

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

AUDIT REPORT

JUNE 30, 2009

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020**

Introductory Section

San Pasqual Valley Unified School District
Audit Report
For The Year Ended June 30, 2009

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Financial Section

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

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, 2009, 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, 2009, 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 November 11, 2009, 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 King & Co., LLP

El Cajon, California
November 11, 2009

San Pasqual Valley Unified School District
Management's Discussion and Analysis
June 30, 2009
(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, 2009. 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 \$11.8 million.
- Total change in District net assets was increased by \$1,520,782.
- Total general revenues were \$9.1 million.
- The SPVUSD enrollment decreased by 24 students for a total enrollment of 746 students in October, 2008 compared to 770 students in October, 2007.

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, which are major funds. 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, 2009. 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 \$11.8 million at the close of the most recent fiscal year.

STATEMENT OF NET ASSETS 6/30/2009

(In Millions of Dollars)

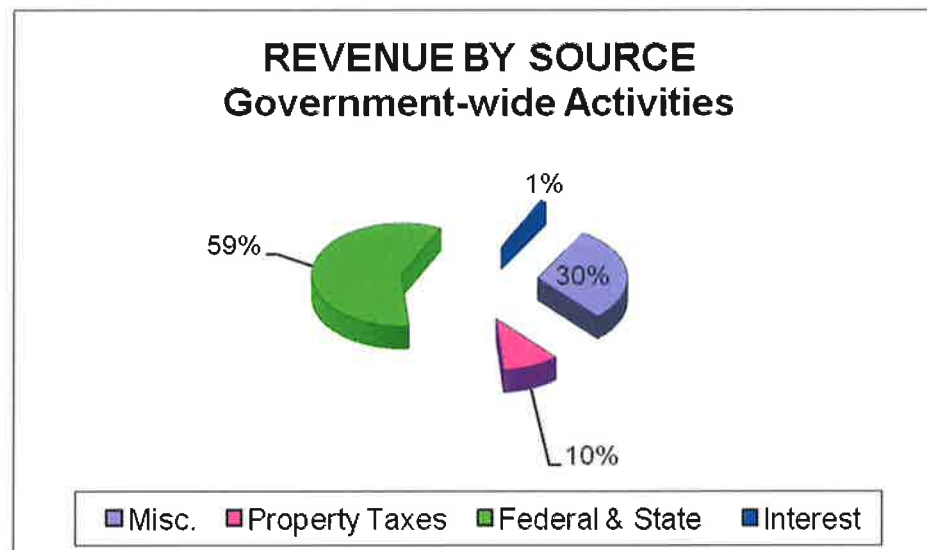
	2007-08	2008-09
ASSETS:		
Cash & Current Assets	5.61	7.0
Capital Assets	6.44	6.4
Total Assets	12.0	13.4
LIABILITIES:		
Long-term Debt	.1	.03
Other Liabilities	1.6	1.61
Total Liabilities	1.7	1.64
TOTAL NET ASSETS	10.3	11.8
DISTRIBUTION OF NET ASSETS:		
Invested in Capital Assets	6.3	6.4
Restricted for Capital Projects	.1	.1
Other Restricted	3.8	5.3
Non-restricted	-	-
TOTAL NET ASSETS	10.3	11.8

- The largest portion of the SPVUSD'S net assets (55%) 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 (1%) 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 (54%) 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.

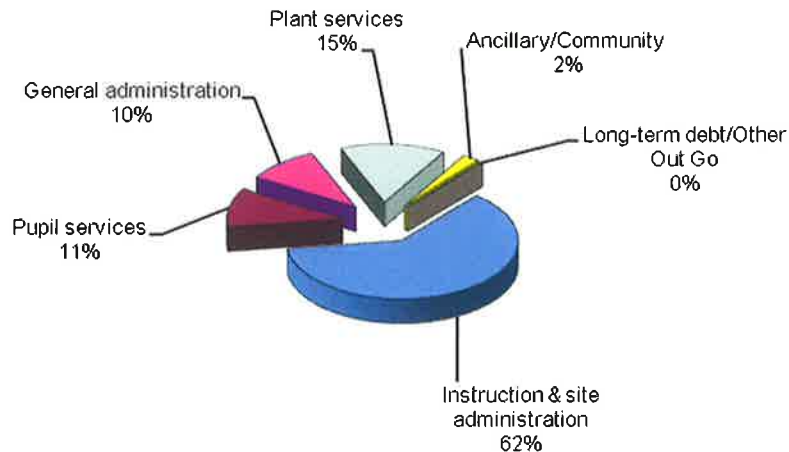
Governmental activities. The key elements of the Districts net assets for the year ended June 30, 2009 are as follows:

REVENUES	2007-08	2008-09
Program revenues	\$ 4,765,615	\$ 4,164,247
Property taxes	\$ 741,126	\$ 1,267,475
Miscellaneous revenue	\$ 280,510	\$ 318,293
Federal & state aid not restricted	\$ 7,706,913	\$ 7,241,742
Investment & interest earnings	\$ 96,246	\$ 240,168
Total Revenues	\$ 13,590,410	\$ 13,231,925
EXPENDITURES BY FUNCTION		
Instruction/Instruction related		
Services	\$ 7,793,627	\$ 7,090,149
Pupil services	\$ 2,090,100	\$ 1,876,536
General administration	\$ 1,063,781	\$ 1,115,897
Plant services	\$ 1,397,368	\$ 1,290,259
Ancillary services	\$ 227,510	\$ 210,757
Community services	\$ 43,839	\$ 47,857
Interest on long-term debt	\$ 6,853	\$ 51,970
Other-outgo	\$ 30,791	\$ 27,718
Total Expenditures	\$ 12,653,869	\$ 11,711,143
CHANGE IN NET ASSETS	\$ 936,541	\$ 1,520,782
Net-Assets - Beginning	\$ 9,364,733	\$ 10,301,274
Net-Assets – Ending	\$ 10,301,274	\$ 11,822,056



EXPENDITURES BY FUNCTION

Government-wide Activities



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, 2009 for SPVUSD was \$6,528 (however, it was deficiated by 92%).

