

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

AUDIT REPORT

JUNE 30, 2010

**WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W Douglas Ave.
El Cajon, CA 92020**

Introductory Section

San Pasqual Valley Unified School District
Audit Report
For The Year Ended June 30, 2010

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Financial Section

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W Douglas Ave.
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, 2010, 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 the 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, 2010, 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 24, 2010, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Pasqual Valley Unified School District's financial statements as a whole. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2009-10*, published by the Education Audit Appeals Panel, and is also not a required part of the financial statements. The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Wilkinson Hadley King + Co LLP

El Cajon, California
November 24, 2010

San Pasqual Valley Unified School District
Management's Discussion and Analysis
June 30, 2010
(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, 2010. 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 \$14.17 million.
- Total change in District net assets was increased by \$2.35 million.
- Total general and program revenues were \$13.2 million.
- The SPVUSD enrollment increased by 16 students for a total enrollment of 762 students in October 2009 compared to 746 students in October, 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the SPVUSD's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

1. Government-wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the SPVUSD's finances, in a manner similar to a private-sector business.

- The statement of net assets presents information on all of the assets and liabilities of the SPVUSD, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.
- The statement of activities presents information showing how the net assets of the SPVUSD changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found later in this report.

2. Fund financial statements

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

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

The SPVUSD maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the special reserve for other than capital projects fund. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement will be provided for the general fund to demonstrate compliance with this budget with the closing of the books at June 30, 2010. 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 \$14.6 million at the close of the most recent fiscal year.

STATEMENT OF NET ASSETS 6/30/2010 (In Millions of Dollars)

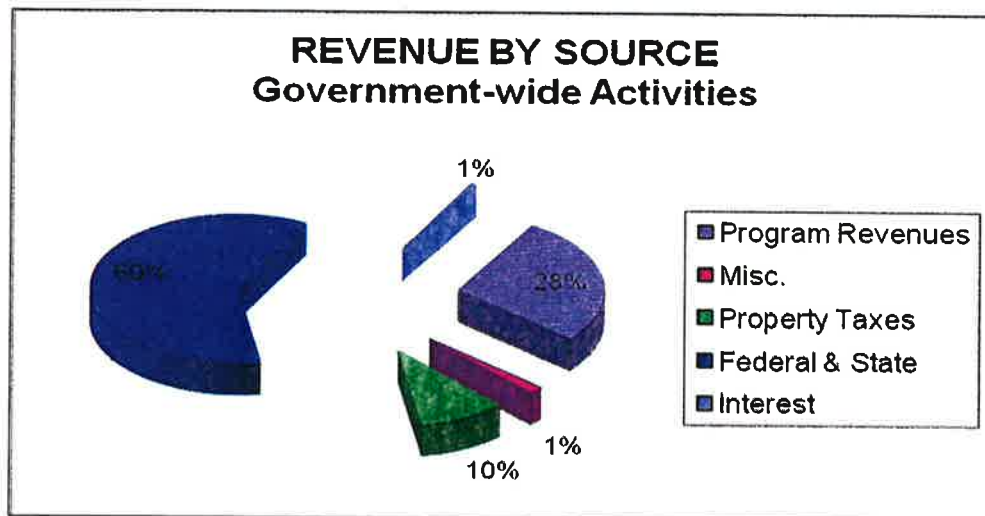
	2008-09	2009-10
ASSETS:		
Cash & Current Assets	6.5	7.92
Capital Assets	6.4	6.82
Total Assets	12.9	14.74
 LIABILITIES:		
Long-term Debt	.03	.24
Other Liabilities	1.19	.33
Total Liabilities	1.22	.57
 TOTAL NET ASSETS	 11.7	 14.17
 DISTRIBUTION OF NET		
ASSETS:		
Invested in Capital Assets	6.4	11.63
Restricted for Capital		
Projects	.1	.04
Other Restricted	5.2	2.50
Non-restricted	-	-
TOTAL NET ASSETS	11.7	14.17

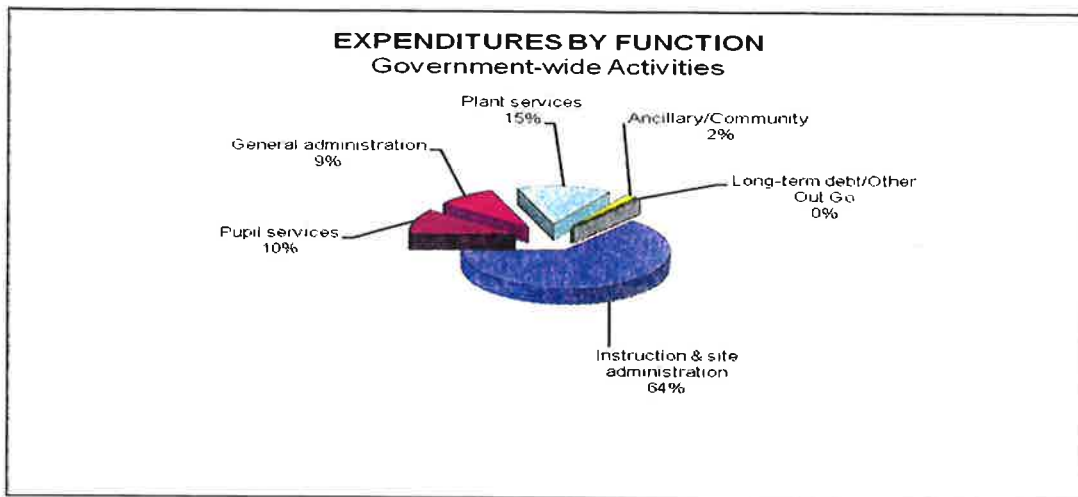
- Forty one percent (41%) of SPVUSD'S net assets reflects its investment in capital assets (e.g., land, equipment, buildings and improvements net of accumulated depreciation), less any related debt (bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets 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 (.27%) 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 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, 2010 are as follows:

