

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

**AUDIT REPORT**

**JUNE 30, 2015**

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

## Introductory Section

San Pasqual Valley Unified School District  
Audit Report  
For The Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
 <b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	Exhibit A-1
Statement of Activities.....	12	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	14	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	Exhibit A-6
Statement of Fiduciary Net Position - Fiduciary Funds.....	17	Exhibit A-7
Notes to the Financial Statements .....	18	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	40	Exhibit B-1
Schedule of Funding Progress for Other Post Employment Benefits Plan.....	41	
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California State Teachers Retirement System.....	42	Exhibit B-2
Schedule of District's Contributions - California State Teachers Retirement System.....	43	Exhibit B-3
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California Public Employees Retirement System.....	44	Exhibit B-4
Schedule of District's Contributions - California Public Employees Retirement System...	45	Exhibit B-5
Notes to Required Supplementary Information.....	46	
 <u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	47	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	48	Exhibit C-2
 Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	49	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	50	Exhibit C-4

San Pasqual Valley Unified School District  
Audit Report  
For The Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	51	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	52	Exhibit C-6
OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	53	
Schedule of Average Daily Attendance.....	54	Table D-1
Schedule of Instructional Time.....	55	Table D-2
Schedule of Financial Trends and Analysis.....	56	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	57	Table D-4
Schedule of Charter Schools.....	58	Table D-5
Schedule of Expenditures of Federal Awards .....	59	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	60	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	61	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	63	
Independent Auditor's Report on State Compliance.....	65	
Schedule of Findings and Questioned Costs .....	68	
Summary Schedule of Prior Audit Findings.....	75	



## Financial Section

### **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Pasqual Valley Unified School District ("the District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principles*

As described in Note A to the financial statements, in 2015, San Pasqual Valley Unified School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions 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.

### *Other Information*

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 basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The 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 basic 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 2014-15*, published by the Education Audit Appeals Panel, and is also not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 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* in considering San Pasqual Valley Unified School District's internal control over financial reporting and compliance.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 14, 2015

**San Pasqual Valley Unified School District**  
**Management's Discussion and Analysis**  
**June 30, 2015**  
**(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, 2015. 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14.5 million.
- Total change in District net position was decreased by \$.25 million.
- Total revenues were \$13.81 million.
- The SPVUSD enrollment decreased by 24 students for a total enrollment of 758 students in October 2014 compared to 782 students in October 2013.

**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 position presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the SPVUSD, with the difference reported as net position. Over time, increases or decreases in the net position 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 position of the SPVUSD changed during the most recent fiscal year. All changes in net position 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, 2015. 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 position may serve over time as a useful indicator of a government's financial position. In the case of the SPVUSD, assets exceeded liabilities by \$24.18 million at the close of the most recent fiscal year.

### STATEMENT OF NET POSITION 6/30/2015 (In Millions of Dollars)

	2013-14	2014-15
<b>ASSETS:</b>		
Cash & Current Assets	8.25	8.92
Capital Assets	16.82	16.63
<b>Total Assets</b>	<b>25.07</b>	<b>25.55</b>
Deferred Outflows of Resources		.69
<b>LIABILITIES:</b>		
Long-term Debt	.39	8.88
Other Liabilities	.25	.51
<b>Total Liabilities</b>	<b>.64</b>	<b>9.39</b>
Deferred Inflows of Resources		2.34
<b>TOTAL NET POSITION</b>	<b>24.43</b>	<b>14.51</b>
<b>DISTRIBUTION OF NET ASSETS:</b>		
Invested in Capital Assets		
Invested in Capital Assets	16.74	16.57
Restricted for Capital Projects	0	0
Other Restricted	0	1.35
Unrestricted	7.70	(3.41)
<b>TOTAL NET POSITION</b>	<b>24.44</b>	<b>14.51</b>

- SPVUSD has invested 16.57 million dollars 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.
- The remaining balance of non-restricted net position may be used to meet the SPVUSD's obligations to students, employees, and creditors and to honor next year's budget.

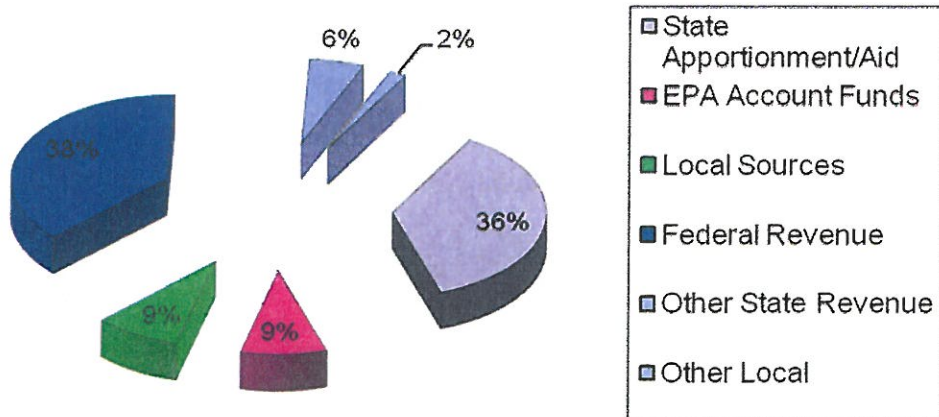
At the end of the current fiscal year, the SPVUSD has a positive balance of net position.