BASE REVENUE LIMIT FOR UNIFIED DISTRICTS

	SPVUSD	Statewide Average
2000-2001	\$ 4,851	\$ 4,486
2001-2002	\$ 5,033	\$ 4,660
2002-2003	\$ 5,118	\$ 4,753
2003-2004	\$ 5,206	\$ 4,753
2004-2005	\$ 5,360	\$ 4,983
2005-2006	\$ 5,572	\$ 5,194
2006-2007	\$ 5,947	\$ 5,568
2007-2008	\$ 6,199	\$ 6,150
2008-2009	\$ 6,528	\$ 6,457

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 \$11.8 million. This is the fifth year the district has compiled these reports. This compares with the 2007-08 net asset balance of \$10.3 million. The net change in assets is a positive \$1.5 million.

General Fund Budgetary Highlights

The SPVUSD's budget is prepared on the modified accrual basis of accounting according to California law. During the year, the Board revised the SPVUSD's budget. Budget amendments were to reflect changes in programs and related funding.

- Salary and benefits increased due to contract settlements with both certificated and classified staff. The increases also have corresponding increases with the associated statutory benefits.
- The district made several budget adjustments during the year to offset the projected revenue and ADA figures.

Capital Asset and Debt Administration

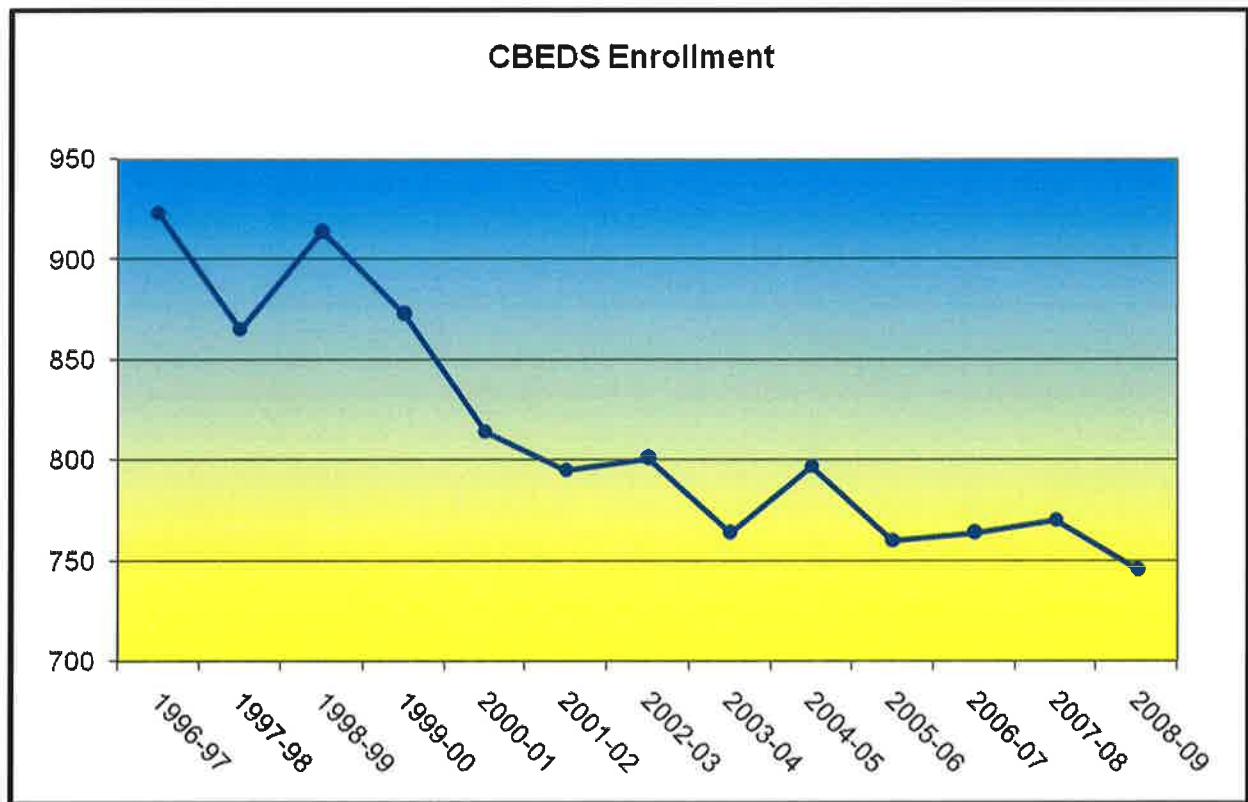
Capital Assets. The Board of Trustees adopted a minimum of \$5,000 as the threshold for recognition of capital assets for GASB 34 reporting. The District previously contracted with American Appraisal Services to conduct the District's capital asset inventory and valuation. Those results, net of depreciation are contained in this report, updated as of June 30, 2009.

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 paid in full 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.



POWELL & SPAFFORD, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy
Member: American Institute of Certified Public Accountants

System Review Report

To the Owners of
Wilkinson Hadley King & Co., LLP
and the Peer Review Committee of the State of California

We have reviewed the system of quality control for the accounting and auditing practice of Wilkinson Hadley King & Co., LLP (the firm) in effect for the year ended December 31, 2008. Our review was conducted in accordance with standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Wilkinson Hadley King & Co., LLP in effect for the year ended December 31, 2008, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Wilkinson Hadley King & Co., LLP has received a peer review rating of *pass*.

