

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

AUDIT REPORT

JUNE 30, 2011

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

Introductory Section

San Pasqual Valley Unified School District
Audit Report
For The Year Ended June 30, 2011

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Financial Section

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 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, 2011, 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, 2011, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2011, 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 combining financial statements are presented for purposes of additional analysis and are not a required part of the 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 2010-11*, 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.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 11, 2011

San Pasqual Valley Unified School District
Management's Discussion and Analysis
June 30, 2011
(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, 2011. 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 \$26.07 million.
- Total change in District net assets was increased by \$11.9 million.
- Total general revenues were \$9.57 million.
- The SPVUSD enrollment increased by 3 students for a total enrollment of 765 students in October 2010 compared to 762 students in October 2009.

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 \$26.1 million at the close of the most recent fiscal year.

STATEMENT OF NET ASSETS 6/30/2011 (In Millions of Dollars)

	2009-10	2010-11
ASSETS:		
Cash & Current Assets	9.2	15.04
Capital Assets	6.4	12.66
Total Assets	15.6	27.70
LIABILITIES:		
Long-term Debt	.05	.33
Other Liabilities	1.58	1.3
Total Liabilities	1.63	1.63
TOTAL NET ASSETS	14.16	26.07
DISTRIBUTION OF NET ASSETS:		
Invested in Capital Assets	11.63	12.46
Restricted for Capital Projects	.04	5.99
Other Restricted	2.49	.02
Non-restricted	-	7.6
TOTAL NET ASSETS	14.16	26.07

- Forty Seven percent (49%) 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 (23%) 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.

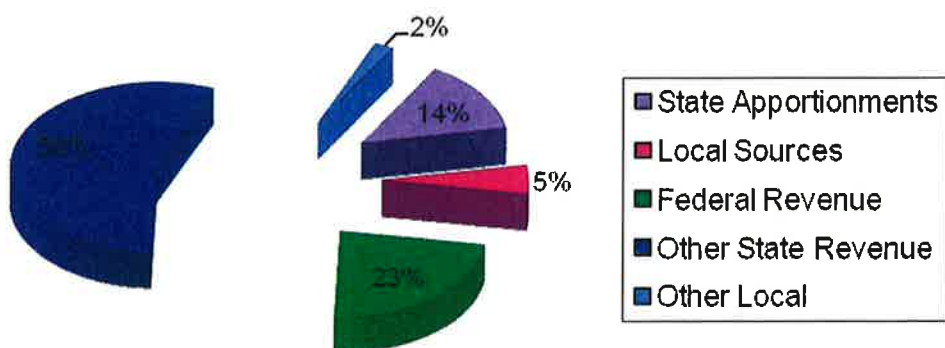
Governmental activities. The key elements of the Districts net assets for the year ended June 30, 2011 are as follows:

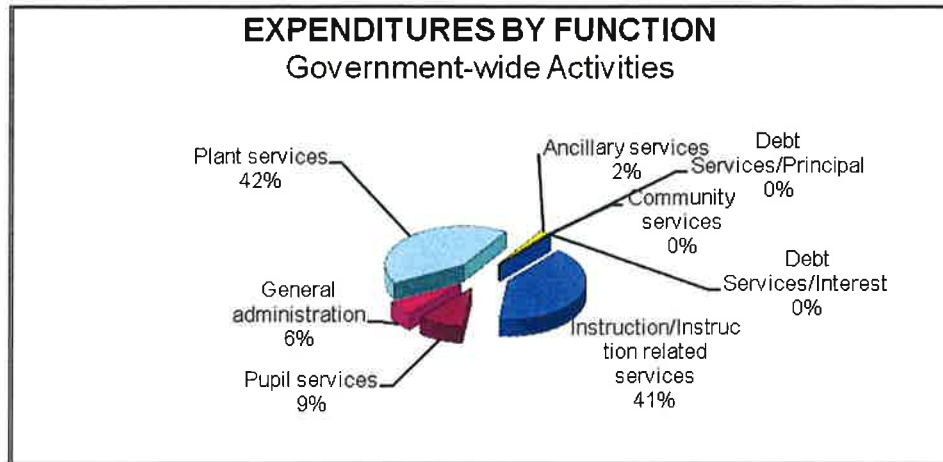
REVENUES	2009-10	2010-11
Program Revenues	\$ 3,675,273	\$ 13,563,870
General Revenues	9,528,852	9,577,005
Total Revenues	13,204,125	23,140,875

EXPENDITURES BY FUNCTION

Instruction/Instruction related		
Services	6,666,586	6,925,644
Pupil Services	1,594,131	1,461,261
General Administration	886,409	1,019,344
Plant Services	1,213,840	1,156,745
Ancillary Services	127,459	299,154
Community Services	44,163	16,165
Depreciation	-	349,570
Debt Services/Interest	-	13,637
Other-outgo	323,046	-
Total Expenditures	10,855,634	11,241,520
CHANGE IN NET ASSETS	2,348,491	11,899,355
Net-Assets - Beginning	11,822,055	14,170,546
Net-Assets - Ending	\$ 14,170,546	\$ 26,069,901

REVENUE BY SOURCE
Government-wide Activities





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 decreased. The value of the base Revenue Limit for the year ended June 30, 2011 for SPVUSD was \$6,7773 (however, it was deficated by 82.037%).