**Governmental activities.** The key elements of the District's net position for the year ended June 30, 2015 are as follows:

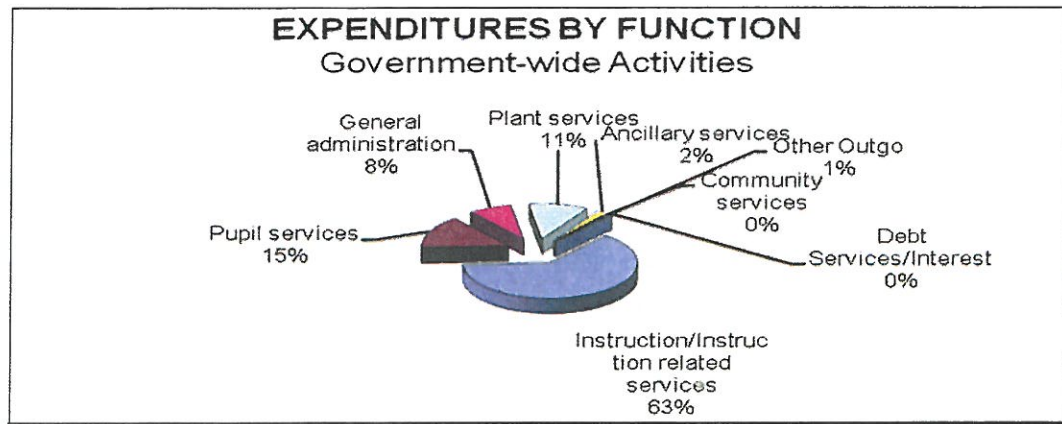
REVENUES		2013-14	2014-15
Program Revenues	\$	2,051,572 \$	2,427,483
General Revenues	\$	9,795,748 \$	11,379,210
Total Revenues	\$	11,847,320 \$	13,806,693

EXPENDITURES BY FUNCTION			
Instruction/Instruction related services	\$	7,743,511 \$	8,514,898
Pupil services	\$	1,873,928 \$	2,026,330
General administration	\$	1,032,783 \$	1,095,570
Plant services	\$	1,361,189 \$	1,492,823
Ancillary services	\$	293,885 \$	260,624
Community services	\$	26,094 \$	6,551
Debt Services/Interest	\$	6,773 \$	4,538
Other Outgo	\$	22,242 \$	64,693
Depreciation	\$	610,035 \$	596,472
Total Expenditures	\$	12,970,440 \$	14,062,499
CHANGE IN NET POSITION	\$	(1,123,120) \$	(255,806)
Net-Assets - Beginning	\$	25,567,463 \$	24,444,343
Net-Assets - Ending	\$	24,444,343 \$	24,188,537

### REVENUE BY SOURCE Government-wide Activities







### **Local Control Funding Formula (LCFF)**

The District's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide rates multiplied by the District's average daily attendance (ADA) as reported at the Second Principal apportionment period (P2). The result is then reduced by property tax revenues and education protection account funds paid by the state under proposition 30. The remaining balance is paid from the state General Fund, in the form of LCFF State Aid. The District is not at risk of losing these funding sources, as long as the school maintains a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

### **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 position has a combined balance of \$15.5 million. This is the seventh year the district has compiled these reports. This compares with the 2008-09 net position balance of \$11.7 million. The net change in assets is a positive \$2.8 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.

- The district received the Innovative Approaches to Literacy Grant for a two year period totaling \$502,000. This is funding a support teacher, books and various other literacy projects throughout the district.
- The district also received additional previous year's Impact Aid claims of \$493,000 which helped to improve the budget deficit.

- Salary and benefits increased due to step and column and increases to PERS and STRS retirement systems as well as a health benefits increase. During the 2015-16 school year, contracts were settled with both certificated and classified staff and a retro payment for the 2014-15 school year of 2% was made.