Powell & Spafford, LLP

September 29, 2009




P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

218 W. Douglas Avenue • El Cajon, CA 92020
Tel. (619) 447-6700 • Fax (619) 447-6707

Aubrey W. King, CPA
Richard K. Savage, CPA

December 2009

To: School District/Charter School Clients
From: P. Robert Wilkinson 
Re: Peer Review Report

2009 is fast coming to a close. From our entire staff we wish you and your staff the best of *Holidays* and hope that 2010 is a successful year for you.

This past audit season was a very different one. As most of you know Aubrey's husband suddenly passed away in early August and that really was stressful for her and our staff. She and the two kids are doing well and adjusting. Then came the controversy with the Governor's playing with the state budget and how to handle those programs associated with SBx3 4. After we finally heard from the State Controller's Office in mid November on how they wanted us to handle these programs, we went into overtime mode to make the necessary adjustments and make sure your reports were finalized and mailed by the due date. We appreciated your help and assistance in this matter. We realize it was an inconvenience for you and due thank you for your help. We hope we do not see anything like this in 2010, but with the condition of the state's budget, we will not be surprised with what they come up with.

Now for the good news. As you know we have, every three years, a peer review conducted on our firm. Basically we get audited by a firm who is knowledgeable about school districts, charter schools, as well as the other types of audit we perform. We received the report from the peer review firm in mid October but we were not to make it available until the CalCPA and AICPA Peer Review Programs accepted the report. We received notification on December 9th that the report was accepted and we received a rating of "Pass" which is the best rating a CPA firm can receive. I have attached for your review the two letters associated with the Peer Review for your records as we are required to distribute the report to our clients.

We look forward to working with each of you in 2010. We have increased the size our staff so as to be able to provide you with the best auditing and accounting services available. If we can be of any assistance to you, at any time, please do not hesitate to give us a call.

Thank you and we appreciate the opportunity to work with you and your staff.

December 9, 2009

P Robert Wilkinson, CPA
Wilkinson Hadley King & Co., LLP
218 West Douglas Avenue
El Cajon, CA 92020

Dear Mr. Wilkinson:

It is my pleasure to notify you that on December 1, 2009 the California Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is June 30, 2012. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

A handwritten signature in black ink that reads "Linda McCrone".

Linda McCrone
Director

cc: Jessie Powell, CPA

Firm Number: 10152285

Review Number: 276105

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

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, 2009, 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, 2009, 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 November 11, 2009, 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.

Basic Financial Statements

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 4,206,135
Cash in Revolving Fund	2,500
Cash with a Fiscal Agent/Trustee	1,343,490
Accounts Receivable	1,476,010
Stores Inventories	8,129
Prepaid Expenses	6,136
Capital Assets:	
Land	66,865
Land Improvements	1,176,349
Buildings	7,253,290
Equipment	2,603,602
Work in Progress	264,371
Less Accumulated Depreciation	(4,936,907)
Total Assets	<u>13,469,970</u>
LIABILITIES:	
Accounts Payable	203,967
Current Loans Payable	1,300,000
Deferred Revenues	110,277
Long-term Liabilities:	
Due within one year	33,670
Due in more than one year	-
Total Liabilities	<u>1,647,914</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	6,427,570
Restricted for:	
Capital Projects	95,246
Educational Programs	378,747
Other Purposes (nonexpendable)	4,920,493
Total Net Assets	<u>\$ 11,822,056</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, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	\$ 5,727,193	\$ 17,107	\$ 1,430,303	\$ (4,279,783)
Instruction-Related Services	1,362,956	10,148	522,779	(830,029)
Pupil Services	1,876,536	4,018	1,724,554	(147,964)
General Administration	1,115,897	-	240,406	(875,491)
Plant Services	1,290,259	3,890	18,371	(1,267,998)
Ancillary Services	210,757	-	5,921	(204,836)
Community Services	47,857	31,248	34,182	17,573
Interest on Long-Term Debt	51,970	-	-	(51,970)
Other Outgo	27,718	68,071	53,249	93,602
Total Governmental Activities	11,711,143	134,482	4,029,765	(7,546,896)
Total Primary Government	\$ 11,711,143	\$ 134,482	\$ 4,029,765	(7,546,896)
General Revenues:				
Taxes and Subventions				1,267,475
Federal and State Revenues, not restricted				7,241,742
Interest and Investment Earnings				240,168
Miscellaneous				318,293
Total General Revenues				9,067,678
Change in Net Assets				1,520,782
Net Assets - Beginning				10,301,274
Net Assets - Ending				\$ 11,822,056