**BASE REVENUE LIMIT
FOR UNIFIED DISTRICTS**

	SPVUSD	Statewide Average
2000-2001	\$ 4,851	\$ 4,486
2001-2002	\$ 5,033	\$ 4,660
2002-2003	\$ 5,118	\$ 4,753
2003-2004	\$ 5,206	\$ 4,753
2004-2005	\$ 5,360	\$ 4,983
2005-2006	\$ 5,572	\$ 5,194
2006-2007	\$ 5,947	\$ 5,568
2007-2008	\$ 6,199	\$ 6,150
2008-2009	\$ 6,528	\$ 6,150
2009-2010	\$ 6,789	\$ 6,411
2010-2011	\$ 6,773	\$ 6,387

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 \$26.07 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 \$14.37 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

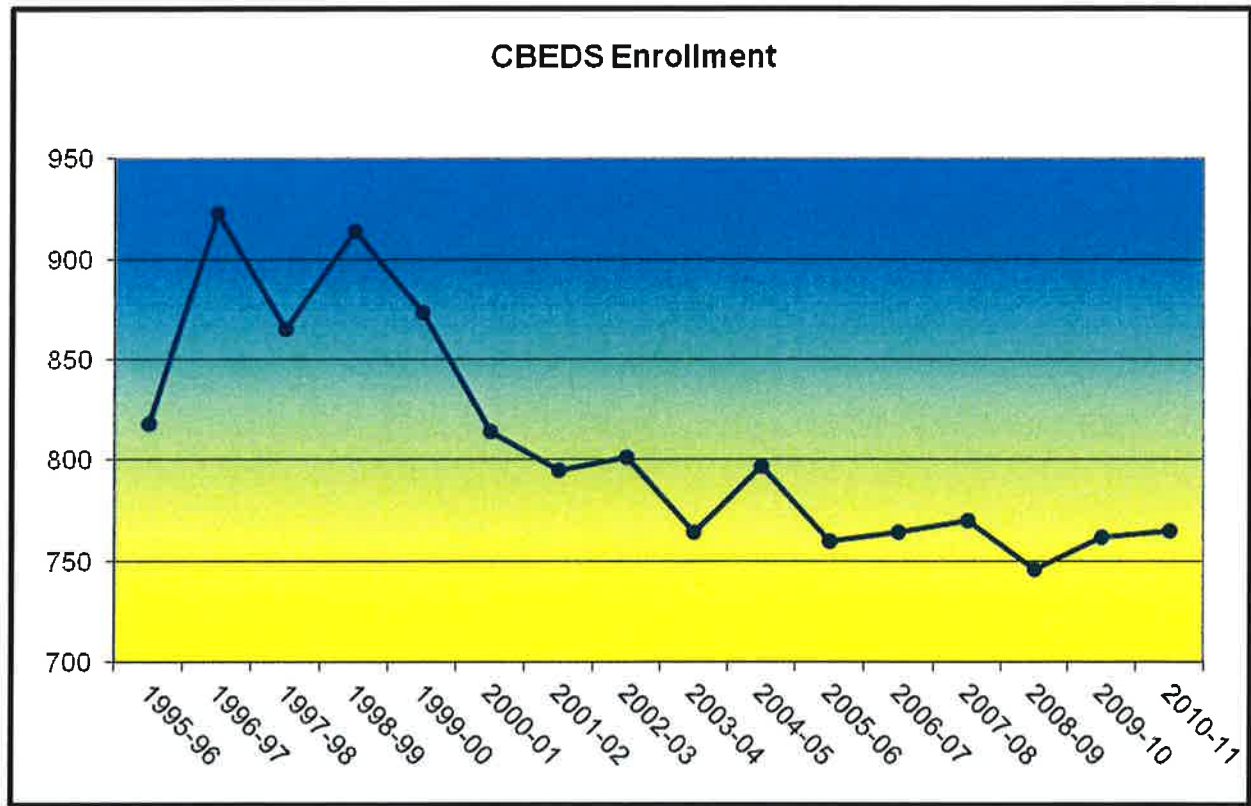
Capital Assets. The Board of Trustees adopted a minimum of \$5,000 as the threshold for recognition of capital assets for GASB34 reporting. The District previously contracted with American Appraisal Services to conduct the District's capital asset inventory and valuation. Those results, net of depreciation are contained in this report, updated as of June 30, 2011.

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 provides one classroom to house Community Day School students.

Changing Enrollment within the District

The SPVUSD has increased enrollment for the past two years. Efforts have been made to improve student attendance and sustain enrollment. Current enrollment has increased slightly by three students for the 2010-11 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 Assistant Superintendent, Business Services, San Pasqual Valley Unified School District, 676 Baseline Road, Winterhaven, CA 92283.