### Capital Asset and Debt Administration

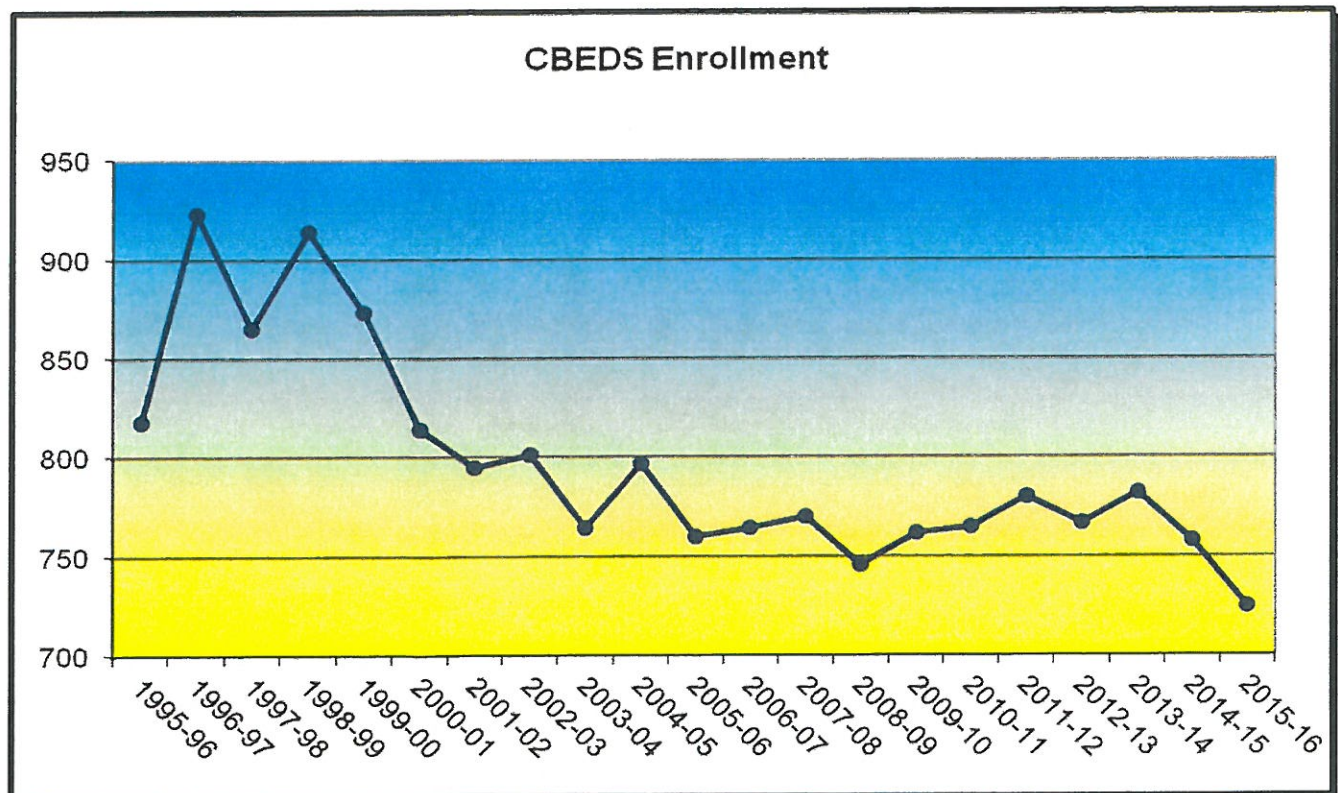
**Capital Assets.** The Board of Trustees adopted a minimum of \$5,000 as the threshold for recognition of capital assets for GASB34 reporting. The District previously contracted with American Appraisal Services to conduct the District's capital asset inventory and valuation. Those results, net of depreciation are contained in this report, updated as of June 30, 2015.

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 enrollment decreased by 24 students in 2014-15. Efforts have been made to improve student attendance and sustain enrollment, however, October 2015 enrollment decreased by 33 to 725.



### **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 Chief Business Official, San Pasqual Valley Unified School District, 676 Baseline Road, Winterhaven, CA 92283.

## Basic Financial Statements

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
<b>ASSETS:</b>	
Cash	\$ 8,343,625
Accounts Receivable	577,616
Stores Inventories	11,935
Capital Assets:	
Land	66,865
Improvements	1,701,782
Buildings	18,847,927
Equipment	3,247,261
Less Accumulated Depreciation	(7,249,339)
Total Assets	<u>25,547,672</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	693,349
<b>LIABILITIES:</b>	
Accounts Payable	407,752
Unearned Revenue	32,387
Long-Term Liabilities	
Due Within One Year	71,537
Due In More Than One Year	8,880,609
Total Liabilities	<u>9,392,285</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	2,343,991
<b>NET POSITION:</b>	
Net Investment in Capital Assets	16,569,192
Restricted For:	
Capital Projects	127,808
Educational Programs	234,123
Other Purposes (Expendable)	968,743
Other Purposes (Nonexpendable)	14,435
Other Restrictions	(3,409,556)
Total Net Position	<u>\$ 14,504,745</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, 2015

Functions	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 7,200,393	\$ 6,821	\$ 1,284,607	\$ -	\$ (5,908,965)
Instruction-Related Services:					
Instructional Supervision and Administration	247,282	-	176,709	-	(70,573)
Instructional Library, Media and Technology	92,141	-	87,964	-	(4,177)
School Site Administration	975,082	-	65,835	-	(909,247)
Pupil Services:					
Home-to-School Trans- portation	818,623	-	-	-	(818,623)
Food Services	592,827	3,690	541,917	-	(47,220)
All Other Pupil Services	614,880	-	114,220	-	(500,660)
General Administration:					
Centralized Data Processing	38,393	-	-	-	(38,393)
All Other General Administration	1,057,177	-	83,852	-	(973,325)
Plant Services	1,492,823	13	2,498	-	(1,490,312)
Ancillary Services	260,624	-	1,465	-	(259,159)
Community Services	6,551	-	-	-	(6,551)
Interest on Long-Term Debt	4,538	-	-	-	(4,538)
Other Outgo	64,693	57,892	-	-	(6,801)
Depreciation (Unallocated)*	596,472	-	-	-	(596,472)
Total Expenses	<u>\$ 14,062,499</u>	<u>\$ 68,416</u>	<u>\$ 2,359,067</u>	<u>\$ -</u>	<u>\$ (11,635,016)</u>

## General Revenues:

## Taxes and Subventions:

Taxes Levied for General Purposes	1,154,835
Federal and State Aid Not Restricted to Specific Programs	10,035,870
Interest and Investment Earnings	39,289
Interagency Revenues	34,465
Miscellaneous	114,751
Total General Revenues	<u>11,379,210</u>

Change in Net Position (255,806)

Net Position Beginning-As restated (Note P)	14,760,551
Net Position Ending	<u>\$ 14,504,745</u>

The accompanying notes are an integral part of this statement.