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Special Reserve Fund for Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 2,365,165	\$ 1,032,552	\$ 808,418	\$ 4,206,135
Cash in Revolving Fund	2,500	-	-	2,500
Cash with a Fiscal Agent/Trustee	1,343,490	-	-	1,343,490
Accounts Receivable	1,368,038	2,553	105,418	1,476,009
Due from Other Funds	2,467	-	-	2,467
Stores Inventories	-	-	8,129	8,129
Total Assets	<u>\$ 5,081,660</u>	<u>\$ 1,035,105</u>	<u>\$ 921,965</u>	<u>\$ 7,038,730</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 200,364	\$ -	\$ 3,602	\$ 203,966
Due to Other Funds	-	-	2,467	2,467
Current Loans	1,300,000	-	-	1,300,000
Deferred Revenue	106,141	-	4,136	110,277
Total Liabilities	<u>1,606,505</u>	<u>-</u>	<u>10,205</u>	<u>1,616,710</u>
Fund Balance:				
Reserved Fund Balances:				
Reserve for Stores Inventories	-	-	8,129	8,129
Reserve for Legally Restricted Balance	381,248	-	-	381,248
Designated Fund Balances:				
Designated for Economic Uncertainties	1,576,939	-	-	1,576,939
Other Designated	1,408,602	-	-	1,408,602
Unreserved	108,366	1,035,105	-	1,143,471
Unreserved, reported in nonmajor:				
Special Revenue Funds	-	-	807,935	807,935
Capital Projects Funds	-	-	95,696	95,696
Total Fund Balance	<u>3,475,155</u>	<u>1,035,105</u>	<u>911,760</u>	<u>5,422,020</u>
Total Liabilities and Fund Balances	<u>\$ 5,081,660</u>	<u>\$ 1,035,105</u>	<u>\$ 921,965</u>	<u>\$ 7,038,730</u>

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances - governmental funds balance sheet	\$ 5,422,020
--	--------------

Amounts reported for governmental activities in the statement of net assets are different 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:	11,364,477	
Accumulated depreciation:	<u>(4,936,907)</u>	
Net		6,427,570

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:

6,136

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:

Compensated absences payable	<u>33,670</u>	
Total		<u>(33,670)</u>

Net assets of governmental activities - statement of net assets	\$ <u><u>11,822,056</u></u>
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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, 2009

	General Fund	Special Reserve Fund for Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 3,441,877	\$ -	\$ -	\$ 3,441,877
Local Sources	1,326,360	-	-	1,326,360
Federal Revenue	4,797,142	-	446,095	5,243,237
Other State Revenue	2,202,653	-	142,496	2,345,149
Other Local Revenue	735,331	38,939	98,372	872,642
Total Revenues	<u>12,503,363</u>	<u>38,939</u>	<u>686,963</u>	<u>13,229,265</u>
Expenditures:				
Instruction	5,402,841	-	153,377	5,556,218
Instruction - Related Services	1,337,517	-	6,579	1,344,096
Pupil Services	1,183,482	-	536,433	1,719,915
Ancillary Services	210,756	-	-	210,756
Community Services	38,845	-	-	38,845
General Administration	1,115,146	-	-	1,115,146
Plant Services	1,607,573	-	34,757	1,642,330
Other Outgo	33,854	-	-	33,854
Debt Service:				
Principal	50,000	-	50,000	100,000
Interest	47,970	-	4,000	51,970
Total Expenditures	<u>11,027,984</u>	<u>-</u>	<u>785,146</u>	<u>11,813,130</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,475,379</u>	<u>38,939</u>	<u>(98,183)</u>	<u>1,416,135</u>
Other Financing Sources (Uses):				
Transfers In	-	-	192,378	192,378
Transfers Out	(151,000)	-	(41,378)	(192,378)
Total Other Financing Sources (Uses)	<u>(151,000)</u>	<u>-</u>	<u>151,000</u>	<u>-</u>
Net Change in Fund Balance	1,324,379	38,939	52,817	1,416,135
Fund Balance, July 1	2,150,776	996,166	858,943	4,005,885
Fund Balance, June 30	<u>\$ 3,475,155</u>	<u>\$ 1,035,105</u>	<u>\$ 911,760</u>	<u>\$ 5,422,020</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, 2009

Net change in fund balances - total governmental funds \$ 1,416,135

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

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

Expenditures for capital outlay	325,783	
Depreciation expense	(345,782)	
Net		(19,999)

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:

100,000

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

6,136

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

2,660

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:

15,850

Change in net assets of governmental activities - statement of activities \$ 1,520,782

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, 2009

Agency
FundStudent
Body
Fund**ASSETS:**

Cash on Hand and in Banks

\$ 45,756

Total Assets

\$ 45,756

LIABILITIES:

Due to Student Groups

\$ 45,756

Total Liabilities

\$ 45,756

NET ASSETS:

Total Net Assets

\$ -

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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, 2009

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, 2009

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 \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Imperial County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50
Building Improvements	20
Vehicles	5-15
Office Equipment	5-15
Other Equipment	5-15

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

d. Receivable and Payable Balances

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

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

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

f. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

j. Use of Estimates

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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, 2009 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Ancillary services	\$ 93,237
Community services	26,085
General administration	35,638
Plant services	4,215
Other outgo	16,635
Debt service-interest	16,597

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 (\$4,206,135 as of June 30, 2009). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$4,206,135. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$45,756 as of June 30, 2009) and in the revolving fund (\$2,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

3. Investments:

The District's investments at June 30, 2009 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Guaranteed investment contract	\$ 1,343,490
Total Investments	\$ 1,343,490

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, 2009

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, 2009 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 66,865	\$ -	\$ -	\$ 66,865
Work in progress	182,876	198,811	117,316	264,371
Total capital assets not being depreciated	249,741	198,811	117,316	331,236
Capital assets being depreciated:				
Buildings	7,135,974	117,316	-	7,253,290
Improvements	1,176,349	-	-	1,176,349
Equipment	2,561,968	129,632	87,998	2,603,602
Total capital assets being depreciated	10,874,291	246,948	87,998	11,033,241
Less accumulated depreciation for:				
Buildings	(2,632,683)	(154,313)	-	(2,786,996)
Improvements	(355,148)	(55,097)	-	(410,245)
Equipment	(1,691,291)	(136,373)	(87,998)	(1,739,666)
Total accumulated depreciation	(4,679,122)	(345,783)	(87,998)	(4,936,907)
Total capital assets being depreciated, net	6,195,169	(98,835)	-	6,096,334
Governmental activities capital assets, net	\$ 6,444,910	\$ 99,976	\$ 117,316	\$ 6,427,570