Basic Financial Statements

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

JUNE 30, 2011

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 13,395,595
Cash in Revolving Fund	2,500
Accounts Receivable	1,630,723
Stores Inventories	13,246
Capital Assets:	
Land	66,865
Improvements	1,243,266
Buildings	7,611,780
Equipment	2,722,554
Work in Progress	6,188,847
Less Accumulated Depreciation	(5,166,598)
Total Assets	<u>27,708,778</u>
LIABILITIES:	
Accounts Payable	1,255,618
Deferred Revenues	54,137
Long-Term Liabilities	
Due Within One Year	54,594
Due In More Than One Year	274,528
Total Liabilities	<u>1,638,877</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	12,463,688
Restricted For:	
Capital Projects	5,999,609
Educational Programs	36,100
Other Purposes (Expendable)	7,570,504
Total Net Assets	<u>\$ 26,069,901</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, 2011

<u>Functions</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					Governmental Activities
Instruction	\$ 5,832,520	\$ 4,440	\$ 1,472,903	\$ 10,592,463	\$ 6,237,286
Instruction-Related Services:					
Instructional Supervision and Administration	176,764	-	90,285	-	(86,479)
Instructional Library, Media and Technology	84,061	-	84,061	-	-
School Site Administration	832,299	-	63,116	-	(769,183)
Pupil Services:					
Home-to-School Trans- portation	540,591	-	492,936	-	(47,655)
Food Services	541,273	3,712	520,691	-	(16,870)
All Other Pupil Services	379,397	-	47,605	-	(331,792)
General Administration:					
Centralized Data Processing	49,225	-	-	-	(49,225)
All Other General Administration	970,119	1,498	134,484	-	(834,137)
Plant Services	1,156,745	6,978	10,724	-	(1,139,043)
Ancillary Services	299,154	-	16,241	-	(282,913)
Community Services	16,165	46	32	-	(16,087)
Interest on Long-Term Debt	13,637				(13,637)
Other Outgo	-	12,672	8,984	-	21,656
Depreciation (Unallocated)*	349,570				(349,570)
Total Expenses	\$ 11,241,520	\$ 29,346	\$ 2,942,062	\$ 10,592,463	\$ 2,322,351
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					1,226,933
Federal and State Aid Not Restricted to Specific Programs					8,114,672
Interest and Investment Earnings					113,115
Interagency Revenues					19,926
Miscellaneous					102,358
Total General Revenues					9,577,004
Change in Net Assets					11,899,355
Net Assets Beginning					14,170,546
Net Assets Ending					\$ 26,069,901

*This amount excludes depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of this statement.

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

JUNE 30, 2011

	General Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 7,489,494	\$ 5,613,407	\$ 292,696	\$ 13,395,597
Cash in Revolving Fund	2,500	-	-	2,500
Accounts Receivable	1,503,881	16,433	110,407	1,630,721
Due from Other Funds	59,301	-	50,000	109,301
Stores Inventories	-	-	13,246	13,246
Total Assets	<u>\$ 9,055,176</u>	<u>\$ 5,629,840</u>	<u>\$ 466,349</u>	<u>\$ 15,151,365</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 554,135	\$ 698,818	\$ 2,665	\$ 1,255,618
Due to Other Funds	103,875	-	5,426	109,301
Deferred Revenue	54,137	-	-	54,137
Total Liabilities	<u>712,147</u>	<u>698,818</u>	<u>8,091</u>	<u>1,419,056</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	2,500	-	-	2,500
Stores Inventories	-	-	13,246	13,246
Restricted Fund Balances	36,103	-	-	36,103
Committed Fund Balances:				
Committed for Adult Education	-	-	35,936	35,936
Committed for Deferred Maintenance	-	-	426	426
Assigned Fund Balances	7,243,574	4,931,022	408,650	12,583,246
Unassigned:				
Reserve for Economic Uncertainty	1,060,852	-	-	1,060,852
Total Fund Balance	<u>8,343,029</u>	<u>4,931,022</u>	<u>458,258</u>	<u>13,732,309</u>
Total Liabilities and Fund Balances	<u>\$ 9,055,176</u>	<u>\$ 5,629,840</u>	<u>\$ 466,349</u>	<u>\$ 15,151,365</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, 2011

Total fund balances - governmental funds balance sheet \$ 13,732,309

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:	17,833,312	
Accumulated depreciation:	<u>(5,166,598)</u>	
	Net	12,666,714

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	203,026	
Net OPEB obligation	107,700	
Compensated absences payable	<u>18,396</u>	
Total		<u>(329,122)</u>

Net assets of governmental activities - statement of net assets \$ 26,069,901

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 3,224,286	\$ -	\$ -	\$ 3,224,286
Local Sources	1,256,189	-	-	1,256,189
Federal Revenue	4,848,905	-	483,621	5,332,526
Other State Revenue	2,209,107	10,592,463	117,640	12,919,210
Other Local Revenue	401,318	23,288	61,875	486,481
Total Revenues	<u>11,939,805</u>	<u>10,615,751</u>	<u>663,136</u>	<u>23,218,692</u>
Expenditures:				
Instruction	5,745,928	-	141,385	5,887,313
Instruction - Related Services	1,093,071	-	54	1,093,125
Pupil Services	1,095,716	-	541,274	1,636,990
Ancillary Services	299,153	-	-	299,153
Community Services	16,165	-	-	16,165
General Administration	1,019,343	-	-	1,019,343
Plant Services	1,586,629	5,584,562	5,348	7,176,539
Debt Service:				
Principal	34,231	-	-	34,231
Interest	13,636	-	-	13,636
Total Expenditures	<u>10,903,872</u>	<u>5,584,562</u>	<u>688,061</u>	<u>17,176,495</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,035,933</u>	<u>5,031,189</u>	<u>(24,925)</u>	<u>6,042,197</u>
Other Financing Sources (Uses):				
Transfers In	296,210	-	50,000	346,210
Transfers Out	(237,750)	(108,460)	-	(346,210)
Total Other Financing Sources (Uses)	<u>58,460</u>	<u>(108,460)</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	1,094,393	4,922,729	25,075	6,042,197
Fund Balance, July 1	7,248,636	8,293	433,183	7,690,112
Fund Balance, June 30	<u>\$ 8,343,029</u>	<u>\$ 4,931,022</u>	<u>\$ 458,258</u>	<u>\$ 13,732,309</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, 2011