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

JUNE 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash in County Treasury	\$ 7,935,969	\$ 405,156	\$ 8,341,125
Cash in Revolving Fund	2,500	-	2,500
Accounts Receivable	501,337	76,278	577,615
Stores Inventories	-	11,935	11,935
Total Assets	<u>8,439,806</u>	<u>493,369</u>	<u>8,933,175</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 404,490	\$ 3,261	\$ 407,751
Unearned Revenue	32,387	-	32,387
Total Liabilities	<u>436,877</u>	<u>3,261</u>	<u>440,138</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	2,500	-	2,500
Stores Inventories	-	11,934	11,934
Restricted Fund Balances	133,497	28,834	162,331
Assigned Fund Balances	6,747,932	449,340	7,197,272
Unassigned:			
Reserve for Economic Uncertainty	1,086,738	-	1,086,738
Other Unassigned	32,262	-	32,262
Total Fund Balance	<u>8,002,929</u>	<u>490,108</u>	<u>8,493,037</u>
Total Liabilities and Fund Balances	<u>\$ 8,439,806</u>	<u>\$ 493,369</u>	<u>\$ 8,933,175</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 POSITION**  
**JUNE 30, 2015**

Total fund balances, governmental funds	\$	8,493,037
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets relating to governmental activities, at historical cost:	23,863,835		
Accumulated depreciation:	<u>(7,249,339)</u>		
Net			16,614,496

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	693,349	
Deferred inflows of resources relating to pensions	(2,343,991)	

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

Capital leases payable	45,304		
Net OPEB obligation	403,145		
Net pension liability	8,477,464		
Compensated absences payable	<u>26,233</u>		
Total			<u>(8,952,146)</u>

Total net position of governmental activities	\$	<u>14,504,745</u>
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The accompanying notes are an integral part of this statement.



**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
LCFF Sources:			
State Apportionment or State Aid	\$ 4,741,610	\$ -	\$ 4,741,610
Education Protection Account Funds	1,181,062	-	1,181,062
Local Sources	1,154,836	-	1,154,836
Federal Revenue	4,920,675	559,934	5,480,609
Other State Revenue	748,602	124,667	873,269
Other Local Revenue	352,754	22,555	375,309
Total Revenues	<u>13,099,539</u>	<u>707,156</u>	<u>13,806,695</u>
Expenditures:			
Instruction	6,716,636	87,418	6,804,054
Instruction - Related Services	1,254,409	-	1,254,409
Pupil Services	1,764,832	586,449	2,351,281
Ancillary Services	259,026	-	259,026
Community Services	6,512	-	6,512
General Administration	1,061,934	-	1,061,934
Plant Services	1,463,434	1,929	1,465,363
Other Outgo	64,693	-	64,693
Debt Service:			
Principal	39,039	-	39,039
Interest	8,828	-	8,828
Total Expenditures	<u>12,639,343</u>	<u>675,796</u>	<u>13,315,139</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>460,196</u>	<u>31,360</u>	<u>491,556</u>
Other Financing Sources (Uses):			
Transfers In	64,790	50,000	114,790
Transfers Out	(114,790)	-	(114,790)
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	410,196	81,360	491,556
Fund Balance, July 1	7,592,733	408,748	8,001,481
Fund Balance, June 30	<u>\$ 8,002,929</u>	<u>\$ 490,108</u>	<u>\$ 8,493,037</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, 2015

Total change in fund balances, governmental funds \$ 491,556

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	386,261	
Depreciation expense	(596,472)	
Net		(210,211)

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:

39,039

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(444,314)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or discount it is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is:

4,290

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:

(135,961)

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:

(205)

Change in net position of governmental activities \$ (255,806)

The accompanying notes are an integral part of this statement.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

JUNE 30, 2015

	Agency Fund
	<hr/>
	Student Body Fund
	<hr/>
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 44,445
Total Assets	<hr/> 44,445 <hr/>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 44,445
Total Liabilities	<hr/> 44,445 <hr/>
<b>NET POSITION:</b>	
Total Net Position	<hr/> \$ - <hr/>

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, 2015**

### **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 position 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, 2015**

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.

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 are used to account for the proceeds from bond issuances and for the acquisition of capital assets of the district.

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.

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.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Expenses and Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

6. 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 during the benefiting period.

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
Computer Equipment	5-15

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.



**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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. Unearned Revenue

Unearned 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 unearned revenue is removed from the 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 position.

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 Balances - Governmental Funds

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, 2015**

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 Policy**

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.

7. **Deferred Inflows and Deferred Outflows of Resources**

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

8. **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 Postemployment Benefits) were merged with the General Fund for purposes of presentation in the audit report.

9. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

10. 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.

11. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions -- an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions, a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions, and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

In November, 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". This Statement amends Paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

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 Position of Individual Funds

Following are funds having deficit fund balances or fund net position 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, 2015

**C. 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 (\$8,341,122 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$8,341,122. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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

Cash balances on hand and in banks (\$44,445 as of June 30, 2015) and in the revolving fund (\$2,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

**3. Investments Authorized by the California Government Code and the District's Investment Policy**

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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.

As of June 30, 2015, the District's bank balances (including revolving cash) of \$46,945 were not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, 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. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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.