Depreciation was charged to functions as follows:

Instruction	\$ 144,690
Instruction-Related Services	18,860
Pupil Services	156,620
Community Services	9,012
General Administration	16,601
	<u>\$ 345,783</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2009 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	Child Development Fund	\$ 2,467
	Total	<u>\$ 2,467</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, 2009 consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>
Special Reserve Fund	General Fund	\$ 58,000
Deferred Maintenance Fund	General Fund	43,000
Cafeteria Fund	General Fund	50,000
County School Facilities Fund	Capital Facilities Fund	41,378
	Total	<u>\$ 192,378</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.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax anticipation notes	\$ 770,000	\$ 1,300,000	\$ 770,000	\$ 1,300,000

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2009 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Capital leases	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -
Compensated absences *	49,520	-	15,850	33,670	33,670
Total governmental activities	<u>\$ 149,520</u>	<u>\$ -</u>	<u>\$ 115,850</u>	<u>\$ 33,670</u>	<u>\$ 33,670</u>

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

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2009 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 33,670	\$ -	\$ 33,670
Totals	\$ 33,670	\$ -	\$ 33,670

I. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA's) entities, the Imperial Valley Property and Liability (IVPL) and the Self Insurance Program of Imperial County (SIPIC). The relationship between the District and the JPA's is such that the JPA's are not considered component units of the District for financial reporting purposes.

The JPA's arrange for and provide workers' compensation, health, and property and liability insurance for its members. The JPA's are each governed by a board consisting of a representative from each member entity. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member entities beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

Combined condensed financial information of the JPA's for the fiscal year ended June 30, 2009 is not available.

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 2008-09 was 9.42% 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, 2009, 2008 and 2007 were \$176,491, \$231,321 and \$229,950, respectively, and equal 100% of the required contributions for each year.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-09 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, 2009, 2008 and 2007 were \$347,072, \$341,036 and \$316,603, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$197,318.

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 2009, expenditures of \$29,835 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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

N. Subsequent Events

On July 28, 2009 Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a state-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amount associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of undistributed categorical program balances.

In accordance with the requirement of Governmental Accounting Standards Board Statement No. 33 the revenue and related receivable associated with the District's portion of the unallocated, unexpended, or unliquidated categorical program balances identified in the July 2009 State Budget package are not included in these financial statements.

O. GASB Statement No. 45

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The pronouncement will require employers providing postemployment benefits, commonly referred to as other postemployment benefits, or OPEB, to recognize and account for the costs of providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be phased in over three years based upon the entity's revenues. GASB Statement No. 45 will be effective for the San Pasqual Valley Unified School District beginning in the 2009-10 fiscal year. The effect of this pronouncement on the financial condition of the District has not been determined.

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 3,757,799	\$ 3,264,133	\$ 3,441,877	\$ 177,744
Local Sources	819,512	1,377,393	1,326,360	(51,033)
Federal Revenue	4,203,651	4,057,468	4,797,142	739,674
Other State Revenue	1,957,230	2,219,885	2,202,653	(17,232)
Other Local Revenue	305,996	379,569	735,331	355,762
Total Revenues	<u>11,044,188</u>	<u>11,298,448</u>	<u>12,503,363</u>	<u>1,204,915</u>
Expenditures:				
Instruction	5,256,633	5,985,115	5,402,841	582,274
Instruction - Related Services	1,374,305	1,465,731	1,337,517	128,214
Pupil Services	1,560,286	1,590,477	1,183,482	406,995
Ancillary Services	137,613	117,519	210,756	(93,237)
Community Services	17,506	12,760	38,845	(26,085)
General Administration	893,670	1,079,508	1,115,146	(35,638)
Plant Services	1,487,379	1,603,358	1,607,573	(4,215)
Other Outgo	-	17,219	33,854	(16,635)
Debt Service:				
Principal	50,000	50,000	50,000	-
Interest	31,373	31,373	47,970	(16,597)
Total Expenditures	<u>10,808,765</u>	<u>11,953,060</u>	<u>11,027,984</u>	<u>925,076</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>235,423</u>	<u>(654,612)</u>	<u>1,475,379</u>	<u>2,129,991</u>
Other Financing Sources (Uses):				
Transfers In	850,000	1,060,000	-	(1,060,000)
Transfers Out	(1,127,123)	(1,342,723)	(151,000)	1,191,723
Total Other Financing Sources (Uses)	<u>(277,123)</u>	<u>(282,723)</u>	<u>(151,000)</u>	<u>131,723</u>
Net Change in Fund Balance	(41,700)	(937,335)	1,324,379	2,261,714
Fund Balance, July 1	2,150,776	2,150,776	2,150,776	-
Fund Balance, June 30	<u>\$ 2,109,076</u>	<u>\$ 1,213,441</u>	<u>\$ 3,475,155</u>	<u>\$ 2,261,714</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, 2009

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Local Revenue	\$ 24,310	\$ 24,310	\$ 38,939	\$ 14,629
Total Revenues	<u>24,310</u>	<u>24,310</u>	<u>38,939</u>	<u>14,629</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>24,310</u>	<u>24,310</u>	<u>38,939</u>	<u>14,629</u>
Other Financing Sources (Uses):				
Transfers In	850,000	850,000	-	(850,000)
Transfers Out	(850,000)	(850,000)	-	850,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	24,310	24,310	38,939	14,629
Fund Balance, July 1	966,166	996,166	996,166	-
Fund Balance, June 30	<u>\$ 990,476</u>	<u>\$ 1,020,476</u>	<u>\$ 1,035,105</u>	<u>\$ 14,629</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, 2009

