286</u>	<u>(50,191)</u>	<u>1,124,069</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	772,601	795,683	373,510	1,941,794
Transfers Out	(1,056,986)	(622,601)	(262,207)	(1,941,794)
Other Sources	6,149	-	-	6,149
Other Uses	(3,515)	-	-	(3,515)
<b>Total Other Financing Sources (Uses)</b>	<u>(281,751)</u>	<u>173,082</u>	<u>111,303</u>	<u>2,634</u>
<b>Net Change in Fund Balance</b>	<u>875,223</u>	<u>190,368</u>	<u>61,112</u>	<u>1,126,703</u>
Fund Balance, July 1	516,197	789,327	613,710	1,919,234
Fund Balance, June 30	<u>\$ 1,391,420</u>	<u>\$ 979,695</u>	<u>\$ 674,822</u>	<u>\$ 3,045,937</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, 2007**

Net change in fund balances - total governmental funds \$ 1,126,703

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds 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	312,740	
Depreciation expense	<u>(309,798)</u>	
Net		2,942

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:

11,733

Change in net assets of governmental activities - statement of activities \$ 1,191,378

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, 2007**

	Agency Fund
	Student Body Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 57,260
Total Assets	<u>\$ 57,260</u>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 57,260
Total Liabilities	<u>57,260</u>
<b>NET ASSETS:</b>	
Total Net Assets	<u><u>\$ -</u></u>

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, 2007**

**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, 2007**

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, 2007**

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.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**

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

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.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**

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.

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, 2007 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Other outgo	\$ 374
Debt service-interest	31,418

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 (\$2,584,777 as of June 30, 2007). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$2,584,777. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**

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

Cash balances on hand and in banks (\$57,260 as of June 30, 2007) 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.

3. Investments:

The District's investments at June 30, 2007 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Guaranteed investment contract	\$ 750,645
Total Investments	<u>\$ 750,645</u>

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**

5. 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, 2007 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 66,865	\$ -	\$ -	\$ 66,865
Work in progress	96,056	-	-	96,056
<b>Total capital assets not being depreciated</b>	<b>162,921</b>	<b>-</b>	<b>-</b>	<b>162,921</b>
<b>Capital assets being depreciated:</b>				
Buildings	7,111,974	24,000	-	7,135,974
Improvements	1,176,349	-	-	1,176,349
Equipment	2,105,658	288,740	-	2,394,398
<b>Total capital assets being depreciated</b>	<b>10,393,981</b>	<b>312,740</b>	<b>-</b>	<b>10,706,721</b>
<b>Less accumulated depreciation for:</b>				
Buildings	(2,316,811)	(158,773)	-	(2,475,584)
Improvements	(244,954)	(55,097)	-	(300,051)
Equipment	(1,448,586)	(95,928)	-	(1,544,514)
<b>Total accumulated depreciation</b>	<b>(4,010,351)</b>	<b>(309,798)</b>	<b>-</b>	<b>(4,320,149)</b>
<b>Total capital assets being depreciated, net</b>	<b>6,383,630</b>	<b>2,942</b>	<b>-</b>	<b>6,386,572</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 6,546,551</b>	<b>\$ 2,942</b>	<b>\$ -</b>	<b>\$ 6,549,493</b>

Depreciation was charged to functions as follows:

Instruction	\$ 144,251
Instruction-Related Services	33,860
Pupil Services	122,675
Community Services	9,012
	<b>\$ 309,798</b>