D. Accounts Receivable

Accounts receivable balances as of June 30, 2015 consist of:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:			
Federal Programs	\$ 379,885	\$ 66,940	\$ 446,825
State Government:			
Lottery	63,442	-	63,442
Child Nutrition	-	5,496	5,496
Other State Programs	19,000	-	19,000
Local Sources:			
Interest	9,793	618	10,411
Other Local Sources	29,217	3,224	32,441
Total	<u>\$ 501,337</u>	<u>\$ 76,278</u>	<u>\$ 577,615</u>

All accounts receivable are considered to be collectible in full and as such no allowance for doubtful accounts has been established.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 66,865	\$ -	\$ -	\$ 66,865
Total capital assets not being depreciated	<u>66,865</u>	<u>-</u>	<u>-</u>	<u>66,865</u>
Capital assets being depreciated:				
Buildings	18,843,451	4,476	-	18,847,927
Improvements	1,701,782	-	-	1,701,782
Equipment	2,931,924	381,785	66,448	3,247,261
Total capital assets being depreciated	<u>23,477,157</u>	<u>386,261</u>	<u>66,448</u>	<u>23,796,970</u>
Less accumulated depreciation for:				
Buildings	(3,751,787)	(359,036)	-	(4,110,823)
Improvements	(733,715)	(79,769)	-	(813,484)
Equipment	(2,233,813)	(157,667)	(66,448)	(2,325,032)
Total accumulated depreciation	<u>(6,719,315)</u>	<u>(596,472)</u>	<u>(66,448)</u>	<u>(7,249,339)</u>
Total capital assets being depreciated, net	<u>16,757,842</u>	<u>(210,211)</u>	<u>-</u>	<u>16,547,631</u>
Governmental activities capital assets, net	<u>\$ 16,824,707</u>	<u>\$ (210,211)</u>	<u>\$ -</u>	<u>\$ 16,614,496</u>

Depreciation was charged to functions as follows:

Unallocated	<u>\$ 596,472</u>
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**F. Interfund Balances and Activities**

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

Transfers to and from other funds at June 30, 2015 consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Cafeteria Fund	\$ 50,000	Transfer for operations
General Fund	Special Reserve Fund	64,790	OPEB contribution
	Total	<u>\$ 114,790</u>	

**G. Accounts Payable**

Accounts payable balances as of June 30, 2015 consist of:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts Payable:			
Vendor payables	\$ 304,457	\$ 3,261	\$ 307,718
Payroll and related benefits	100,033	-	100,033
Total	<u>\$ 404,490</u>	<u>\$ 3,261</u>	<u>\$ 407,751</u>



**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

H. Unearned Revenue

Unearned revenue for the year ended June 30, 2015, was as follows:

	Major Fund
	General Fund
Federal Government: Categorical programs	\$ <u>32,387</u>

I. Short-Term Debt Activity

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

J. Deferred Outflows of Resources

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the net pension liability measurement date are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2015 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2014	Additions	Current Year Amortization	Balance June 30, 2015
Pension related	06/30/2015	1 Year	\$ -	\$ 693,349	\$ -	\$ 693,349
Total Deferred Outflows of Resources			\$ -	\$ 693,349	\$ -	\$ 693,349

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30 2016	Pension Related \$ 693,349
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K. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, payments received subsequent to the net pension liability measurement date are recorded as deferred inflows of resources.

A summary of the deferred inflows of resources as of June 30, 2015 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2014	Additions	Current Year Amortization	Balance June 30, 2015
Pension related	06/30/2015	1 Year	\$ -	\$ 2,343,991	\$ -	\$ 2,343,991
Total Deferred Inflows of Resources			\$ -	\$ 2,343,991	\$ -	\$ 2,343,991

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30 2016	Pension Related \$ 2,343,991
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**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**L. 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, 2015 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Capital leases	\$ 88,633	\$ -	\$ 43,329	\$ 45,304	\$ 45,304
Net OPEB obligation	267,184	139,280	3,319	403,145	-
Compensated absences *	26,028	205	-	26,233	26,233
Net pension liability	10,727,490	-	2,250,026	8,477,464	-
Total governmental activities	<u>\$ 11,109,335</u>	<u>\$ 139,485</u>	<u>\$ 2,296,674</u>	<u>\$ 8,952,146</u>	<u>\$ 71,537</u>

\* Other long-term liabilities

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 and pension liability, at June 30, 2015 are as follows:

	Governmental Activities		
<u>Year Ending June 30,</u>	Principal	Interest	Total
2016	<u>\$ 71,537</u>	<u>\$ 2,320</u>	<u>\$ 73,857</u>

**3. Capital Leases**

Commitments under capitalized lease agreements for building facilities provide for minimum future lease payments as of June 30, 2015 as follows:

<u>Year Ending June 30,</u>	Lease Payment
2016	<u>\$ 47,624</u>
Total minimum lease payments	47,624
Less amount representing interest	(2,320)
Present value of minimum lease payments	<u>\$ 45,304</u>

**M. 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, 2015 is not available.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**N. Pension Plans**

**1. General Information About the Pension Plans**

**a. Plan Descriptions**

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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

**b. Benefits Provided**

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	CalSTRS		CalPERS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date				
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	8.000%	8.000%	6.974.%	6.974.%
Required employer contribution rates	8.250%	8.250%	11.442%	11.442%

\*Amounts are limited to 120% of Social Security Wage Base.

**c. Contributions - CalPERS**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

d. Contributions - CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 8% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.25% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

e. On Behalf Payments.