REVENUES		2009-10
Program Revenues		\$ 3,675,274
Property taxes		\$ 1,268,619
Miscellaneous Revenue		\$ 211,564
Federal & state aid not restricted		\$ 8,002,518
Investment & interest earnings		\$ 46,151
Total Revenues		\$ 13,204,126
EXPENDITURES BY FUNCTION		
Instruction/Instruction related services		\$ 6,666,586
Pupil services		\$ 1,594,131
General administration		\$ 886,409
Plant services		\$ 1,213,840
Ancillary services		\$ 127,459
Community services		\$ 44,163
Interest on long-term debt		\$ -
Other-outgo		\$ 323,046
Total Expenditures		\$10,855,634
CHANGE IN NET ASSETS		\$ 2,348,492
Net-Assets - Beginning		\$ 11,822,055
Net-Assets - Ending		\$ 14,170,547





The largest dollar amount in revenue continues to be from federal and state aid. 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 decreases. The value of the base Revenue Limit for the year ended June 30, 2010 for SPVUSD was \$6,789 (however, it was deficated by 81.6%).

**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
2008-09	\$ 6,528	\$ 6,150
2009-10	\$ 6,789	\$ 6,411

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 \$14.11 million. This is the sixth year the district has compiled these reports. This compares with the 2008-09 net asset balance of \$11.7 million. The net change in assets is a positive \$2.35 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

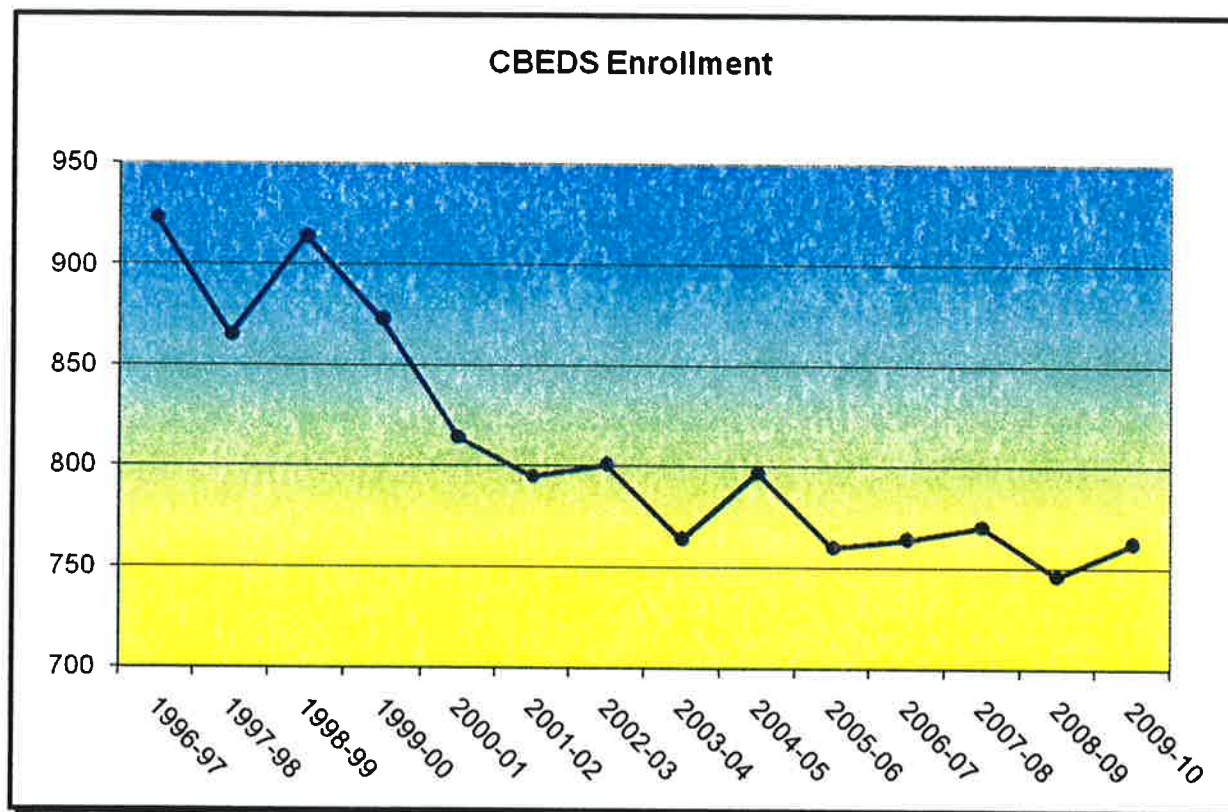
Capital Assets. The Board of Trustees adopted a minimum of \$5,000 as the threshold for recognition of capital assets for GASB34 reporting. The District previously contracted with American Appraisal Services to conduct the District's capital asset inventory and valuation. Those results, net of depreciation are contained in this report, updated as of June 30, 2010.

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 provided two classrooms to house students during the construction of the new elementary classrooms.

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 increased slightly for the 2009-10 school year.



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 Superintendent San Pasqual Valley Unified School District, 676 Baseline Road, Winterhaven, CA 92283.

Basic Financial Statements

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**STATEMENT OF NET ASSETS**

JUNE 30, 2010

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 6,405,138
Cash in Revolving Fund	2,500
Accounts Receivable	1,513,807
Stores Inventories	6,291
Capital Assets:	
Land	66,865
Improvements	1,226,196
Buildings	7,631,931
Equipment	2,606,789
Work in Progress	428,979
Less Accumulated Depreciation	(5,143,461)
Total Assets	<u>14,745,035</u>
LIABILITIES:	
Accounts Payable	171,296
Deferred Revenues	71,159
Long-Term Liabilities	
Due Within One Year	56,751
Due In More Than One Year	275,283
Total Liabilities	<u>574,489</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	11,629,192
Restricted For:	
Capital Projects	38,937
Educational Programs	342,432
Other Purposes (Expendable)	2,159,985
Total Net Assets	<u>\$ 14,170,546</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, 2010