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**

**F. Interfund Balances and Activities**

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

Balances due to and due from other funds at June 30, 2007 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	Adult Education Fund	\$ 74
General Fund	Child Development Fund	2,986
General Fund	Deferred Maintenance Fund	1,418
Adult Education Fund	General Fund	5,839
Deferred Maintenance Fund	General Fund	12,303
Special Reserve Fund	General Fund	59,000
	Total	<u>\$ 81,620</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, 2007 consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>
General Fund	Child Development Fund	\$ 10,000
General Fund	Deferred Maintenance Fund	52,303
General Fund	Special Reserve Fund	622,601
Special Reserve Fund	General Fund	795,683
General Fund	Cafeteria Fund	140,000
Child Development Fund	General Fund	10,000
Cafeteria Fund	General Fund	140,000
General Fund	Special Reserve Fund	59,000
Capital Facilities Fund	County School Facilities Fund	60,558
Special Reserve Fund	County School Facilities Fund	51,649
	Total	<u>\$ 1,941,794</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, 2007**

**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, 2007 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Capital leases	\$ 200,000	\$ -	\$ 50,000	\$ 150,000	\$ 50,000
Compensated absences *	47,100	-	11,732	35,368	35,368
<b>Total governmental activities</b>	<b>\$ 247,100</b>	<b>\$ -</b>	<b>\$ 61,732</b>	<b>\$ 185,368</b>	<b>\$ 85,368</b>

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, 2007 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2008	\$ 85,368	\$ 6,000	\$ 91,368
2009	100,000	4,000	104,000
<b>Totals</b>	<b>\$ 185,368</b>	<b>\$ 10,000</b>	<b>\$ 195,368</b>

**3. Capital Leases**

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2007 as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 50,000	\$ 6,000	\$ 56,000
2009	100,000	4,000	104,000
<b>Totals</b>	<b>\$ 150,000</b>	<b>\$ 10,000</b>	<b>\$ 160,000</b>

**I. Joint Ventures (Joint Powers Agreements)**

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

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**

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, 2007 is as follows:

Total Assets	\$	6,409
Total Liabilities	-	
Total Fund Balance		6,409
Total Cash Receipts	\$	307,471
Total Cash Disbursements		307,228
Net Change in Fund Balance		243

**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 2006-07 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, 2007, 2006 and 2005 were \$229,950, \$218,299 and \$277,543, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$0.

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.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**

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 2006-07 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, 2007, 2006 and 2005 were \$316,603, \$337,682 and \$315,311, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$180,682.