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 713,172	\$ 95,246	\$ 808,418
Accounts Receivable	104,968	450	105,418
Stores Inventories	8,129	-	8,129
Total Assets	<u>\$ 826,269</u>	<u>\$ 95,696</u>	<u>\$ 921,965</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 3,602	\$ -	\$ 3,602
Due to Other Funds	2,467	-	2,467
Deferred Revenue	4,136	-	4,136
Total Liabilities	<u>10,205</u>	<u>-</u>	<u>10,205</u>
Fund Balance:			
Reserved Fund Balances:			
Reserve for Stores Inventories	8,129	-	8,129
Unreserved, reported in nonmajor:			
Special Revenue Funds	807,935	-	807,935
Capital Projects Funds	-	95,696	95,696
Total Fund Balance	<u>816,064</u>	<u>95,696</u>	<u>911,760</u>
Total Liabilities and Fund Balances	<u>\$ 826,269</u>	<u>\$ 95,696</u>	<u>\$ 921,965</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 444,620	\$ 1,475	\$ 446,095
Other State Revenue	142,496	-	142,496
Other Local Revenue	88,812	9,560	98,372
Total Revenues	<u>675,928</u>	<u>11,035</u>	<u>686,963</u>
Expenditures:			
Instruction	153,377	-	153,377
Instruction - Related Services	6,579	-	6,579
Pupil Services	536,433	-	536,433
Plant Services	34,757	-	34,757
Debt Service:			
Principal	-	50,000	50,000
Interest	-	4,000	4,000
Total Expenditures	<u>731,146</u>	<u>54,000</u>	<u>785,146</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(55,218)</u>	<u>(42,965)</u>	<u>(98,183)</u>
Other Financing Sources (Uses):			
Transfers In	151,000	41,378	192,378
Transfers Out	-	(41,378)	(41,378)
Total Other Financing Sources (Uses)	<u>151,000</u>	<u>-</u>	<u>151,000</u>
Net Change in Fund Balance	95,782	(42,965)	52,817
Fund Balance, July 1	720,282	138,661	858,943
Fund Balance, June 30	<u>\$ 816,064</u>	<u>\$ 95,696</u>	<u>\$ 911,760</u>

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 71,729	\$ 178,522	\$ 349,481	\$ 713,172
101,487	843	1,612	104,968
8,129	-	-	8,129
<u>\$ 181,345</u>	<u>\$ 179,365</u>	<u>\$ 351,093</u>	<u>\$ 826,269</u>
\$ 2,694	\$ -	\$ -	\$ 3,602
-	-	-	2,467
4,136	-	-	4,136
<u>6,830</u>	<u>-</u>	<u>-</u>	<u>10,205</u>
8,129	-	-	8,129
166,386	179,365	351,093	807,935
<u>174,515</u>	<u>179,365</u>	<u>351,093</u>	<u>816,064</u>
<u>\$ 181,345</u>	<u>\$ 179,365</u>	<u>\$ 351,093</u>	<u>\$ 826,269</u>

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 444,120	\$ -	\$ -	\$ 444,620
40,756	-	-	142,496
9,040	4,833	9,924	88,812
<u>493,916</u>	<u>4,833</u>	<u>9,924</u>	<u>675,928</u>
-	-	-	153,377
-	-	-	6,579
536,433	-	-	536,433
3,571	31,186	-	34,757
<u>540,004</u>	<u>31,186</u>	<u>-</u>	<u>731,146</u>
<u>(46,088)</u>	<u>(26,353)</u>	<u>9,924</u>	<u>(55,218)</u>
50,000	43,000	58,000	151,000
<u>50,000</u>	<u>43,000</u>	<u>58,000</u>	<u>151,000</u>
3,912	16,647	67,924	95,782
170,603	162,718	283,169	720,282
<u>\$ 174,515</u>	<u>\$ 179,365</u>	<u>\$ 351,093</u>	<u>\$ 816,064</u>

County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 71,361	\$ 17,940	\$ 95,246
349	80	450
<u>\$ 71,710</u>	<u>\$ 18,020</u>	<u>\$ 95,696</u>
<u>-</u>	<u>-</u>	<u>-</u>
\$ 71,710	\$ 18,020	\$ 95,696
<u>71,710</u>	<u>18,020</u>	<u>95,696</u>
<u>\$ 71,710</u>	<u>\$ 18,020</u>	<u>\$ 95,696</u>

County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ -	\$ 1,475	\$ 1,475
2,105	1,505	9,560
<u>2,105</u>	<u>2,980</u>	<u>11,035</u>
-	50,000	50,000
-	4,000	4,000
<u>-</u>	<u>54,000</u>	<u>54,000</u>
2,105	(51,020)	(42,965)
41,378	-	41,378
-	-	(41,378)
<u>41,378</u>	<u>-</u>	<u>-</u>
43,483	(51,020)	(42,965)
28,227	69,040	138,661
<u>\$ 71,710</u>	<u>\$ 18,020</u>	<u>\$ 95,696</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, 2009

The San Pasqual Valley Unified School District was established in July 1954 and is comprised of an area of approximately 1,189 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

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Bernadine Swift Arrow	President	Four year term Expires December 2011
Monica Montague	Vice President	Four year term Expires December 2009
Rebecca L. Ramirez	Clerk	Four year term Expires December 2011
Rory D. McDade	Member	Four year term Expires December 2009
Vernon Smith	Member	Eighteen month term Expires December 2009