EXHIBIT A-2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	\$ 5,667,473	\$ -	\$ 1,818,978	\$ (3,848,495)
Instruction-Related Services				
Instructional Supervision and Administration	174,871	-	94,424	(80,447)
Instructional Library, Media and Technology	84,332	-	80,277	(4,055)
School Site Administration	739,910	-	12,991	(726,919)
Pupil Services				
Home-to-School Transportation	535,303	-	509,068	(26,235)
Food Services	567,868	2,386	548,860	(16,622)
All Other Pupil Services	490,960	-	333,178	(157,782)
General Administration				
Centralized Data Processing	76,250	-	-	(76,250)
All Other General Administration	810,159	-	171,867	(638,292)
Plant Services	1,213,840	3,469	9,214	(1,201,157)
Ancillary Services	127,459	-	16,220	(111,239)
Community Services	44,163	150	7,059	(36,954)
Other Outgo	-	66,936	197	67,133
Depreciation (Unallocated)	323,046	-	-	(323,046)
Total Governmental Activities	10,855,634	72,941	3,602,333	(7,180,360)
Total Primary Government	\$ 10,855,634	\$ 72,941	\$ 3,602,333	(7,180,360)
General Revenues:				
Taxes and Subventions				1,268,619
Federal and State Aid, Not Restricted				8,002,518
Interest and Investment Earnings				46,151
Interagency Revenues				24,804
Miscellaneous				186,760
Total General Revenues				9,528,852
Change in Net Assets				2,348,492
Net Assets - Beginning				11,822,055
Net Assets - Ending				\$ 14,170,547

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Special Reserve for Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 4,709,810	\$ 968,359	\$ 726,969	\$ 6,405,138
Cash in Revolving Fund	2,500	-	-	2,500
Accounts Receivable	1,431,019	-	82,788	1,513,807
Due from Other Funds	3,939	-	-	3,939
Stores Inventories	-	-	6,291	6,291
Total Assets	<u>\$ 6,147,268</u>	<u>\$ 968,359</u>	<u>\$ 816,048</u>	<u>\$ 7,931,675</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 151,478	\$ -	\$ 19,818	\$ 171,296
Due to Other Funds	-	-	3,939	3,939
Deferred Revenue	71,159	-	-	71,159
Total Liabilities	<u>222,637</u>	<u>-</u>	<u>23,757</u>	<u>246,394</u>
Fund Balance:				
Unreserved	5,924,631	968,359	-	6,892,990
Unreserved, reported in nonmajor:				
Special Revenue Funds	-	-	753,439	753,439
Capital Projects Funds	-	-	38,852	38,852
Total Fund Balance	<u>5,924,631</u>	<u>968,359</u>	<u>792,291</u>	<u>7,685,281</u>
Total Liabilities and Fund Balances	<u>\$ 6,147,268</u>	<u>\$ 968,359</u>	<u>\$ 816,048</u>	<u>\$ 7,931,675</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, 2010

Total fund balances - governmental funds balance sheet	\$ 7,685,281
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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:	11,960,759	
Accumulated depreciation:	<u>(5,143,461)</u>	
Net		6,817,298

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:

Capital leases payable	237,257	
Net OPEB obligation	72,255	
Compensated absences payable	<u>22,520</u>	
Total		<u>(332,032)</u>

Net assets of governmental activities - statement of net assets	\$ <u>14,170,547</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, 2010**

	General Fund	Special Reserve for Other Than Capital Outlay	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 3,012,022	\$ -	\$ -	\$ 3,012,022
Local Sources	1,310,080	-	-	1,310,080
Federal Revenue	5,618,554	-	457,209	6,075,763
Other State Revenue	2,271,713	-	156,402	2,428,115
Other Local Revenue	286,395	13,254	78,499	378,148
Total Revenues	<u>12,498,764</u>	<u>13,254</u>	<u>692,110</u>	<u>13,204,128</u>
Expenditures:				
Instruction	5,520,922	-	109,407	5,630,329
Instruction - Related Services	989,127	-	6,541	995,668
Pupil Services	1,058,646	-	577,424	1,636,070
Ancillary Services	125,291	-	-	125,291
Community Services	44,163	-	-	44,163
General Administration	893,180	-	-	893,180
Plant Services	1,791,263	-	68,295	1,859,558
Other Outgo	(6,136)	-	-	(6,136)
Debt Service:				
Principal	47,867	-	-	47,867
Total Expenditures	<u>10,464,323</u>	<u>-</u>	<u>761,667</u>	<u>11,225,990</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,034,441</u>	<u>13,254</u>	<u>(69,557)</u>	<u>1,978,138</u>
Other Financing Sources (Uses):				
Transfers In	261,691	-	131,780	393,471
Transfers Out	(131,780)	(80,000)	(181,691)	(393,471)
Other Sources	285,124	-	-	285,124
Total Other Financing Sources (Uses)	<u>415,035</u>	<u>(80,000)</u>	<u>(49,911)</u>	<u>285,124</u>
Net Change in Fund Balance	2,449,476	(66,746)	(119,468)	2,263,262
Fund Balance, July 1	3,475,155	1,035,105	911,759	5,422,019
Fund Balance, June 30	<u>\$ 5,924,631</u>	<u>\$ 968,359</u>	<u>\$ 792,291</u>	<u>\$ 7,685,281</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, 2010

Net change in fund balances - total governmental funds \$ 2,263,262

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	712,774	
Depreciation expense	(323,046)	
Net		389,728

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:

47,867

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

(285,124)

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:

(6,135)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(77,256)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

11,150

Change in net assets of governmental activities - statement of activities \$ 2,343,492

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, 2010

	Agency Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	\$ 36,757	
Total Assets	<u>\$ 36,757</u>	
LIABILITIES:		
Due to Student Groups	\$ 36,757	
Total Liabilities	<u>36,757</u>	
NET ASSETS:		
Total Net Assets	<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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, 2010

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, 2010

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, 2010

d. 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.

e. Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

f. 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.

g. 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.

h. 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.

i. 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, 2010

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, 2010 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Capital Outlay	\$ 219,653

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 (\$6,405,139 as of June 30, 2010). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$6,405,139. 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 (\$36,757 as of June 30, 2010) 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.