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 2007, expenditures of \$56,825 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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue Limit Sources:				
State Apportionments	\$ 3,950,713	\$ 4,018,843	\$ 4,010,506	\$ (8,337)
Local Sources	595,121	645,024	703,974	58,950
Federal Revenue	4,734,586	4,995,069	4,875,104	(119,965)
Other State Revenue	1,677,277	2,200,252	2,361,125	160,873
Other Local Revenue	265,675	433,337	401,062	(32,275)
Total Revenues	<u>11,223,372</u>	<u>12,292,525</u>	<u>12,351,771</u>	<u>59,246</u>
<b>Expenditures:</b>				
Instruction	5,234,784	5,568,376	5,283,392	284,984
Instruction - Related Services	1,780,161	1,745,710	1,601,290	144,420
Pupil Services	1,566,027	1,760,836	1,727,253	33,583
Ancillary Services	124,175	175,884	130,161	45,723
Community Services	98,415	89,679	12,747	76,932
General Administration	890,837	1,004,948	986,104	18,844
Plant Services	1,374,034	1,445,266	1,386,919	58,347
Other Outgo	-	35,139	35,513	(374)
Debt Service:				
Interest	-	-	31,418	(31,418)
Total Expenditures	<u>11,068,433</u>	<u>11,825,838</u>	<u>11,194,797</u>	<u>631,041</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>154,939</u>	<u>466,687</u>	<u>1,156,974</u>	<u>690,287</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	789,000	600,000	772,601	172,601
Transfers Out	(977,767)	(993,566)	(1,056,986)	(63,420)
Other Sources	-	-	6,149	6,149
Other Uses	-	-	(3,515)	(3,515)
Total Other Financing Sources (Uses)	<u>(188,767)</u>	<u>(393,566)</u>	<u>(281,751)</u>	<u>111,815</u>
<b>Net Change in Fund Balance</b>	<u>(33,828)</u>	<u>73,121</u>	<u>875,223</u>	<u>802,102</u>
<b>Fund Balance, July 1</b>	<u>516,197</u>	<u>516,197</u>	<u>516,197</u>	<u>-</u>
<b>Fund Balance, June 30</b>	<u>\$ 482,369</u>	<u>\$ 589,318</u>	<u>\$ 1,391,420</u>	<u>\$ 802,102</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, 2007**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Local Revenue	\$ 6,000	\$ 6,000	\$ 17,286	\$ 11,286
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>17,286</u>	<u>11,286</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>17,286</u>	<u>11,286</u>
Other Financing Sources (Uses):				
Transfers In	789,000	750,000	795,683	45,683
Transfers Out	(789,000)	(600,000)	(622,601)	(22,601)
Total Other Financing Sources (Uses)	<u>-</u>	<u>150,000</u>	<u>173,082</u>	<u>23,082</u>
Net Change in Fund Balance	6,000	156,000	190,368	34,368
Fund Balance, July 1	789,327	789,327	789,327	-
Fund Balance, June 30	<u>\$ 795,327</u>	<u>\$ 945,327</u>	<u>\$ 979,695</u>	<u>\$ 34,368</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, 2007**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 332,349	\$ 139,665	\$ 472,014
Accounts Receivable	153,435	1,026	154,461
Due from Other Funds	77,142	-	77,142
Stores Inventories	8,194	-	8,194
<b>Total Assets</b>	<b><u>\$ 571,120</u></b>	<b><u>\$ 140,691</u></b>	<b><u>\$ 711,811</u></b>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 14,210	\$ -	\$ 14,210
Due to Other Funds	4,478	-	4,478
Deferred Revenue	18,301	-	18,301
<b>Total Liabilities</b>	<b><u>36,989</u></b>	<b><u>-</u></b>	<b><u>36,989</u></b>
Fund Balance:			
Reserved Fund Balances:			
Reserve for Stores Inventories	8,194	-	8,194
Unreserved, reported in nonmajor:			
Special Revenue Funds	525,937	-	525,937
Capital Projects Funds	-	140,691	140,691
<b>Total Fund Balance</b>	<b><u>534,131</u></b>	<b><u>140,691</u></b>	<b><u>674,822</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 571,121</u></b>	<b><u>\$ 140,691</u></b>	<b><u>\$ 711,812</u></b>

**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, 2007**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>			
Revenue Limit Sources:			
State Apportionments	\$ (26,544)	\$ -	\$ (26,544)
Federal Revenue	452,308	-	452,308
Other State Revenue	189,843	-	189,843
Other Local Revenue	91,998	33,576	125,574
Total Revenues	<u>707,605</u>	<u>33,576</u>	<u>741,181</u>
<b>Expenditures:</b>			
Instruction	162,897	-	162,897
Instruction - Related Services	16,026	-	16,026
Pupil Services	494,790	-	494,790
Plant Services	59,659	-	59,659
Debt Service:			
Principal	-	50,000	50,000
Interest	-	8,000	8,000
Total Expenditures	<u>733,372</u>	<u>58,000</u>	<u>791,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,767)</u>	<u>(24,424)</u>	<u>(50,191)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	261,303	112,207	373,510
Transfers Out	(150,000)	(112,207)	(262,207)
Total Other Financing Sources (Uses)	<u>111,303</u>	<u>-</u>	<u>111,303</u>
Net Change in Fund Balance	85,536	(24,424)	61,112
Fund Balance, July 1	448,595	165,115	613,710
Fund Balance, June 30	<u>\$ 534,131</u>	<u>\$ 140,691</u>	<u>\$ 674,822</u>