Net change in fund balances - total governmental funds \$ 6,042,197

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	6,212,290	
Depreciation expense	(349,570)	
Net		5,862,720

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:

34,231

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

(8,473)

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:

(35,444)

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:

4,124

Change in net assets of governmental activities - statement of activities \$ 11,899,355

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, 2011**

	Agency Fund
	<hr/>
	Student Body Fund
	<hr/>
ASSETS:	
Cash on Hand and in Banks	\$ 44,348
Total Assets	<u>\$ 44,348</u>
LIABILITIES:	
Due to Student Groups	\$ 44,348
Total Liabilities	<u>\$ 44,348</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, 2011

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, 2011

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.

County School Facilities Fund. This fund is used to account for apportionments received from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

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, 2011

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, 2011

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

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Minimum Fund Balance

The District maintains a minimum reserve, within the general fund, an amount not less than the amount required by state law. The minimum reserve shall apply towards the established minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

j. Use of Estimates

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

k. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement #54, Fund 17 (Special Reserve for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Post Employment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

C. Excess of Expenditures Over Appropriations

As of June 30, 2011 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 (\$13,395,595 as of June 30, 2011). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$13,395,595. 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 (\$44,348 as of June 30, 2011) 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.

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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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.

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, 2011 consist of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government:					
Federal Programs	\$ 386,790	\$ 100,790	\$ -	\$ -	\$ 487,580
State Government:					
Revenue Limit	974,370	-	-	-	974,370
Lottery	49,619	-	-	-	49,619
Other State Programs	28,806	9,227	-	-	38,033
Local Sources:					
Interest	18,663	303	16,522	-	35,488
Other local sources	45,633	-	-	-	45,633
Total	<u>\$ 1,503,881</u>	<u>\$ 110,320</u>	<u>\$ 16,522</u>	<u>\$ -</u>	<u>\$ 1,630,723</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

F. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 66,865	\$ -	\$ -	\$ 66,865
Work in progress	428,969	6,212,289	452,411	6,188,847
Total capital assets not being depreciated	495,834	6,212,289	452,411	6,255,712
Capital assets being depreciated:				
Buildings	7,631,931	195,349	215,500	7,611,780
Improvements	1,226,196	17,070	-	1,243,266
Equipment	2,606,790	239,992	124,228	2,722,554
Total capital assets being depreciated	11,464,917	452,411	339,728	11,577,600
Less accumulated depreciation for:				
Buildings	(2,937,692)	(160,046)	(215,500)	(2,882,238)
Improvements	(464,542)	(56,772)	-	(521,314)
Equipment	(1,741,227)	(132,752)	(110,933)	(1,763,046)
Total accumulated depreciation	(5,143,461)	(349,570)	(326,433)	(5,166,598)
Total capital assets being depreciated, net	6,321,456	102,841	13,295	6,411,002
Governmental activities capital assets, net	\$ 6,817,290	\$ 6,315,130	\$ 465,706	\$ 12,666,714

Depreciation was charged to functions as follows:

Unallocated	\$ 349,570
	\$ 349,570

G. Accounts Payable

Accounts payable balances as of June 30, 2011 consist of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Accounts Payable:					
Vendor payables	\$ 551,078	\$ 2,665	\$ 698,818	\$ -	\$ 1,252,561
Payroll and benefits	3,057	-	-	-	3,057
Total	\$ 554,135	\$ 2,665	\$ 698,818	\$ -	\$ 1,255,618

H. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2011 consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Child Development Fund	\$ 5,426
Child Development Fund	General Fund	50,000
Special Reserve Fund	General Fund	53,875
	Total	\$ 109,301

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2011 consisted of the following:

Transfers To	Transfers From	Amount
General Fund	County School Facilities Fund	\$ 108,460
Child Development Fund	General Fund	50,000
Special Reserve Fund	General Fund	80,000
Special Reserve Fund	General Fund	107,750
	Total	\$ 346,210

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.

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, 2011 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Capital leases	\$ 237,257	\$ -	\$ 34,231	\$ 203,026	\$ 36,198
Net OPEB Obligation	72,256	35,444	-	107,700	-
Compensated absences *	22,520	-	4,124	18,396	18,396
Total governmental activities	\$ 332,033	\$ 35,444	\$ 38,355	\$ 329,122	\$ 54,594

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, 2011 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 54,594	\$ 11,669	\$ 66,263
2013	38,279	9,589	47,868
2014	40,479	7,389	47,868
2015	42,805	5,062	47,867
2016	45,265	2,602	47,867
Totals	\$ 221,422	\$ 36,311	\$ 257,733

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2011 as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 36,198	\$ 11,669	\$ 47,867
2013	38,279	9,589	47,868
2014	40,479	7,389	47,868
2015	42,805	5,062	47,867
2016	45,265	2,602	47,867
Totals	\$ 203,026	\$ 36,311	\$ 239,337

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, 2011 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 2010-11 was 10.707% 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, 2011, 2010 and 2009 were \$243,989, \$217,376 and \$176,491, respectively, and equal 100% of the required contributions for each year.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

STRS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 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, 2011, 2010 and 2009 were \$340,282, \$323,839 and \$347,072, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$183,911.