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2014 (measurement date) the State contributed 5.204002% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

f. Contributions Recognized

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each plan were as follows:

	CalSTRS	CalPERS
Contributions - Employer	\$ 226,361	\$ 279,112
Contributions - Employee	227,217	172,660
Contributions - State On Behalf Payments	138,347	-
Total Contributions	<u>\$ 591,925</u>	<u>\$ 451,772</u>

Pension expense for each plan were as follows:

	CalSTRS	CalPERS
Change in Net Pension Liability	\$ (1,300,026)	\$ (950,016)
Net difference between projected and actual earnings on plan investments	1,439,015	904,992
Total Employer and State Contributions	591,925	451,772
Total Pension Expense	<u>\$ 730,914</u>	<u>\$ 406,748</u>

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	5,843,699
CalPERS	2,633,765
Total Net Pension Liability	<u>\$ 8,477,464</u>

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2013	0.0100%	0.0232%
Proportion - June 30, 2014	0.0100%	0.0232%
Change - Increase (Decrease)	-	-

For the year ended June 30, 2015, the District recognized pension expense of \$1,137,662. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 693,349	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	-	(2,343,991)
Total	\$ 693,349	\$ (2,343,991)

\$693,349 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (585,998)
2017	(585,998)
2018	(585,998)
2019	(585,997)
Total	\$ (2,343,991)

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.6%	7.5%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.6% (2)	7.5% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) Depending on age, gender, and type of job

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.50% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

c. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 10,251,184	\$ 4,620,225
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 5,843,700	\$ 2,633,765
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 2,160,803	\$ 419,775



**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

d. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 23,778,600	\$ 16,634,875	\$ 7,143,725
Changes for the year:			
Service cost	533,800	-	533,800
Interest	1,782,200	-	1,782,200
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	226,361	(226,361)
Contributions - Employee	-	227,217	(227,217)
Contributions - State On Behalf	-	138,347	(138,347)
Net investment income	-	3,040,190	(3,040,190)
Other income	-	206	(206)
Benefit payments, including refunds of employee contributions	(1,203,500)	(1,203,500)	-
Administrative expenses	-	(15,416)	15,416
Other expenses	-	(879)	879
Net Changes	1,112,500	2,412,526	(1,300,026)
Balance at June 30, 2015	<u>\$ 24,891,100</u>	<u>\$ 19,047,401</u>	<u>\$ 5,843,699</u>

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 15,088,384	\$ 11,504,603	\$ 3,583,781
Changes for the year:			
Service cost	365,638	-	365,638
Interest	1,118,035	-	1,118,035
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	279,112	(279,112)
Contributions - Employee	-	172,660	(172,660)
Net investment income	-	1,981,917	(1,981,917)
Benefit payments, including refunds of employee contributions	(728,128)	(728,128)	-
Administrative expenses	-	-	-
Other expenses	-	-	-
Net Changes	755,545	1,705,561	(950,016)
Balance at June 30, 2015	<u>\$ 15,843,929</u>	<u>\$ 13,210,164</u>	<u>\$ 2,633,765</u>

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**O. Postemployment Benefits Other Than Pension Benefits**

The District provides retiree health benefits up to age 65 for 7 retirees as well as 61 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, 2015, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$	144,045
Interest adjustment		10,688
Amortization adjustment		(15,453)
Net OPEB cost		139,280
Contributions made and implicit subsidy		(3,319)
Increase in OPEB obligation		135,961
Net OPEB obligation - beginning of year		267,184
Net OPEB obligation - end of year	\$	403,145

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended June 30, 2014 and 2015 are as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 141,748	2.3%	\$ 267,184
2015	139,280	2.4%	403,145

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

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**P. Adjustments to Beginning Net Position**

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted in accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability, any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources. The changes due to accounting policies resulted in an adjustment to beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 24,444,344
Adjustments for:	
Change in Accounting Policy - Net Pension Liability	(10,727,490)
Change in Accounting Policy - Deferred Outflows Pension Related	<u>1,043,697</u>
Net Position, Beginning (As Restated)	<u>\$ 14,760,551</u>

**Q. Components of Ending Fund Balance**

As of June 30, 2015 ending fund balance consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances			
Revolving Cash	\$ 2,500	\$ -	\$ 2,500
Stores Inventories	-	11,935	11,935
Restricted Fund Balances			
Educational Programs	133,497	10	133,507
Child Nutrition Program	-	28,824	28,824
Assigned Fund Balances			
Capital Projects	3,434,000	128,245	3,562,245
Post Employment Benefits	719,441	-	719,441
Transportation Vehicles	500,000	-	500,000
Child Nutrition Program	-	220,478	220,478
Reserve Requirement	532,973	-	532,973
Educational Programs	1,486,152	100,616	1,586,768
Unassigned Fund Balances			
For Economic Uncertainty	1,194,366	-	1,194,366
Total Fund Balance	<u>\$ 8,002,929</u>	<u>\$ 490,108</u>	<u>\$ 8,492,037</u>

**R. 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 review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**S. Subsequent Events**

**New Accounting Pronouncements**

**GASB Statement No. 72**

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

**GASB Statement No. 76**

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles For State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

## 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 5,466,791	\$ 4,741,610	\$ 4,741,610	\$ -
Education Protection Account Funds	804,088	1,181,062	1,181,062	-
Local Sources	747,627	1,154,836	1,154,836	-
Federal Revenue	4,064,235	4,920,675	4,920,675	-
Other State Revenue	232,136	748,602	748,602	-
Other Local Revenue	269,513	234,550	342,178	107,628
Total Revenues	<u>11,584,390</u>	<u>12,981,335</u>	<u>13,088,963</u>	<u>107,628</u>
Expenditures:				
Current:				
Certificated Salaries	4,903,834	4,743,824	4,743,824	-
Classified Salaries	2,590,657	2,436,721	2,436,721	-
Employee Benefits	2,501,739	2,497,286	2,497,286	-
Books And Supplies	849,863	888,334	888,334	-
Services And Other Operating Expenditures	1,422,057	1,578,833	1,578,833	-
Other Outgo	39,103	64,693	64,693	-
Capital Outlay	719,300	381,785	381,785	-
Debt Service:				
Principal	39,172	39,039	39,039	-
Interest	8,828	8,828	8,828	-
Total Expenditures	<u>13,074,553</u>	<u>12,639,343</u>	<u>12,639,343</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,490,163)</u>	<u>341,992</u>	<u>449,620</u>	<u>107,628</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(114,790)</u>	<u>(114,790)</u>	<u>(114,790)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(114,790)</u>	<u>(114,790)</u>	<u>(114,790)</u>	<u>-</u>
Net Change in Fund Balance	<u>(1,604,953)</u>	<u>227,202</u>	<u>334,830</u>	<u>107,628</u>
Fund Balance, July 1	<u>5,861,920</u>	<u>5,861,920</u>	<u>5,861,920</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4,256,967</u>	<u>\$ 6,089,122</u>	<u>\$ 6,196,750</u>	<u>\$ 107,628</u>