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2007

	Adult Education Fund	Child Development Fund
<b>ASSETS:</b>		
Cash in County Treasury	\$ 23,050	\$ 12,138
Accounts Receivable	15,409	13,644
Due from Other Funds	5,839	-
Stores Inventories	-	-
<b>Total Assets</b>	<b><u>\$ 44,298</u></b>	<b><u>\$ 25,782</u></b>
 <b>LIABILITIES AND FUND BALANCE:</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 6,625	\$ 1,598
Due to Other Funds	74	2,986
Deferred Revenue	18,301	-
<b>Total Liabilities</b>	<b><u>25,000</u></b>	<b><u>4,584</u></b>
 <b>Fund Balance:</b>		
<b>Reserved Fund Balances:</b>		
Reserve for Stores Inventories	-	-
<b>Unreserved, reported in nonmajor:</b>		
Special Revenue Funds	19,298	21,198
<b>Total Fund Balance</b>	<b><u>19,298</u></b>	<b><u>21,198</u></b>
 <b>Total Liabilities and Fund Balances</b>	<b><u>\$ 44,298</u></b>	<b><u>\$ 25,782</u></b>

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 52,599	\$ 83,814	\$ 160,748	\$ 332,349
87,459	35,704	1,219	153,435
-	12,303	59,000	77,142
8,194	-	-	8,194
<u>\$ 148,252</u>	<u>\$ 131,821</u>	<u>\$ 220,967</u>	<u>\$ 571,120</u>
\$ 5,987	\$ -	\$ -	\$ 14,210
-	1,418	-	4,478
-	-	-	18,301
<u>5,987</u>	<u>1,418</u>	<u>-</u>	<u>36,989</u>
8,194	-	-	8,194
134,071	130,403	220,967	525,937
<u>142,265</u>	<u>130,403</u>	<u>220,967</u>	<u>534,131</u>
<u>\$ 148,252</u>	<u>\$ 131,822</u>	<u>\$ 220,967</u>	<u>\$ 571,121</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, 2007

	Adult Education Fund	Child Development Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ (26,544)	\$ -
Federal Revenue	-	500
Other State Revenue	-	74,987
Other Local Revenue	3,794	70,995
Total Revenues	<u>(22,750)</u>	<u>146,482</u>
Expenditures:		
Instruction	28,545	134,352
Instruction - Related Services	16,026	-
Pupil Services	-	-
Plant Services	-	-
Total Expenditures	<u>44,571</u>	<u>134,352</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(67,321)</u>	<u>12,130</u>
Other Financing Sources (Uses):		
Transfers In	-	10,000
Transfers Out	-	(10,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(67,321)	12,130
Fund Balance, July 1	86,619	9,068
Fund Balance, June 30	<u>\$ 19,298</u>	<u>\$ 21,198</u>

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ (26,544)
451,808	-	-	452,308
72,342	42,514	-	189,843
11,404	1,008	4,797	91,998
<u>535,554</u>	<u>43,522</u>	<u>4,797</u>	<u>707,605</u>
-	-	-	162,897
-	-	-	16,026
494,790	-	-	494,790
7,356	52,303	-	59,659
<u>502,146</u>	<u>52,303</u>	<u>-</u>	<u>733,372</u>
33,408	(8,781)	4,797	(25,767)
140,000	52,303	59,000	261,303
(140,000)	-	-	(150,000)
<u>-</u>	<u>52,303</u>	<u>59,000</u>	<u>111,303</u>
33,408	43,522	63,797	85,536
108,857	86,881	157,170	448,595
<u>\$ 142,265</u>	<u>\$ 130,403</u>	<u>\$ 220,967</u>	<u>\$ 534,131</u>

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2007

	<u>Building Fund</u>	<u>Capital Facilities Fund</u>
<b>ASSETS:</b>		
Cash in County Treasury	\$ 15	\$ 25,682
Accounts Receivable	-	621
<b>Total Assets</b>	<u>\$ 15</u>	<u>\$ 26,303</u>
 <b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>
 Fund Balance:		
Unreserved, reported in nonmajor:		
Capital Projects Funds	\$ 15	\$ 26,303
<b>Total Fund Balance</b>	<u>15</u>	<u>26,303</u>
 <b>Total Liabilities and Fund Balances</b>	<u>\$ 15</u>	<u>\$ 26,303</u>