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, 2011, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$	117,570
Interest adjustment		3,613
Amortization adjustment		(4,700)
Contributions made and implicit subsidy		<u>(81,039)</u>
Increase in net OPEB obligation		35,444
Net OPEB obligations - beginning of year		<u>72,256</u>
Net OPEB obligations - end of year	\$	<u><u>107,700</u></u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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, 2011 is as follows:

Year Ended June 30	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 117,570	49.65%	\$ 107,700

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.

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.

P. Construction Commitments

As of June 30, 2011 the District had the following commitments with respect to unfinished capital projects:

	Commitment	*Expected Date of Final Completion
Construction in Process:		
Elementary School-Ten Classrooms and Toilet Facilities	\$ 2,785,463	June 2012
Middle School-Five Classrooms and Toilet Facilities	897,613	June 2012
High School-Five Classrooms	1,915,184	June 2012

* Expected date of final completion subject to change

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 2,875,172	\$ 3,242,923	\$ 3,224,286	\$ (18,637)
Local Sources	1,249,581	1,237,553	1,256,189	18,636
Federal Revenue	4,037,216	4,854,478	4,848,905	(5,573)
Other State Revenue	1,807,459	2,208,698	2,209,107	409
Other Local Revenue	293,496	401,317	401,318	1
Total Revenues	<u>10,262,924</u>	<u>11,944,969</u>	<u>11,939,805</u>	<u>(5,164)</u>
Expenditures:				
Current:				
Certificated Salaries	4,276,869	4,307,049	4,307,044	5
Classified Salaries	2,413,184	2,209,406	2,209,406	-
Employee Benefits	1,900,647	1,702,654	1,702,660	(6)
Books And Supplies	788,260	718,058	718,057	1
Services And Other Operating Expenditures	1,332,431	1,323,035	1,323,035	-
Direct Support/Indirect Costs	66,605	47,867	-	47,867
Capital Outlay	266,973	595,803	595,803	-
Debt Service:				
Principal	-	-	34,231	(34,231)
Interest	-	-	13,636	(13,636)
Total Expenditures	<u>11,044,969</u>	<u>10,903,872</u>	<u>10,903,872</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(782,045)</u>	<u>1,041,097</u>	<u>1,035,933</u>	<u>(5,164)</u>
Other Financing Sources (Uses):				
Transfers In	53,875	241,625	296,210	54,585
Transfers Out	(103,875)	-	(237,750)	(237,750)
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>241,625</u>	<u>58,460</u>	<u>(183,165)</u>
Net Change in Fund Balance	<u>(832,045)</u>	<u>1,282,722</u>	<u>1,094,393</u>	<u>(188,329)</u>
Fund Balance, July 1	7,248,636	7,248,636	7,248,636	-
Fund Balance, June 30	<u>\$ 6,416,591</u>	<u>\$ 8,531,358</u>	<u>\$ 8,343,029</u>	<u>\$ (188,329)</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS-HEALTH BENEFITS PLAN

SAN PASQUAL VALLEY UNIFIED RETIREE HEALTH PLAN

YEAR ENDED JUNE 30, 2011

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%
6/30/11	-	815,655	815,655	-	6,763,536	12.1%

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, 2011

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 254,272	\$ 38,424	\$ 292,696
Accounts Receivable	110,320	87	110,407
Due from Other Funds	50,000	-	50,000
Stores Inventories	13,246	-	13,246
Total Assets	<u>\$ 427,838</u>	<u>\$ 38,511</u>	<u>\$ 466,349</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 2,665	\$ -	\$ 2,665
Due to Other Funds	5,426	-	5,426
Total Liabilities	<u>8,091</u>	<u>-</u>	<u>8,091</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	13,246	-	13,246
Committed Fund Balances:			
Committed for Adult Education	36,936	-	36,936
Committed for Deferred Maintenance	426	-	426
Assigned Fund Balances	370,139	38,511	408,650
Total Fund Balance	<u>419,747</u>	<u>38,511</u>	<u>458,258</u>
Total Liabilities and Fund Balances	<u>\$ 427,838</u>	<u>\$ 38,511</u>	<u>\$ 466,349</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 483,621	\$ -	\$ 483,621
Other State Revenue	117,640	-	117,640
Other Local Revenue	53,923	7,952	61,875
Total Revenues	<u>655,184</u>	<u>7,952</u>	<u>663,136</u>
Expenditures:			
Instruction	141,385	-	141,385
Instruction - Related Services	54	-	54
Pupil Services	541,274	-	541,274
Plant Services	5,348	-	5,348
Total Expenditures	<u>688,061</u>	<u>-</u>	<u>688,061</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(32,877)</u>	<u>7,952</u>	<u>(24,925)</u>
Other Financing Sources (Uses):			
Transfers In	50,000	-	50,000
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net Change in Fund Balance	17,123	7,952	25,075
Fund Balance, July 1	402,624	30,559	433,183
Fund Balance, June 30	<u>\$ 419,747</u>	<u>\$ 38,511</u>	<u>\$ 458,258</u>

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 109,715 110,018 - 13,246 \$ 232,979	\$ 425 1 - - \$ 426	\$ 254,272 110,320 50,000 13,246 \$ 427,838
\$ 1,738 - 1,738	\$ - - -	\$ 2,665 5,426 8,091
13,246 - - 217,995 231,241 \$ 232,979	- - 426 - 426 \$ 426	13,246 35,936 426 370,139 419,747 \$ 427,838