**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF FUNDING PROGRESS-OTHER POST EMPLOYMENT BENEFITS PLAN

YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated 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%
6/30/12	-	815,655	815,655	-	6,652,870	12.3%
6/30/13	-	1,036,962	1,036,962	-	6,903,752	15.0%
6/30/14	-	1,036,962	1,036,962	-	7,179,902	14.4%
6/30/15	-	1,036,962	1,036,962	-	7,355,918	14.1%

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM (CALSTRS)**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0100%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 5,843,699	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 2,748,600	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.61%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM (CALSTRS)**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 453,578	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(453,578)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 2,748,600	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Notes to Schedule:

Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS)**  
**LAST TEN FISCAL YEARS \***

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0232%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 2,633,765	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 2,478,729	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	106.25%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS)**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 451,772	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(451,772)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 2,478,729	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	18.23%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

**Notes to Schedule**

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS Membership Data for all funds
Post Retirement Increase	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

## Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$ 8,002,929
Less Fund 17 Fund Balance	(1,086,738)
Less Fund 20 Fund Balance	(719,441)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 6,196,750</u>

General Fund - Fund Financial Statements Net Change in Fund Balance	\$ 410,196
Change in Fund Balance attributed to Fund 17	(6,588)
Change in Fund Balance attributed to Fund 20	(68,778)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ 334,830</u>



## Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 277,554	\$ 127,602	\$ 405,156
Accounts Receivable	76,072	206	76,278
Stores Inventories	11,935	-	11,935
Total Assets	<u>365,561</u>	<u>127,808</u>	<u>493,369</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 3,261	\$ -	\$ 3,261
Total Liabilities	<u>3,261</u>	<u>-</u>	<u>3,261</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	11,934	-	11,934
Restricted Fund Balances	28,834	-	28,834
Assigned Fund Balances	321,532	127,808	449,340
Total Fund Balance	<u>362,300</u>	<u>127,808</u>	<u>490,108</u>
Total Liabilities and Fund Balances	<u>\$ 365,561</u>	<u>\$ 127,808</u>	<u>\$ 493,369</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, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 489,117	\$ 70,817	\$ 559,934
Other State Revenue	124,667	-	124,667
Other Local Revenue	17,629	4,926	22,555
Total Revenues	<u>631,413</u>	<u>75,743</u>	<u>707,156</u>
Expenditures:			
Instruction	87,418	-	87,418
Pupil Services	586,449	-	586,449
Plant Services	1,929	-	1,929
Total Expenditures	<u>675,796</u>	<u>-</u>	<u>675,796</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(44,383)</u>	<u>75,743</u>	<u>31,360</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	5,617	75,743	81,360
Fund Balance, July 1	356,683	52,065	408,748
Fund Balance, June 30	<u>\$ 362,300</u>	<u>\$ 127,808</u>	<u>\$ 490,108</u>

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 97,405	\$ 179,713	\$ 436	\$ 277,554
Accounts Receivable	3,391	72,680	1	76,072
Stores Inventories	-	11,935	-	11,935
Total Assets	<u>100,796</u>	<u>264,328</u>	<u>437</u>	<u>365,561</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 170	\$ 3,091	\$ -	\$ 3,261
Total Liabilities	<u>170</u>	<u>3,091</u>	<u>-</u>	<u>3,261</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	-	11,934	-	11,934
Restricted Fund Balances	10	28,824	-	28,834
Assigned Fund Balances	100,616	220,479	437	321,532
Total Fund Balance	<u>100,626</u>	<u>261,237</u>	<u>437</u>	<u>362,300</u>
Total Liabilities and Fund Balances	<u>\$ 100,796</u>	<u>\$ 264,328</u>	<u>\$ 437</u>	<u>\$ 365,561</u>

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ -	\$ 489,117	\$ -	\$ 489,117
Other State Revenue	83,351	41,316	-	124,667
Other Local Revenue	649	16,977	3	17,629
Total Revenues	<u>84,000</u>	<u>547,410</u>	<u>3</u>	<u>631,413</u>
Expenditures:				
Instruction	87,418	-	-	87,418
Pupil Services	-	586,449	-	586,449
Plant Services	-	1,929	-	1,929
Total Expenditures	<u>87,418</u>	<u>588,378</u>	<u>-</u>	<u>675,796</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,418)</u>	<u>(40,968)</u>	<u>3</u>	<u>(44,383)</u>
Other Financing Sources (Uses):				
Transfers In	-	50,000	-	50,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net Change in Fund Balance	(3,418)	9,032	3	5,617
Fund Balance, July 1	104,044	252,205	434	356,683
Fund Balance, June 30	<u>\$ 100,626</u>	<u>\$ 261,237</u>	<u>\$ 437</u>	<u>\$ 362,300</u>