County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 112,783	\$ 1,185	\$ 139,665
23	382	1,026
<u>\$ 112,806</u>	<u>\$ 1,567</u>	<u>\$ 140,691</u>
-	-	-
<u>\$ 112,806</u>	<u>\$ 1,567</u>	<u>\$ 140,691</u>
<u>112,806</u>	<u>1,567</u>	<u>140,691</u>
<u>\$ 112,806</u>	<u>\$ 1,567</u>	<u>\$ 140,691</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, 2007

	Building Fund	Capital Facilities Fund
	<u>                    </u>	<u>                    </u>
Revenues:		
Other Local Revenue	\$                    1	\$          31,973
Total Revenues	<u>                    1</u>	<u>          31,973</u>
Expenditures:		
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	<u>                    -</u>	<u>                    -</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>                    1</u>	<u>          31,973</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	-	(60,558)
Total Other Financing Sources (Uses)	<u>                    -</u>	<u>         (60,558)</u>
Net Change in Fund Balance	1	(28,585)
Fund Balance, July 1	14	54,888
Fund Balance, June 30	<u>\$                  15</u>	<u>\$          26,303</u>

County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 35	\$ 1,567	\$ 33,576
<u>35</u>	<u>1,567</u>	<u>33,576</u>
-	50,000	50,000
-	8,000	8,000
-	<u>58,000</u>	<u>58,000</u>
35	(56,433)	(24,424)
112,207	-	112,207
-	(51,649)	(112,207)
<u>112,207</u>	<u>(51,649)</u>	<u>-</u>
112,242	(108,082)	(24,424)
564	109,649	165,115
<u>\$ 112,806</u>	<u>\$ 1,567</u>	<u>\$ 140,691</u>

## Other Supplementary Information

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

## Supplementary Information Section

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**LOCAL EDUCATION AGENCY**  
**ORGANIZATION STRUCTURE**  
**JUNE 30, 2007**

The San Pasqual Valley Unified School District was established in July 1951 and is comprised of an area of approximately 1,100 square miles in Imperial County. There were no changes in the boundaries of the district during the current year. The district is currently operating one elementary, one intermediate, and one high school. The district also maintains a continuation high school.

**Governing Board**

<b>Name</b>	<b>Office</b>	<b>Term and Term Expiration</b>
Rory D. McDade	President	Four year term Expires December 2007
Patrick A. McCoy	Vice President	Four year term Expires December 2007
Barbara Bensel	Clerk	Four year term Expires December 2007
Monica Montague	Member	Four year term Expires December 2009
La Rue Nelson	Member	Eighteen month term Expires December 2009

**Administration**

Suzanne H. Smith  
 Superintendent

Chad Leptich  
 Assistant Superintendent

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**YEAR ENDED JUNE 30, 2007**

**TABLE D-1**

	<u>Revised Second Period Report</u>	<u>Revised Annual Report</u>
<b>Elementary:</b>		
Kindergarten	55.69	56.79
Grades 1 through 3	165.13	166.02
Grades 4 through 6	166.27	166.94
Grades 7 and 8	114.66	114.79
Opportunity schools	5.33	5.39
Special education	13.39	13.40
<b>Elementary totals</b>	<u>520.47</u>	<u>523.33</u>
<b>High School:</b>		
Grades 9 through 12, regular classes	145.19	144.69
Special education	11.26	11.04
Continuation education	25.81	25.20
<b>High school totals</b>	<u>182.26</u>	<u>180.93</u>
<b>Regional Occupational Centers/Programs</b>	<u>8.19</u>	<u>8.31</u>
<b>Classes for adults:</b>		
Not concurrently enrolled	2.21	2.04
Independent study	7.94	7.75
<b>ADA totals</b>	<u>721.07</u>	<u>722.36</u>
	<u>Hours of Attendance</u>	
<u>Summer School</u>		
Elementary	6,331	
High School	547	