3. Investments:

The District's investments at June 30, 2010 are shown below.

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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.

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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2010 consist of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government:					
Federal Programs	\$ 645,165	\$ 56,283	\$ -	\$ -	\$ 701,448
State Government:					
Revenue Limit	692,862	-	-	-	692,862
Lottery	58,263	-	-	-	58,263
Other State Programs	18,611	19,774	-	-	38,385
Local Sources:					
Interest	16,117	638	-	-	16,755
Other local sources	-	6,093	-	-	6,093
Total	<u>\$ 1,431,018</u>	<u>\$ 82,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,513,806</u>

F. Capital Assets

Capital asset activity for the year ended June 30, 2010 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	264,371	172,873	8,265	428,979
Total capital assets not being depreciated	<u>331,236</u>	<u>172,873</u>	<u>8,265</u>	<u>495,844</u>
Capital assets being depreciated:				
Buildings	7,253,291	378,640	-	7,631,931
Improvements	1,176,349	49,847	-	1,226,196
Equipment	2,603,602	119,679	116,492	2,606,789
Total capital assets being depreciated	<u>11,033,242</u>	<u>548,166</u>	<u>116,492</u>	<u>11,464,916</u>
Less accumulated depreciation for:				
Buildings	(2,786,996)	(150,696)	-	(2,937,692)
Improvements	(410,245)	(54,297)	-	(464,542)
Equipment	(1,739,666)	(118,053)	(116,492)	(1,741,227)
Total accumulated depreciation	<u>(4,936,907)</u>	<u>(323,046)</u>	<u>(116,492)</u>	<u>(5,143,461)</u>
Total capital assets being depreciated, net	<u>6,096,335</u>	<u>225,120</u>	<u>-</u>	<u>6,321,455</u>
Governmental activities capital assets, net	<u>\$ 6,427,571</u>	<u>\$ 397,993</u>	<u>\$ 8,265</u>	<u>\$ 6,817,299</u>

Depreciation was charged to functions as follows:

Unallocated	\$ 323,046
	<u>\$ 323,046</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

G. Accounts Payable

Accounts payable balances as of June 30, 2010 consist of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Accounts Payable:					
Vendor payables	\$ 151,478	\$ 7,075	\$ 12,743	\$ -	\$ 171,296
Total	<u>\$ 151,478</u>	<u>\$ 7,075</u>	<u>\$ 12,743</u>	<u>\$ -</u>	<u>\$ 171,296</u>

H. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2010 consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Child Development Fund	\$ 3,939
	Total	<u>\$ 3,939</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, 2010 consisted of the following:

Transfers To	Transfers From	Amount
General Fund	Child Development Fund	\$ 31,780
General Fund	Cafeteria Fund	100,000
Deferred Maintenance Fund	General Fund	181,691
Special Reserve Fund, Other	General Fund	80,000
	Total	<u>\$ 393,471</u>

I. Short-Term Debt Activity

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

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	\$ 1,300,000	\$ -	\$ 1,300,000	\$ -

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

J. 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, 2010 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital leases	\$ -	\$ 285,124	\$ 47,867	\$ 237,257	\$ 34,231
Net OPEB Obligation	-	72,256	-	72,256	-
Compensated absences *	33,670	-	11,150	22,520	22,520
Total governmental activities	<u>\$ 33,670</u>	<u>\$ 357,380</u>	<u>\$ 59,017</u>	<u>\$ 332,033</u>	<u>\$ 56,751</u>

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB obligation at June 30, 2010 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 56,751	\$ 13,637	\$ 70,388
2012	36,198	11,669	47,867
2013	38,279	9,588	47,867
2014	40,479	7,388	47,867
2015	42,805	5,062	47,867
2016-2020	45,265	2,602	47,867
Totals	<u>\$ 259,777</u>	<u>\$ 49,946</u>	<u>\$ 309,723</u>

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2010 as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 34,231	\$ 13,636	\$ 47,867
2012	36,198	11,669	47,867
2013	38,279	9,588	47,867
2014	40,479	7,388	47,867
2015	42,805	5,062	47,867
2016-2020	45,265	2,602	47,867
Totals	<u>\$ 237,257</u>	<u>\$ 49,945</u>	<u>\$ 287,202</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

K. 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, 2010 is not available.

L. 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 2009-10 was 9.70% 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, 2010, 2009 and 2008 were \$217,376, \$176,491 and \$231,321, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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 2009-10 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, 2010, 2009 and 2008 were \$323,839, \$347,072 and \$341,036, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$175,262.

M. Postemployment Benefits Other Than Pension Benefits

The District provides retiree health benefits up to age 65 for 5 retirees as well as 58 active employees. Eligible employees are certificated or administrative employees who have attained age 55 but not yet attained age 65, have completed 10 or more years of continuous, full time service with the District under CalSTRS. Eligible employees will receive 100% of combined costs of medical/prescription drug and dental insurance until age 65.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefits (OPEB) costs (expense) is based on the annual required contribution of the employer (ARC). The District's expense is comprised of the present value of benefits accruing in the current year (normal cost) plus a 30 year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2010, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$	117,570
Contributions made		<u>(45,314)</u>
Increase in net OPEB obligation		72,256
Net OPEB obligations - beginning of year		<u>-</u>
Net OPEB obligations - end of year	\$	<u>72,256</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2010 is as follows:

Year Ended June 30	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	117,570	38.54%	72,256