Administration

David F. Schoneman
Superintendent

Kish Curtis
Executive Assistant
to the Superintendent

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2009

TABLE D-1

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	64.88	64.40
Grades 1 through 3	186.46	184.46
Grades 4 through 6	151.98	151.43
Grades 7 and 8	90.28	88.53
Opportunity schools	6.21	6.18
Special education	11.94	12.41
Elementary totals	<u>511.75</u>	<u>507.41</u>
High School:		
Grades 9 through 12, regular classes	158.91	157.98
Special education	9.92	9.87
Continuation education	18.82	18.12
High school totals	<u>187.65</u>	<u>185.97</u>
Regional Occupational Centers/Programs	<u>12.40</u>	<u>12.46</u>
Classes for adults:		
Independent study	<u>17.12</u>	<u>18.45</u>
ADA totals	<u>728.92</u>	<u>724.29</u>
	<u>Hours of Attendance</u>	
<u>Summer School</u>		
Elementary	10,418	
High School	4,201	

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, 2009

TABLE D-2

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2008-09 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	28,000	36,000	64,980	180	-	Complied
Grade 1	55,125	50,400	57,420	180	-	Complied
Grade 2	55,125	50,400	57,420	180	-	Complied
Grade 3	55,125	50,400	57,420	180	-	Complied
Grade 4	55,125	54,000	57,420	180	-	Complied
Grade 5	55,125	54,000	57,420	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, 2009

TABLE D-3

General Fund	(Budget) 2010	2009	2008	2007
Revenues and other financial sources	\$ 11,033,480	\$ 12,340,891	\$ 13,331,284	\$ 13,130,521
Expenditures, other uses and transfers out	11,093,758	11,124,879	12,557,549	12,269,677
Change in fund balance (deficit)	(60,278)	1,216,012	773,735	860,844
Ending fund balance	\$ 3,306,510	\$ 3,366,788	\$ 2,150,776	\$ 1,377,041
Available reserves	\$ 3,053,392	\$ 2,985,541	\$ 1,808,463	\$ 1,289,470
Available reserves as a percentage of total outgo	27.5%	26.8%	14.4%	10.5%
Total long-term debt	\$ -	\$ 33,670	\$ 149,520	\$ 185,368
Average daily attendance at P-2	726	729	723	721

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 \$2,850,591 over the past three years. The fiscal year 2009-10 budget projects a decrease of \$60,728. 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 decreased by \$213,430 over the past three years.

Average daily attendance (ADA) has increased by 14 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, 2009

TABLE D-4

The fund balances in all funds as reported in the accompanying audited financial statements are in agreement with the fund balances reported by the district in their unaudited financial statements.

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2009

TABLE D-5

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

Charter Schools

Included In
Audit?

None

N/A

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

TABLE D-6
Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Medi-Cal *	93.778	-	\$ 493
Passed Through State Department of Education:			
Child Development	93.575	-	500
Total U. S. Department of Health and Human Services			<u>993</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Programs:			
Impact Aid - P.L. 81.874	84.041	-	3,142,009
Indian Education	84.060	-	78,022
Total Direct Programs			<u>3,220,031</u>
Passed Through State Department of Education:			
Title I	84.010	03064	592,540
Migrant Education	84.011	03060	14,838
Special Education *	84.027	03379	156,877
Vocational Education	84.048	03569	9,011
Title IV - Drug Free	84.186	03453	6,712
Title V - Innovative Strategies	84.298A	03037	1,294
Title II - EETT	84.318	03207	5,394
Gear Up	84.334	05810	7,500
Title I - Reading First	84.357	14797	89,610
Title VI - Rural and Low Income Schools	84.358	03471	19,545
Title III - LEP	84.365	03453	20,805
Title II - Math and Science	84.366	03596	181,806
Title II - Teacher Quality	84.367	03207	84,206
Special Education ARRA	84.391	03313	37,628
Total Passed Through State Department of Education			<u>1,227,766</u>
Total U. S. Department of Education			<u>4,447,797</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	442,726
Child Nutrition - Fresh Fruit & Vegetable Program	10.582	05370	1,392
Total Passed Through State Department of Education			<u>444,118</u>
Total U. S. Department of Agriculture			<u>444,118</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,892,908</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, 2009

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 King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

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, 2009, which collectively comprise the San Pasqual Valley Unified School District's basic financial statements and have issued our report thereon dated November 11, 2009. 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 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.

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 entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
November 11, 2009

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

Report on Compliance with Requirements Applicable
To each Major Program and on 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, 2009. 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, 2009.

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 over compliance that we considered to be material weaknesses.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
November 11, 2009

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

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, 2009, and have issued our report thereon dated November 11, 2009. 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 2008-09*, 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>
Attendance Accounting:		
Attendance Reporting	8	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	N/A
Regional Occupational Centers and Programs	6	N/A
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Community Day Schools	9	N/A
Morgan-Hart Class Size Reduction Program	7	N/A [1]
Instructional Materials:		
General Requirements	12	1 [3]
Grades K-8 Only	1	N/A [1]
Grades 9-12 Only	1	N/A [1]
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	N/A [1]

Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	N/A
Only One School Serving Grades K-3	4	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Yes
Contemporaneous Records of Attendance, For Charter Schools	1	N/A
Mode of Instruction, for Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based		
Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	N/A

The term "N/A" is used above to mean one or more of the following: 1) The District did not offer the program during the current fiscal year, 2) The program applies only to a different type of local education agency, or 3) The procedures in the audit guide have been revised by subsequent state legislation. The numerals enclosed in brackets which follow some items are explained as follows:

[1] This program is not required to be audited per flexibility provisions of SBx3 4.

[2] The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19825 procedures (e) and (g) were not performed.

[3] The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19828.3 procedures (b), (c) and (e) were not performed.