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, 2007**

**TABLE D-2**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2006-07 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	58,140	180	-	Complied
Grade 1	55,125	50,400	58,140	180	-	Complied
Grade 2	55,125	50,400	58,140	180	-	Complied
Grade 3	55,125	50,400	57,240	180	-	Complied
Grade 4	55,125	54,000	57,240	180	-	Complied
Grade 5	55,125	54,000	57,240	180	-	Complied
Grade 6	55,125	54,000	67,680	180	-	Complied
Grade 7	66,000	54,000	67,680	180	-	Complied
Grade 8	66,000	54,000	67,680	180	-	Complied
Grade 9	66,000	64,800	67,680	180	-	Complied
Grade 10	66,000	64,800	67,680	180	-	Complied
Grade 11	66,000	64,800	67,680	180	-	Complied
Grade 12	66,000	64,800	67,680	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, 2007**

**TABLE D-3**

<u>General Fund</u>	<u>(Budget) 2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues and other financial sources	\$ <u>11,847,986</u>	\$ <u>13,130,521</u>	\$ <u>12,527,686</u>	\$ <u>11,898,280</u>
Expenditures, other uses and transfers out	<u>11,340,453</u>	<u>12,255,298</u>	<u>12,590,034</u>	<u>11,755,187</u>
Change in fund balance (deficit)	<u>507,533</u>	<u>875,223</u>	<u>(62,348)</u>	<u>1,430,936</u>
Ending fund balance	\$ <u>1,898,953</u>	\$ <u>1,391,420</u>	\$ <u>516,197</u>	\$ <u>578,545</u>
Available reserves	\$ <u>1,388,637</u>	\$ <u>1,289,470</u>	\$ <u>499,469</u>	\$ <u>508,153</u>
Available reserves as a percentage of total outgo	<u>12.2%</u>	<u>10.5%</u>	<u>3.9%</u>	<u>4.3%</u>
Total long-term debt	\$ <u>100,000</u>	\$ <u>185,368</u>	\$ <u>247,100</u>	\$ <u>369,729</u>
Average daily attendance at P-2	<u>714</u>	<u>721</u>	<u>715</u>	<u>771</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 \$2,243,811 over the past three years. The fiscal year 2007-08 budget projects an increase of \$507,533. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, other uses, and transfers out.

Long-term debt has increased by \$44,185 over the past three years.

Average daily attendance (ADA) has increased by 1 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, 2007

TABLE D-4

	<u>General Fund</u>
June 30, 2007, annual financial and budget report fund balances	\$ <u>1,382,193</u>
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Cash with fiscal agent understatement	750,645
TRANS payable understatement	(710,000)
Accounts payable understatement	<u>(31,418)</u>
Net adjustments and reclassifications	<u>9,227</u>
June 30, 2007, audited financial statement fund balances	\$ <u><u>1,391,420</u></u>

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, 2007

**TABLE D-5**

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

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXCESS SICK LEAVE**  
**YEAR ENDED JUNE 30, 2007**

**TABLE D-6**

The following disclosure is made for excess sick leave as that term is defined in subdivision (c) of Education Code Section 22170.5:

Titles of Employees Exhibiting Excess Sick Leave	Is Excess Sick Leave Authorized By Employee's Contract?	Was Excess Sick Leave Found To Be Accrued For Employee?	Contract Authorizing Excess Sick Leave	Is Excess Sick Leave Authorized In Teachers' Contract?
None	N/A	N/A	N/A	N/A