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

N. 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.

O. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 2,935,737	\$ 3,032,627	\$ 3,012,022	\$ (20,605)
Local Sources	1,371,168	1,270,135	1,310,080	39,945
Federal Revenue	4,323,813	5,711,786	5,618,554	(93,232)
Other State Revenue	2,102,568	2,353,721	2,271,713	(82,008)
Other Local Revenue	215,307	330,359	286,395	(43,964)
Total Revenues	<u>10,948,593</u>	<u>12,698,628</u>	<u>12,498,764</u>	<u>(199,864)</u>
Expenditures:				
Current:				
Certificated Salaries	4,541,830	4,384,217	4,094,732	289,485
Classified Salaries	2,353,831	2,470,765	2,118,554	352,211
Employee Benefits	1,819,881	1,847,177	1,671,197	175,980
Books And Supplies	900,915	930,321	656,802	273,519
Services And Other Operating Expenditures	1,378,194	1,626,455	1,239,979	386,476
Capital Outlay	88,636	415,539	635,192	(219,653)
Debt Service:				
Principal	9,142	57,009	47,867	9,142
Total Expenditures	<u>11,092,429</u>	<u>11,731,483</u>	<u>10,464,323</u>	<u>1,267,160</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(143,836)</u>	<u>967,145</u>	<u>2,034,441</u>	<u>1,067,296</u>
Other Financing Sources (Uses):				
Transfers In	-	-	261,691	261,691
Transfers Out	-	-	(131,780)	(131,780)
Other Sources	-	-	285,124	285,124
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>415,035</u>	<u>415,035</u>
Net Change in Fund Balance	<u>(143,836)</u>	<u>967,145</u>	<u>2,449,476</u>	<u>1,482,331</u>
Fund Balance, July 1	3,475,155	3,475,155	3,475,155	-
Fund Balance, June 30	<u>\$ 3,331,319</u>	<u>\$ 4,442,300</u>	<u>\$ 5,924,631</u>	<u>\$ 1,482,331</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, 2010

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Local Revenue	\$ 24,310	\$ 24,310	\$ 13,254	\$ (11,056)
Total Revenues	<u>24,310</u>	<u>24,310</u>	<u>13,254</u>	<u>(11,056)</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>13,254</u>	<u>(11,056)</u>
Other Financing Sources (Uses):				
Transfers Out	<u>-</u>	<u>-</u>	<u>(80,000)</u>	<u>(80,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(80,000)</u>	<u>(80,000)</u>
Net Change in Fund Balance	<u>24,310</u>	<u>24,310</u>	<u>(66,746)</u>	<u>(91,056)</u>
Fund Balance, July 1	1,035,105	1,035,105	1,035,105	-
Fund Balance, June 30	<u>\$ 1,059,415</u>	<u>\$ 1,059,415</u>	<u>\$ 968,359</u>	<u>\$ (91,056)</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

SAN PASQUAL VALLEY UNIFIED RETIREE HEALTH PLAN

YEAR ENDED JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/10	\$ -	\$ 815,655	\$ 815,655	-	\$ 6,435,390	12.7%

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, 2010

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 675,374	\$ 51,595	\$ 726,969
Accounts Receivable	82,788	-	82,788
Stores Inventories	6,291	-	6,291
Total Assets	\$ 764,453	\$ 51,595	\$ 816,048
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 7,075	\$ 12,743	\$ 19,818
Due to Other Funds	3,939	-	3,939
Total Liabilities	11,014	12,743	23,757
Fund Balance:			
Unreserved, reported in nonmajor:			
Special Revenue Funds	753,439	-	753,439
Capital Projects Funds	-	38,852	38,852
Total Fund Balance	753,439	38,852	792,291
Total Liabilities and Fund Balances	\$ 764,453	\$ 51,595	\$ 816,048

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, 2010

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 457,209	\$ -	\$ 457,209
Other State Revenue	156,402	-	156,402
Other Local Revenue	70,930	7,569	78,499
Total Revenues	<u>684,541</u>	<u>7,569</u>	<u>692,110</u>
Expenditures:			
Instruction	109,407	-	109,407
Instruction - Related Services	6,541	-	6,541
Pupil Services	577,424	-	577,424
Plant Services	3,882	64,413	68,295
Total Expenditures	<u>697,254</u>	<u>64,413</u>	<u>761,667</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,713)</u>	<u>(56,844)</u>	<u>(69,557)</u>
Other Financing Sources (Uses):			
Transfers In	131,780	-	131,780
Transfers Out	(181,691)	-	(181,691)
Total Other Financing Sources (Uses)	<u>(49,911)</u>	<u>-</u>	<u>(49,911)</u>
Net Change in Fund Balance	(62,624)	(56,844)	(119,468)
Fund Balance, July 1	816,063	95,696	911,759
Fund Balance, June 30	<u>\$ 753,439</u>	<u>\$ 38,852</u>	<u>\$ 792,291</u>

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 167,145	\$ -	\$ 355,646	\$ 675,374
76,452	-	-	82,788
6,291	-	-	6,291
<u>\$ 249,888</u>	<u>\$ -</u>	<u>\$ 355,646</u>	<u>\$ 764,453</u>
\$ 1,702	\$ -	\$ -	\$ 7,075
-	-	-	3,939
<u>1,702</u>	<u>-</u>	<u>-</u>	<u>11,014</u>
248,186	-	355,646	753,439
<u>248,186</u>	<u>-</u>	<u>355,646</u>	<u>753,439</u>
<u>\$ 249,888</u>	<u>\$ -</u>	<u>\$ 355,646</u>	<u>\$ 764,453</u>

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 457,209	\$ -	\$ -	\$ 457,209
93,422	-	-	156,402
4,346	2,326	4,553	70,930
<u>554,977</u>	<u>2,326</u>	<u>4,553</u>	<u>684,541</u>
-	-	-	109,407
-	-	-	6,541
577,424	-	-	577,424
3,882	-	-	3,882
<u>581,306</u>	<u>-</u>	<u>-</u>	<u>697,254</u>
<u>(26,329)</u>	<u>2,326</u>	<u>4,553</u>	<u>(12,713)</u>
100,000	-	-	131,780
-	(181,691)	-	(181,691)
<u>100,000</u>	<u>(181,691)</u>	<u>-</u>	<u>(49,911)</u>
73,671	(179,365)	4,553	(62,624)
174,515	179,365	351,093	816,063
<u>\$ 248,186</u>	<u>\$ -</u>	<u>\$ 355,646</u>	<u>\$ 753,439</u>