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

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
November 11, 2009

Findings and Recommendations Section

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

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
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
10.555	Child Nutrition

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, 2009

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? ☐ Yes ☒ No

One or more significant deficiencies identified that are
are not considered to be material weaknesses? ☐ Yes ☒ None Reported

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

B. Financial Statement Findings

Finding 2009-1 (30000)
Student Body Receipts

Criteria or Specific Requirement

Determine that internal controls are in place which allow for the proper recording of student body revenues and ensure that revenues are deposited in a timely manner.

Condition

In our testing of the student body account for the San Pasqual Valley High School, we noted the school does not maintain ticket reconciliations for activities for which tickets are sold. We also noted that the ASB advisors were not transferring cash collections to the ASB clerk so the cash could be deposited in a timely manner.

Questioned Costs

None

Recommendation

We recommend the District implement procedures which require ticket reconciliations for all events for which tickets are sold. We also recommend that cash collected by the ASB advisors be deposited at least on a weekly basis.

LEA's Response

The District will implement procedures that require the ASB advisor to work with the ASB accounting clerk to reconcile all tickets to cash at the end of each week. All cash that is collected will be turned into the district office on Friday of each week and deposited into the appropriate account.

Finding 2009-2 (30000)
Child Nutrition Local Revenue

Criteria or Specific Requirement

Determine that internal controls are in place which allow for the proper recording of child nutrition local revenue and ensure that revenues are deposited in a timely manner.

Condition

In our testing of the child nutrition local revenue, we noted that deposits were not being made into the bank account in a timely manner. We also noted that there is not a reconciliation between the number of meals sold and the amount of cash collected.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Questioned Costs

None

Recommendation

We recommend the District establish an internal control that requires the cafeteria reconcile the number of meals sold to the cash collected. This reconciliation should be reviewed by the District office when the cafeteria brings cash to the District office for deposit. We also recommend that cash be deposited into the bank on a weekly basis.

LEA's Response

The cafeteria supervisor will continue to reconcile the number of meals sold to the cash collected daily. This will be taken to the District office each Friday for review and will then be deposited into the appropriate account.

Finding 2009-3 (60000)
Vacation Accrual

Criteria or Specific Requirement

Determine if the District is in compliance with its policies regarding the accrual and carryover of vacation benefits.

Condition

The board approved policy states that employees may not carry forward to the next fiscal year more than 80 hours of vacation. A review of the supporting documentation showed that ten employees of the district were in violation of the district policy.

Questioned Costs

None

Recommendation

The District should encourage employees whose vacation hours exceed district policy to take vacation time during the year so that by the end of the next fiscal year, all employees are in compliance.

LEA's Response

The Executive Assistant to the Superintendent will meet with each employee whose hours exceed District policy and plan out when the employees will take their vacation during the fiscal year so that all employees are in compliance.

C. Federal Award Findings and Questioned Costs

None

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

D. State Award Findings and Questioned Costs

Finding 2009-4 (40000)

After School Education and Safety Program

Criteria or Specific Requirement

Determine that the local education agency operating the After School Education and Safety Program meets the State requirements.

Condition

In our review of early release policy forms and sign out sheets, we noted the District did not have signed early release forms for all of the students enrolled in the program. We also noted that not all of the students who left the program early provided a reason for the early release.

From the documentation provided for the month of January 2009, we noted that the attendance system does not take into consideration the requirement that pupils in middle or junior high school attend a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. Therefore students who had not attended a minimum of nine hours a week and three days a week were included in the report of days students served.

We also noted that the Before School Program did not operate for at least one and one half hours per school day. In our testing of the before school program we noted that the attendance system does not take into consideration the requirement that pupils in middle or junior high school attend a minimum of six hours a week and three days a week, except as consistent with the established late arrival policy. The attendance system simply calculated the attendance for the period by adding the number of students who were marked present; therefore, students who had not attended a minimum of six hours a week and three days a week were included in the report of days students served.

Questioned Costs

For the quarter tested we were unable to correctly determine the number of days students served. If necessary, the District will revise the attendance for the entire quarter and exclude those middle and junior high school students who did not meet the minimum attendance requirements.

Recommendation

We recommend the District require and obtain signed early release forms for each student participating in the program. We also recommend that the District require that students who leave the program early provide a reason as to why they are leaving early on the sign out sheet so that it can be determined if they are leaving consistent with the early release policy.

We recommend the District evaluate whether middle and junior high school students have attended a minimum of nine hours a week and three days a week for the after school program and six hours a day and three days a week for the before school program. The students who do not meet these requirements should not be included in the report of the number of students.

We also recommend the District operate the before school program for a minimum of one and one half hours per school day.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

LEA's Response

The District will require that all students who leave the program early provide a written reason on the sign out sheet. The sheets will be reviewed by ASES staff weekly to ensure that the reasons are consistent with the early release policy.

As the ASES staff are reviewing the sign out sheets, they will also make sure that any middle and junior high school students who have not attended at least nine hours during the week for after school or students who have not attended six hours a week for at least three days for the before school program will not be included in the ASES reports.

The District will explore the possibility of operating the before school program for at least one and one half hours per school day.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2008-1 After School Education and Safety Program</p> <p>For both San Pasqual Valley Elementary School and San Pasqual Valley Middle School, a proper early release policy had not been established and early release forms were not being used for students who did not attend the entire program. Attendance sheets did not reflect sign out times for students.</p> <p>We recommended that the District establish an appropriate early release policy and communicate the specifics of that policy in parent notices, policy sheets and other relevant program documentation. We recommended that the District create an early release form and use that form to determine if students who left the program early were in compliance with the early release policy. We also recommended that attendance sheets show the time that a student left the program.</p>	<p>Partially Implemented</p>	<p>See Current Year Finding</p>