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2007**

**TABLE D-7**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Program:			
Medi-Cal *	93.778	-	\$ 13,519
Passed Through State Department of Education:			
Child Development *	93.575	-	500
Total U. S. Department of Health and Human Services			<u>14,019</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
Impact Aid - P.L. 81.874	84.041	-	3,012,121
Indian Education	84.060	-	76,682
School Succss for Indian Children	84.298	05818	168,535
Total Direct Programs			<u>3,257,338</u>
Passed Through State Department of Education:			
Title I	84.010	03064	591,214
Title I - Migrant Education	84.011	03060	31,012
Special Education *	84.027	03379	162,255
Vocational Education	84.048	03569	13,028
Title IV - Drug Free	84.186	03453	10,457
Title IV - 21st Century	84.287	10009	185,396
School Succss for Indian Children	84.298	05818	168,535
Title V - Innovative Strategies	84.298	03037	2,126
Title II - EETT	84.318	03207	4,231
Gear Up	84.334	05810	4,878
Title I - Reading First	84.357	14797	82,404
Title VI - Rural and Low Income Schools	84.358	03471	22,646
Title III - LEP	84.365	03453	14,490
Mathematics and Science Partnerships	84.366	03596	345,720
Title II - Teacher Quality	84.367	03207	86,906
Title VI - English Language Development Test	84.369	03817	1,020
Total Passed Through State Department of Education			<u>1,557,783</u>
Total U. S. Department of Education			<u>4,815,121</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	451,808
Community Facilities Grant	10.766	05822	46,464
Total Passed Through State Department of Education			<u>498,272</u>
Total U. S. Department of Agriculture			<u>498,272</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 5,327,412</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, 2007

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Pasqual Valley Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

## Other Independent Auditor's Reports

**WILKINSON HADLEY & CO LLP**  
**CPAs and Advisors**  
250 E. Douglas Ave  
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, 2007, which collectively comprise the San Pasqual Valley Unified School District's basic financial statements and have issued our report thereon dated December 14, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the San Pasqual Valley Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Pasqual Valley Unified School District's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the San Pasqual Valley Unified School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the San Pasqual Valley Unified School District's financial statements that is more than inconsequential will not be prevented or detected by the San Pasqual Valley Unified School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the San Pasqual Valley Unified School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above; 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 Audley & Co., LLP*

El Cajon, California  
December 14, 2007

**WILKINSON HADLEY & CO LLP**  
**CPAs and Advisors**  
250 E. Douglas Ave  
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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, 2007. 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 of 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, 2007.

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 the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Pasqual Valley Unified School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control 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 Hobbly & Co., LLP*

El Cajon, California  
December 14, 2007

**WILKINSON HADLEY & CO LLP**  
**CPAs and Advisors**  
250 E. Douglas Ave  
El Cajon, CA 92020  
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**Auditor's Report on State Compliance**

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

Members of the Board of Trustees:

We have audited the basic financial statements of the San Pasqual Valley Unified School District ("District") as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2006-07*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
<b>Attendance Accounting:</b>		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Centers and Programs	6	Not Applicable
<b>Instructional Time:</b>		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Not Applicable
<b>Instructional Materials:</b>		
General Requirements	12	Yes
Grades K-8 Only	1	Yes
Grades 9-12 Only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Early Retirement Incentive Program	4	Yes
GANN Limit Calculation	1	Yes

School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	Yes
Excess Sick Leave	2	Yes
Notice of Right to Elect California State Teachers Retirement System (CalSTRS) Membership	1	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	Not Applicable
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
Mode of Instruction, for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	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

The term "Not Applicable" is used above to mean either that the District did not offer the program during the current fiscal year or that the program applies only to a different type of local education agency.

We did not perform testing for independent study because the independent study ADA was under the level that requires testing.

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

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

*Wilkinson Kelly & Co., LLP*

El Cajon, California  
December 14, 2007

## **Findings and Recommendations Section**

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies 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:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies 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

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, 2007**

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?	<u>    </u> Yes	<u>  X  </u> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u>    </u> Yes	<u>  X  </u> None Reported

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

**B. Financial Statement Findings**

None

**C. Federal Award Findings and Questioned Costs**

None

**D. State Award Findings and Questioned Costs**

Finding 2007-1 (10000)  
 Adult Education Independent Study

Criteria or Specific Requirement

Determine that amounts reported for Average Daily Attendance (ADA) are accurate.