County School Facilities Fund	Special Reserve For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 21,036	\$ 18,254	\$ 51,595
\$ 21,036	\$ 18,254	\$ 51,595
\$ 12,743	\$ -	\$ 12,743
12,743	-	12,743
8,293	18,254	38,852
8,293	18,254	38,852
\$ 21,036	\$ 18,254	\$ 51,595

County School Facilities Fund	Special Reserve For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 996	\$ 234	\$ 7,569
996	234	7,569
64,413	-	64,413
64,413	-	64,413
(63,417)	234	(56,844)
(63,417)	234	(56,844)
71,710	18,020	95,696
\$ 8,293	\$ 18,254	\$ 38,852

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, 2010

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

Name	Office	Term and Term Expiration
Bernadine Swift Arrow	President	Four year term Expires December 2011
Monica Montague	Vice President	Four year term Expires December 2013
Rebecca L. Ramirez	Clerk	Four year term Expires December 2011
Rory D. McDade	Member	Four year term Expires December 2013
Vernon Smith	Member	Eighteen month term Expires December 2013

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, 2010

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	56.06	56.06	56.16	56.16
Grades 1 through 3	184.46	184.46	185.48	185.48
Grades 4 through 6	156.35	156.35	156.99	156.99
Grades 7 and 8	99.8	99.8	99.23	99.23
Opportunity school	5.22	5.22	5.12	5.12
Special education	17.64	17.64	17.5	17.5
Elementary totals	519.53	519.53	520.48	520.48
High School:				
Grades 9 through 12, regular classes	139.71	139.71	139.51	139.51
Special education	5.4	5.4	5.67	5.67
Continuation education	23.24	17.37	23	17.95
Community day school	0.13	0.13	0.5	0.5
High school totals	168.48	162.61	168.68	163.63
ADA totals	688.01	682.14	689.16	684.11

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, 2010

TABLE D-2

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2009-10 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	28,000	27,222	36,000	35,000	59,270	178	-	Complied
Grade 1	55,125	53,594	50,400	49,000	57,170	178	-	Complied
Grade 2	55,125	53,594	50,400	49,000	57,170	178	-	Complied
Grade 3	55,125	53,594	50,400	49,000	57,170	178	-	Complied
Grade 4	55,125	53,594	54,000	52,500	57,170	178	-	Complied
Grade 5	55,125	53,594	54,000	52,500	57,170	178	-	Complied
Grade 6	55,125	53,594	54,000	52,500	57,170	178	-	Complied
Grade 7	66,000	64,167	54,000	52,500	66,640	178	-	Complied
Grade 8	66,000	64,167	54,000	52,500	66,640	178	-	Complied
Grade 9	66,000	64,167	64,800	63,000	66,640	178	-	Complied
Grade 10	66,000	64,167	64,800	63,000	66,640	178	-	Complied
Grade 11	66,000	64,167	64,800	63,000	66,640	178	-	Complied
Grade 12	66,000	64,167	64,800	63,000	66,640	178	-	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, 2010

TABLE D-3

<u>General Fund</u>	<u>(Budget)</u> <u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues and other financial sources	\$ <u>10,479,060</u>	\$ <u>13,045,579</u>	\$ <u>12,503,363</u>	\$ <u>13,331,284</u>
Expenditures, other uses and transfers out	<u>11,234,603</u>	<u>10,596,103</u>	<u>11,178,984</u>	<u>12,557,549</u>
Change in fund balance (deficit)	<u>(755,543)</u>	<u>2,449,476</u>	<u>1,324,379</u>	<u>773,735</u>
Ending fund balance	\$ <u>5,169,088</u>	\$ <u>5,924,631</u>	\$ <u>3,475,155</u>	\$ <u>2,150,776</u>
Available reserves	\$ <u>5,047,251</u>	\$ <u>5,579,697</u>	\$ <u>2,985,541</u>	\$ <u>1,808,463</u>
Available reserves as a percentage of total outgo	<u>44.9%</u>	<u>52.7%</u>	<u>26.8%</u>	<u>14.4%</u>
Total long-term debt	\$ <u>275,281</u>	\$ <u>332,032</u>	\$ <u>33,670</u>	\$ <u>149,520</u>
Average daily attendance at P-2	<u>690</u>	<u>682</u>	<u>729</u>	<u>723</u>

This schedule discloses the district's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the district's ability to continue as a going concern for a reasonable period of time.

The general fund balance has increased by \$4,531,473 over the past three years. The fiscal year 2010-11 budget projects a decrease of \$755,543. For a district this size, the state recommends available reserves of at least 1% of total general fund expenditures, other uses and transfers out.

Long-term debt has increased by \$146,664 over the past three years.

Average daily attendance (ADA) has decreased by 39 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, 2010

TABLE D-4

	General Fund
June 30, 2010, annual financial and budget report fund balances	\$ 5,912,463
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Cash with fiscal agent overstatement	(1,343,490)
Accounts receivable understatement	16,117
Current loans overstatement	1,300,000
Accounts payable overstatement	39,541
Net adjustments and reclassifications	12,168
June 30, 2010, audited financial statement fund balances	\$ 5,924,631

	Government Wide
June 30, 2010, annual financial and budget report total liabilities	\$ 1,637,232
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Current loans overstatement	(1,300,000)
Capital leases understatement	237,257
Net adjustments and reclassifications	(1,062,743)
June 30, 2010, audited financial statement total liabilities	\$ 574,489