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 483,621 40,361 5,694 <u>529,676</u>	\$ - - 426 <u>426</u>	\$ 483,621 117,640 53,923 <u>655,184</u>
- - 541,274 5,348 <u>546,622</u>	- - - - <u>-</u>	141,385 54 541,274 5,348 <u>688,061</u>
<u>(16,946)</u>	<u>426</u>	<u>(32,877)</u>
- <u>-</u>	- <u>-</u>	50,000 <u>50,000</u>
<u>(16,946)</u>	<u>426</u>	<u>17,123</u>
\$ 248,187 <u>231,241</u>	\$ - <u>426</u>	\$ 402,624 <u>419,747</u>

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

JUNE 30, 2011

	Building Fund	Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 16	\$ 19,963	\$ 18,445	\$ 38,424
Accounts Receivable	-	45	42	87
Total Assets	<u>\$ 16</u>	<u>\$ 20,008</u>	<u>\$ 18,487</u>	<u>\$ 38,511</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Assigned Fund Balances	\$ 16	\$ 20,008	\$ 18,487	\$ 38,510
Total Fund Balance	<u>16</u>	<u>20,008</u>	<u>18,487</u>	<u>38,511</u>
Total Liabilities and Fund Balances	<u>\$ 16</u>	<u>\$ 20,008</u>	<u>\$ 18,487</u>	<u>\$ 38,511</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Building Fund	Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ -	\$ 7,718	\$ 234	\$ 7,952
Total Revenues	-	7,718	234	7,952
Expenditures:				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	7,718	234	7,952
Net Change in Fund Balance	-	7,718	234	7,952
Fund Balance, July 1	16	12,290	18,253	30,559
Fund Balance, June 30	\$ 16	\$ 20,008	\$ 18,487	\$ 38,511

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 and community day school.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Bernadine Swift Arrow	President	Four year term Expires December 2011
Monica Montague	Vice President	Four year term Expires December 2013
Rebecca L. Ramirez	Clerk	Four year term Expires December 2011
Ramon Barton	Member	22 Month Term Expires December 2011
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, 2011

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	62.44	62.44	62.78	62.78
Grades 1 through 3	195.08	195.08	195.31	195.31
Grades 4 through 6	151.17	151.17	150.79	150.79
Grades 7 and 8	110.23	110.23	108.62	108.62
Community day school	4.73	4.73	4.48	4.48
Special education	16.53	16.53	16.10	16.10
Elementary totals	540.18	540.18	538.08	538.08
High School:				
Grades 9 through 12, regular classes	152.19	151.61	149.68	149.23
Special education	3.90	3.90	3.89	3.89
Continuation education	24.25	24.25	23.01	23.01
Community day school	3.01	3.01	3.15	3.15
High school totals	183.35	182.77	179.73	179.28
ADA totals	723.53	722.95	717.81	717.36

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, 2011

TABLE D-2

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Adjusted & Reduced</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Adjusted & Reduced</u>	<u>2010-11 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	28,000	27,222	36,000	35,000	60,020	179	-	Complied
Grade 1	55,125	53,594	50,400	49,000	58,060	179	-	Complied
Grade 2	55,125	53,594	50,400	49,000	58,060	179	-	Complied
Grade 3	55,125	53,594	50,400	49,000	58,060	179	-	Complied
Grade 4	55,125	53,594	54,000	52,500	58,955	179	-	Complied
Grade 5	55,125	53,594	54,000	52,500	58,955	179	-	Complied
Grade 6	55,125	53,594	54,000	52,500	65,730	179	-	Complied
Grade 7	66,000	64,167	54,000	52,500	65,730	179	-	Complied
Grade 8	66,000	64,167	54,000	52,500	65,435	179	-	Complied
Grade 9	66,000	64,167	64,800	63,000	65,435	179	-	Complied
Grade 10	66,000	64,167	64,800	63,000	65,435	179	-	Complied
Grade 11	66,000	64,167	64,800	63,000	65,435	179	-	Complied
Grade 12	66,000	64,167	64,800	63,000	65,435	179	-	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, 2011

TABLE D-3

<u>General Fund</u>	<u>(Budget) 2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues and other financial sources	\$ 11,190,466	\$ 12,030,721	\$ 13,045,579	\$ 12,503,363
Expenditures, other uses and transfers out	11,394,526	11,141,622	10,596,103	11,178,984
Change in fund balance (deficit)	(204,060)	889,099	2,449,476	1,324,379
Ending fund balance	\$ 6,609,670	\$ 6,813,730	\$ 5,924,631	\$ 3,745,155
Available reserves	\$ 6,602,172	\$ 6,811,230	\$ 5,579,697	\$ 2,985,541
Available reserves as a percentage of total outgo	57.9%	61.1%	52.7%	26.8%
Total long-term debt	\$ 274,528	\$ 329,122	\$ 332,032	\$ 33,670
Average daily attendance at P-2	724	724	682	729

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 \$4,662,954 over the past three years. The fiscal year 2011-12 budget projects a decrease of \$204,060. 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 \$179,602 over the past three years.

Average daily attendance (ADA) has increased by 1 over the past three years.