Condition

In our review of attendance reported to the California Department of Education (CDE) for Adult Education Independent Study we noted that the amounts reported included attendance for regular high school students. In addition, there were clerical errors in the calculation of ADA.

Questioned Costs

ADA for grades 9-12 was understated by 4.4 at P2 and 5.33 at Annual. ADA for Adult Education Independent study was overstated by 2.99 at P2 and 5.68 at Annual.

Recommendation

We recommend the district implement procedures to ensure that attendance is accounted for in the proper categories. In addition, we recommend the district review all calculations prior to submission to CDE to ensure clerical accuracy.

LEA's Response

Both the P2 and Annual attendance reports were revised to reflect the recommended changes. The appropriate attendance staff has been trained to distinguish the difference between students enrolled in Independent Study and those students eligible for Adult Education. Calculations will be reviewed before submission to the state.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Finding 2007-2 (70000)  
Instructional Materials

Criteria or Specific Requirement

Determine that the district held a public hearing within the first eight weeks of school to determine through a resolution if there was a sufficiency of textbooks and instructional materials.

Condition

In our review of the districts resolution regarding sufficiency or insufficiency of instructional materials for the 2006-07 fiscal year, we noted that the district held their public hearing and approved the resolution on September 11, 2007 which was not within the first eight weeks of school.

Questioned Costs

\$395,354

Recommendation

We recommend the district submit an acceptable plan of correction to the County Office of Education. If the County Office of Education reviews the exception and determines the exception has been corrected, no additional steps are necessary. The County Office will provide and submit a Certification of Corrective Action Resolution of 2006-07 Audit Finding form to the California Department of Education. Pursuant to Education Code Section 413444.4 LEA's are not required to repay audit exceptions related to reporting requirements for the sufficiency of textbooks and instructional materials if the County Office accepted the LEA's correction or plan of correction and certifies the finding was resolved.

LEA's Response

The resolution was approved at a public hearing but not within the first eight weeks of school. This has already been corrected for the 2007-08 year. An acceptable plan of correction will be submitted to the Imperial County Office of Education as recommended.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2006-1 Vacation Carryover</p> <p>We found seven employees that exceeded the vacation carryover maximum allowed by board policy.</p> <p>Implement procedures that will ensure all employees adhere to the board policy relating to the maximum vacation carryover.</p>	Implemented	
<p>Finding 2006-2 High School Student Body Funds</p> <p>In our review of football gate receipts, we noted that proper, signed ticket reconciliation forms were not being used.</p> <p>Recommend the use of ticket reconciliation forms that are properly and completely filled out that reconciles tickets sold and revenues collected.</p>	Implemented	
<p>Finding 2006-3 Elementary School Student Body Funds</p> <p>Proper cash transmittal forms are not being completed for revenue collections and two checks were made payable to cash.</p> <p>Recommend the use of cash transmittal forms for all revenue collections. In addition, checks should not be made payable to cash.</p>	Implemented	
<p>Finding 2006-4 Kindergarten Continuance</p> <p>We found one student who did not have on file the proper kindergarten continuance form.</p> <p>Implement procedures to ensure all students who are continued in kindergarten have on file the correct form.</p>	Implemented	

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p data-bbox="164 352 347 384">Finding 2006-5</p> <p data-bbox="164 384 586 415">Adult Education-Independent Study</p> <p data-bbox="164 447 797 573">Due to a clerical error an incorrect divisor was used when calculating average daily attendance. As a result P2 ADA was overstated by 24.43 and Annual ADA was overstated by 23.40.</p> <p data-bbox="164 604 797 697">File amended P2 and Annual attendance reports and report the correct average daily attendance for adult education.</p>	Implemented	