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, 2010

TABLE D-5

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

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Medi-Cal *	93.778	-	\$ 539
Total U. S. Department of Health and Human Services			539
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Programs:			
Impact Aid - P.L. 81.874 *	84.041	-	3,704,274
Indian Education	84.060	-	84,348
Total Direct Programs			3,788,622
Passed Through State Department of Education:			
Title I *	84.010	03064	475,885
Migrant Education	84.011	03060	77,626
Special Education *	84.027	03379	269,400
Vocational Education	84.048	03569	7,233
Title IV - Drug Free	84.186	03453	9,453
Title IV - Safe and Drug Free Schools	84.186	14347	9,453
Title II - EETT *	84.318	03207	4,609
Gear Up	84.334	05810	10,000
Title I - Reading First	84.357	14797	298,849
Title VI - Rural and Low Income Schools	84.358	03471	19,200
Title III - LEP	84.365	03453	17,681
Title III - Immigrant	84.365	14346	3,446
Title II - Teacher Quality	84.367	03207	86,840
Title I - Program Improvement *	84.377	14971	116,059
ARRA Title I *	84.389	15005	235,869
ARRA Special Education *	84.391	03313	119,525
ARRA Preschool *	84.392	15000	18,878
ARRA State Fiscal Stabilization Funds *	84.394	24997	234,648
Total Passed Through State Department of Education			2,014,654
Total U. S. Department of Education			5,803,276
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	420,116
ARRA Child Nutrition	10.579	15006	7,460
Child Nutrition - Fresh Fruit & Vegetable Program	10.582	05370	29,634
Total Passed Through State Department of Education			457,210
Total U. S. Department of Agriculture			457,210
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,261,025

* 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, 2010

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 Ave.
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, 2010, which collectively comprise the San Pasqual Valley Unified School District's basic financial statements and have issued our report thereon dated November 24, 2010. 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2010-1 and 2010-2.

San Pasqual Valley Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit San Pasqual Valley Unified School District's response and, accordingly, we express no opinion on it.

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 24, 2010

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W Douglas Ave.
El Cajon, CA 92020

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and
Material Effect on 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 San Pasqual Valley Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Pasqual Valley Unified School District's major federal programs for the year ended June 30, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, 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 24, 2010

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W Douglas Ave.
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, 2010, and have issued our report thereon dated November 24, 2010. 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 2009-10*, 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
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
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
Public Hearing Requirement - Receipt of Funds	1	Yes
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	N/A

After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	N/A
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 either that the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

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

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

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

Wilkinson Hadley King + Co LLP

El Cajon, California
November 24, 2010

Findings and Recommendations Section

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

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>
84.010, 84.389	Title I Cluster
84.027, 84.391, 84.392	Special Education Cluster
84.357	Reading First
84.394	State Fiscal Stabilization Fund Cluster

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, 2010

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 2010-1 (30000)
Associated Student Body Funds

Criteria or Specific Requirement

Ensure that the district has controls in place to ensure that student body funds are protected. Ensure that expenditures are appropriately documented and include approval from an employee designated by the board, a certificated advisor, and a student representative in accordance with Education Code Section 48933.

Condition

In our review of expenditures of student body funds we noted that nine out of seventeen expenditures reviewed did not contain all three required approval signatures. In addition four out of seventeen expenditures selected did not have supporting documents which agreed with the amount of the disbursement. The district was unable to provide supporting documents for eight out of ten deposits selected at the high school and the elementary school indicated that they did not retain supporting documents for any deposits.

Questioned Costs

None

Recommendation

We recommend the district implement procedures to ensure that deposits and expenditures of student body funds are properly accounted for and safeguarded. Expenditures should contain supporting documentation in agreement with the payment amount and signatures from an employee designated by the board, a certificated advisor, and a student representative in accordance with Education Code Section 48933. Deposits should contain supporting ticket reconciliation, inventory reconciliation, cash transmittal forms, receipts or other supporting documents that are in agreement of the deposit amount. Any reconciliations or cash transmittal forms should be signed by the party completed as well as a second person verifying the amounts reported are accurate.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

LEA's Response

The District will meet with the Principals, ASB advisors, and accounting clerks to implement new procedures and requirements for the ASB. These requirements will include that no expenditures will be processed without the three required signatures and required documentation. Each of the expenditures will be reviewed by the Principal before it can be processed. Deposits will only be processed with supporting documentation. This will also be reviewed by the Principal and will require the Principal's signature. The ASB advisors and accounting clerks will attend additional training in the Spring to assist in meeting the requirements. The District Office Business Services personnel will also be reviewing the ASB accounts and documentation at the end of each month.

Finding 2010-2 (30000)
Disbursements

Criteria or Specific Requirement

Ensure that the district has controls in place to ensure that expenditures are appropriate and are approved.

Condition

In our review of disbursements we noted ten out of twenty six disbursements selected did not have documentation of approval for payment. In discussion with the accounts payable clerk it was indicated that verbal approval was received but no written documentation was obtained. The disbursements did not appear to be inappropriate in nature; however, written documentation of approval should still be maintained.

Questioned Costs

None

Recommendation

We recommend the district implement procedures requiring documentation of approval on all disbursements. No payments should be sent out without first documenting approval to pay by an appropriate party.

LEA's Response

District Business Services has already met with the accounts payable clerk regarding this finding. It was decided that either the Superintendent or one of the two Executive Assistants to the Superintendents will review and sign off on each disbursement before payment is processed.

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, 2010

D. State Award Findings and Questioned Costs

Finding 2010-3 (10000)
Continuation Education

Criteria or Specific Requirement

- A. Select a representative sample of classes (teachers). Trace the monthly totals from the monthly report to data origination documentation. Verify the mathematical accuracy of the attendance registers. Select a representative sample of students and trace each student's attendance to the teacher's attendance register, verify hourly attendance accounting was used, and verify that attendance was not credited for more than the scheduled class time.
- B. Verify that not more than 10% of each continuation high school's ADA at P2 (exclusive of ADA for students who were pregnant or were parents and primary caregivers for one or more of their children) was generated through independent study as provided in Education Code Section 51745 (b).