Note- As described in Footnote A to these financial statements, for purposes of reporting in conformity with GASB Statement #54, the District's special reserve funds (fund 17 & 20) were included with the general fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET****REPORT WITH AUDITED FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2011**

	General Fund	Child Development Fund
June 30, 2011, annual financial and budget report fund balances	\$ 6,813,731	\$ 109,854
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Accounts payable overstatement	-	4,830
GASB # 54 inclusion of special reserve funds with general fund	1,529,298	-
Net adjustments and reclassifications	1,529,298	4,830
June 30, 2011, audited financial statement fund balances	\$ 8,343,029	\$ 114,684
	Statement of Long-Term Liabilities	
June 30, 2011, annual financial and budget report total liabilities	\$ 149,363	
Adjustments and reclassifications:		
Increase (decrease) in total liabilities:		
Net OPEB obligation understatement	107,700	
Capital leases understatement	72,060	
Net adjustments and reclassifications	179,760	
June 30, 2011, audited financial statement total liabilities	\$ 329,123	

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.

TABLE D-4

Special Reserve Fund Other Than Capital Outlay Projects	Special Reserve Fund Postemployment Benefits
\$ 1,060,852	\$ 468,446
-	-
(1,060,852)	(468,446)
(1,060,852)	(468,446)
\$ -	\$ -

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2011

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, 2011

TABLE D-6
Page 1 of 2

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Direct Program:</u>			
Medi-Cal *			\$ 1,773
Total U. S. Department of Health and Human Services			<u>1,773</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
<u>Direct Programs:</u>			
Impact Aid - P.L. 81.874 *	84.041	-	3,563,517
Indian Education	84.060	-	93,102
Total Direct Programs			<u>3,656,619</u>
<u>Passed Through State Department of Education:</u>			
Title I *	84.010	03064	478,388
Migrant Education	84.011	03060	34,115
Special Education *	84.027	03379	209,260
Vocational Education	84.048	03569	11,691
Title II Technology *	84.318	14334	4,546
Gear Up	84.334	05810	10,000
Title I - Reading First	84.357	14797	80,726
Title VI - Rural and Low Income Schools	84.358	03471	18,374
Title III - LEP	84.365	03453	20,833
Title III - Immigrant	84.365	14346	3,539
Title II - Teacher Quality	84.367	03207	85,688
Title I - Program Improvement *	84.377	14971	27,941
ARRA Title II EETT *	84.386	15019	9,523
Title II EETT Grants *	84.386	15126	10,000
ARRA Title I *	84.389	15005	13,275
ARRA State Fiscal Stabilization Funds *	84.394	24997	207,147
ARRA Education Jobs Fund	84.410	25152	164,925
Total Passed Through State Department of Education			<u>1,389,971</u>
Total U. S. Department of Education			<u>5,046,590</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through State Department of Education:</u>			
National School Lunch Program *	10.555	03396	478,605
Total Passed Through State Department of Education			\$ <u>478,605</u>
Total U. S. Department of Agriculture			\$ <u>478,605</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>5,526,968</u></u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Basis of Presentation

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

Other Independent Auditor's Reports

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 92020

Independent Auditor's Report

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, 2011, which collectively comprise the San Pasqual Valley Unified School District's basic financial statements and have issued our report thereon dated December 11, 2011. 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 an 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 Findings 2011-1 and 2011-2.

San Pasqual Valley Unified School District's responses to the findings identified in our audit are 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 them.

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
December 11, 2011

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 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, 2011. 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 compliance 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, 2011.

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 Haden King & Co., LLP

El Cajon, California
December 11, 2011

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 92020

Independent Auditor's Report

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, 2011 and have issued our report thereon dated December 11, 2011. 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. We have also audited the District's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule below occurred. An audit includes examining, on a test basis, evidence about the 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 the District's compliance with those requirements.

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:

Description	Procedures In Audit Guide	Procedures Performed
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	N/A
After School	4	N/A
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 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 ADA for independent study was below that which requires testing.

In our opinion, San Pasqual Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2011-3 and 2011-4.

San Pasqual Valley Unified School District's responses to the findings identified in our audit are 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 them.

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.

William Ashley King & Co., LLP

El Cajon, California
December 11, 2011

Findings and Recommendations Section

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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>
84.410	ARRA Education Jobs Fund
93.778	Impact Aid

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

Auditee qualified as low-risk auditee? X Yes No

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

3. State Awards

Internal control over state programs:

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

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

Unqualified

B. Financial Statement Findings

Finding 2011-1 (30000)
Associated Student Body Funds

Criteria or Specific Requirement

Determine that controls are in place which allow for the proper recording of revenues and expenditures for student body accounts.

Condition

In our review of student body expenditures we noted, in two of the five ASB deposits tested, that there were no signatures on the Cash Accounting Sheet indicating who had counted or verified the amount of cash in the deposit. We also noted, in two of the five ASB deposits tested, that there was no supporting documentation or receipts indicating what made up the deposit. We also noted in our testing of ASB expenditures that some district items were delivered to the house of a district employee, rather than to the district office or school site and that some ASB expenditures were paid based on a purchase order and not an original invoice.

Questioned Costs

None

Recommendation

We recommend that the district implement procedures that require supporting documentation be required and maintained for all deposits of student body funds. We also recommend that receipts be issued for amounts received from book fairs and field trips and that the total of these receipts be reconciled to the amount of the deposit when the deposit is taken to the bank. We also recommend that the district adopt procedures that require that goods be delivered directly to the district office or a school site and that payment of expenditures will not be made without an invoice.