Condition

- A. In our review of attendance for continuation education we noted that amounts reported on the districts attendance reports was not in agreement with data origination documentation. When we inquired as to the reason the attendance clerk stated that when a student came in for extra hours on a given day she would go into the attendance system and change a previously marked absent to a present. She understood any extra hours students were in attendance (whether scheduled or not) counted as attendance for any time that was missed. She altered the attendance system for any extra time students came in. In further review, students were given credit for time outside of scheduled class time. Corrections to the attendance system to bring attendance in agreement with teacher data origination documentation resulted in a reduction in ADA of 2.3 at P2 and 1.43 at Annual.
- B. In our review of attendance for continuation education we noted that independent study ADA exclusive of ADA for students who were pregnant or primary caregivers was 25% of total ADA reported. The result is an additional reduction to ADA of 3.57 at P2 and 3.63 at Annual.

Questioned Costs

- A. Reduction in ADA of 2.3 at P2 resulting in estimated questioned costs of \$15,600.
- B. Additional reduction in ADA of 3.57 at P2 resulting in additional estimated questioned costs of \$24,240.

Total questioned costs for continuation education are an estimate of \$39,840.

Recommendation

- A. We recommend the district implement procedures requiring attendance records to agree with data origination documentation. Students should be given credit for actual attendance of scheduled class time. If scheduled class time exceeds 15 hours per week the school may use the additional time to backfill attendance previously missed by the student. The computerized attendance system in use by the school will calculate backfill as allowed for continuation education.
- B. We recommend the school implement procedures limiting continuation education students from participating in independent study unless the school has less than 10% participation in independent study or the student meets the exclusion from the general rule.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

LEA's Response

The District has already begun to remedy the Continuation Education problems. On November 1, 2010, the District implemented a new attendance system (Genesis) district-wide. The trainer for the program who had a tremendous amount of experience with Continuation Schools assisted with redesigning our schedule and attendance procedures. The Attendance Clerk and Principal have worked extensively with the trainer. They are also scheduled to attend training on Continuation Education in the Spring.

Finding 2010-4 (40000)

After School Education and Safety Program

Criteria or Specific Requirement

Determine whether the reported number of students served, as that term is used in the report, for each selected school is supported by written records that document pupil participation, by tracing the reported numbers through any documentation used to summarize the numbers of students served, to written data origination documentation. Determine whether the after school program operated a minimum of 15 hours per week. determine whether elementary school pupils participated in the full day of the after school program on every day during which pupils participated, and determine whether pupils in middle or junior high schools attended the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy.

Condition

In our review of the After School Education and Safety Program we noted that the district included student participation in before school activities as a portion of the after school participation attendance reported. In addition, the supporting documentation maintained included counts of student participation and did not reflect which students participated on which days. The district did not have a procedure in place to determine if students were released early in accordance with their early release policy. In addition, the district did not have a system in place to determine if elementary students participated in the entire program or if middle school students attended for a minimum of nine hours and three days a week. In further review, the middle school program began at 3:05 PM and ended at 6:00 PM so the program did not operate a minimum of 15 hours per week. Since the actual attendance reported could not be supported by records of actual attendance, all attendance will be questioned.

Questioned Costs.

Elementary school - 12,255 students served for the entire school year.

Middle school - 7,745 students served for the entire school year.

Recommendation.

We recommend the district implement new attendance procedures to ensure students are meeting attendance requirements for the program. All attendance claimed should be supported by sign-in/out sheets that show what time a student came and left the program. Only students who meet the districts early release policy should receive attendance on days that students left early. In addition, students should not receive attendance for the after school program for the morning attendance. If the district intends to operate a before school program they should apply for funding for the before school program instead of combining with the after school program. Program times should be changed to meet the 15 hour per week requirement.

LEA's Response.

Due to all the audit findings on ASES over the last few years, the District decided not to participate in ASES for the 2010-11 school year.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Finding 2010-5 (40000)
School Accountability Report Card

Criteria or Specific Requirement.

Compare the information contained in the Facility Inspection Tool (FIT) to the information on safety, cleanliness, and adequacy of school facilities contained in the School Accountability Report Card for that school as required by the provisions of subdivision (b)(9) of Education Code Section 33126.

Condition.

In our review of the school accountability report card (SARC) at San Pasqual High School we noted that the facility conditions reported in the SARC were not in agreement with the FIT completed by the district.

Questioned Costs.

None.

Recommendation.

We recommend the district implement procedures to carefully review the SARC to ensure that the information presented for facilities is in agreement with the FIT.

LEA's Response.

The Principals, as well as the Director of Maintenance Operations and Transportation, who also oversees the facilities, will carefully review the FIT and the SARC to make sure that they are in agreement before the cards go to print.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2009-1 Student Body Receipts</p> <p>In our review of student body accounts we noted that the school does not maintain ticket reconciliations for activities for which tickets are sold. In addition, cash collections were not being deposited timely.</p> <p>We recommended the district implement procedures requiring ticket reconciliations and timely deposits.</p>	Partially Implemented	See Current Year Finding
<p>Finding 2009-2 Child Nutrition Local Revenue</p> <p>Deposits were not being made timely and there is no reconciliation between meals sold and the amount of cash collected.</p> <p>We recommended the district implement procedures to ensure deposits are made timely and reconcile to sales.</p>	Implemented	
<p>Finding 2009-3 Vacation Accrual</p> <p>10 employees were in excess of the board approved policy for vacation carryover.</p> <p>We recommended the district encourage employees to take vacation time during the year to reduce the number of vacation hours to be within the board approved policy.</p>	Implemented	
<p>Finding 2009-4 After School Education and Safety Program</p> <p>The district could not determine if students left early were within the early release policy because not all students had a signed early release form and there was no documentation of the reason for early release. The system of documentation did not take into consideration the minimum attendance requirements weekly for middle school students. The before school program did not operate the required one and one half hours per school day.</p>		

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
We recommended the district implement new procedures to properly document attendance and early releases. The district should account for the early releases to ensure students are only receiving attendance on days when they are within the policy for early release. The program hours should be amended to meet the state requirements.	Not Implemented	See Current Year Finding