LEA's Response

The ASB Advisors and Bookkeepers for each site were sent to training at Imperial County Office of Education on October 12, 2011, to go over all of the ASB requirements. The district office has adopted procedures that require all items to be delivered to the district office only and that payments will only be made on invoices not on purchase orders or quotes.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Finding 2011-2 (30000)
Cafeteria Fund Inventory

Criteria or Specific Requirement

Determine that controls are in place which allow for the proper recording of inventory in the child nutrition fund at year end.

Condition

In our testing of inventory in the child nutrition fund, we noted that the amount recorded in the books and records did not agree with the detail which included a spreadsheet showing the number of items on hand of each inventory item multiplied by the price per unit. We determined that the detail inventory records were not used to update the books and records of the district at year end. The difference between the amount recorded and the actual amount on hand was not material and therefore an adjustment to the books and records was not made.

Questioned Costs

None

Recommendation

We recommend that the district adopt procedures that require that at year end the books and records of the district be updated to reflect the correct inventory amount as calculated by detail records showing the actual amount of inventory items on hand at the end of the year.

LEA's Response

The district office will ensure that the inventory is accurately calculated and recorded using the most current commodity pricing schedule.

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

Finding 2011-3 (40000)
Independent Study

Criteria or Specific Requirement

Determine that the written master agreement for independent study contains all of the required elements.

Condition

In our testing in independent study master agreements we noted that the teacher did not sign or date some master agreements as required by Education Code 51747 (c) (4).

Questioned Costs

Questioned costs are .58 ADA resulting in a reduction of funding of \$3,928.

Recommendation

We recommend the District adopt procedures that require the teacher to sign the independent study agreement before the student begins work on independent study contracts.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

LEA's Response

The Independent Study teacher has been instructed that attendance is not to be taken for a student until the contract is signed by the parent and or guardian.

Finding 2011-4 (40000)
Class Size Reduction K-3

Criteria or Specific Requirement

Determine the District's J-7 CSR report of class averaging for the K-3 class size reduction program is accurate, mathematically correct, reflects proper class size averaging, and reconciles to supporting summary schedules as stated under the provisions of Education Code Section 52126.

Condition

In our review of the Form J-7 CSR, we noted that there were two clerical errors made in the rounding calculation which changed the number of classes of each size and total pupils per class size that were reported on the Form J-7 CSR.

<u>Grade</u>	<u>Originally Reported</u>	<u>As Restated</u>	<u>Adjustment</u>
Grade 3	75	77	2

Questioned Costs

None. Due to the increase in eligible pupils, the amount due to the District is \$2,142.

Recommendation

Amend the Form J-7 CSR to report the correct number of pupils for grade three. In future periods, review all rounding calculations to ensure the correct number of classes of each size is reported on the Form J-7 CSR.

LEA's Response

The J-7 CSR has been corrected and all future rounding calculations will be reviewed to ensure accuracy.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2010-1 Associated Student Body Funds</p> <p>In review of student body accounts we noted some expenditures did not have all of the required signatures for approval. In addition, some of the expenditures tested did not have supporting documentation which agreed to the amount of the expenditure. The district was unable to provide supporting documents for eight of the ten deposits tested.</p> <p>We recommended the district implement procedures to ensure that deposits and expenditures of student body funds are properly accounted for and safeguarded.</p>	Partially Implemented	See Current Year Finding
<p>Finding 2010-2 Disbursements</p> <p>In our review of disbursements we noted that some of the items selected for testing did not have documentation of approval for payment. Per inquiry of the accounts payable clerk we noted that verbal approval was received, but no written documentation was obtained.</p> <p>We recommended the district adopt procedures which require written documentation of approval for all disbursements.</p>	Implemented	
<p>Finding 2010-3 Continuation Education</p> <p>In our review of attendance for continuation education we noted that amounts reported on the districts attendance reports were not in agreement with data origination documentation. The attendance clerk would change a previous absence to a present if a student came in for extra hours. In addition, ADA for independent study, exclusive of students who were pregnant or primary caregivers was 25% of the total ADA reported.</p>		

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>We recommended that the district implement procedures which require 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 should use the additional time to backfill attendance previously missed by a student. We also recommended the school implement procedures limiting continuation students from participating in independent study unless the school has less than the 10% participation in independent study or the student meets the exclusion from the general rule.</p>	Implemented	
<p>Finding 2010-4 After School Education and Safety Program</p>		
<p>The district did not have a procedure in place to determine if students who left the program prior to the end of the day were released in accordance with the terms of their early release policy. In addition attendance reported on the detail attendance records did not agree to the attendance reported on the monthly reports.</p>		
<p>We recommended the district implement procedures to ensure that all students who are attending the program are properly accounted for. Attendance should be supported with sign in and sign out sheets and students who leave the program prior to the end of the day should only receive attendance if the release was in accordance with the students early release policy.</p>		<p>The District did not Participate in the program for the 2010-11 fiscal year</p>
<p>Finding 2010-5 School Accountability Report Card</p>		
<p>We noted the facility conditions reported on the School Accountability Report Card (SARC) were not in agreement with the Facility Inspection Tool (FIT) completed by the district.</p>		

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
We recommended the district carefully review the SARC to ensure that the information presented for the facilities is in agreement with the FIT.	Implemented	