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2015

	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 17	\$ 54,966	\$ 72,619	\$ 127,602
Accounts Receivable	-	90	116	206
Total Assets	<u>17</u>	<u>55,056</u>	<u>72,735</u>	<u>127,808</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Assigned Fund Balances	\$ 17	\$ 55,056	\$ 72,735	\$ 127,808
Total Fund Balance	<u>17</u>	<u>55,056</u>	<u>72,735</u>	<u>127,808</u>
Total Liabilities and Fund Balances	<u>\$ 17</u>	<u>\$ 55,056</u>	<u>\$ 72,735</u>	<u>\$ 127,808</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, 2015

	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ -	\$ -	\$ 70,817	\$ 70,817
Other Local Revenue	-	4,550	376	4,926
Total Revenues	-	4,550	71,193	75,743
Expenditures:				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	4,550	71,193	75,743
Net Change in Fund Balance	-	4,550	71,193	75,743
Fund Balance, July 1	17	50,506	1,542	52,065
Fund Balance, June 30	<u>\$ 17</u>	<u>\$ 55,056</u>	<u>\$ 72,735</u>	<u>\$ 127,808</u>

## Other Supplementary Information

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

## Supplementary Information Section

# SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2015

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		
Name	Office	Term and Term Expiration
Monica Montague	President	Four year term Expires December 2017
Bernadine Swift Arrow	Vice President	Four year term Expires December 2015
Rebecca Ramirez	Clerk	Four year term Expires December 2017
Ramona DeCorse	Member	Four year term Expires December 2015
Michael Jack	Member	Four year term Expires December 2015

## Administration

David E. Bealer  
Superintendent

Kish Curtis  
Chief Business  
Official

# SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2015

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	235.89	N/A	234.55	N/A
Extended Year Special Education	2.80	N/A	2.80	N/A
TK/K-3 Totals	238.69	N/A	237.35	N/A
Grades 4-6:				
Regular ADA	174.16	N/A	172.35	N/A
Extended Year Special Education	1.30	N/A	1.30	N/A
Grades 4-6 Totals	175.46	N/A	173.65	N/A
Grades 7 and 8:				
Regular ADA	96.63	N/A	95.79	N/A
Extended Year Special Education	0.95	N/A	0.95	N/A
Community Day School	0.99	N/A	1.25	N/A
Grades 7 and 8 Totals	98.57	N/A	97.99	N/A
Grades 9-12:				
Regular ADA	182.46	N/A	180.71	N/A
Extended Year Special Education	1.60	N/A	1.60	N/A
Community Day School	0.51	N/A	0.41	N/A
Grades 9-12 Totals	184.58	N/A	182.72	N/A
ADA Totals	697.30	N/A	691.71	N/A

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. 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, 2015**

**TABLE D-2**

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted &amp; Reduced</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Transitional Kindergarten	36,000	35,000	54,000	180	-	Complied
Kindergarten	36,000	35,000	69,975	180	-	Complied
Grade 1	50,400	49,000	69,975	180	-	Complied
Grade 2	50,400	49,000	69,975	180	-	Complied
Grade 3	50,400	49,000	69,975	180	-	Complied
Grade 4	54,000	52,500	69,975	180	-	Complied
Grade 5	54,000	52,500	69,975	180	-	Complied
Grade 6	54,000	52,500	66,900	180	-	Complied
Grade 7	54,000	52,500	66,900	180	-	Complied
Grade 8	54,000	52,500	66,900	180	-	Complied
Grade 9	64,800	63,000	66,900	180	-	Complied
Grade 10	64,800	63,000	66,900	180	-	Complied
Grade 11	64,800	63,000	66,900	180	-	Complied
Grade 12	64,800	63,000	66,900	180	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. 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. The District neither met nor exceeded its target funding.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

**TABLE D-3**

General Fund	Budget 2016 (See Note 1)	2015	2014	2013
Revenues and other financial sources	\$ 13,322,146	\$ 13,088,963	\$ 11,384,963	\$ 11,478,893
Expenditures, other uses and transfers out	13,426,345	12,754,133	11,961,575	11,978,570
Change in fund balance (deficit)	(104,199)	334,830	(576,612)	(499,677)
Ending fund balance	\$ 6,092,551	\$ 6,196,750	\$ 5,861,920	\$ 6,438,532
Available reserves (See Note 2)	\$ 5,796,494	\$ 6,060,753	\$ 5,699,500	\$ 4,323,935
Available reserves as a percentage of total outgo	43.2%	47.5%	48.6%	36.8%
Total long-term debt (See Note 5)	\$ 8,880,609	\$ 8,952,146	\$ 381,845	\$ 285,896
Average daily attendance at P-2	701	697	710	721

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

The general fund balance has decreased by \$741,459 over the past three years. The fiscal year 2015-16 budget projects a decrease of \$104,199. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, other uses and transfers out.

Long-term debt has increased by \$8,643,751 over the past three years.

Average daily attendance (ADA) has decreased by 20 over the past three years.

**Notes:**

1. Budget 2016 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all assigned fund balances, all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
3. On behalf payments of \$239,473, \$237,535, and \$229,072, have been excluded from the calculation of available reserves as a percentage of total outgo for the fiscal years ending June 30, 2015, 2014 and 2013.
4. As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the general fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.
5. As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 include net pension liabilities which were not previously accounted for. As such, total long term debt for the year ended June 30, 2015 is not comparable to previous years represented in this table.



# SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

	General Fund	Special Reserve Fund Postemployment Benefits	Special Reserve Fund Other Than Capital Outlay Projects
June 30, 2015, annual financial and budget report fund balances	\$ 6,196,750	\$ 719,441	\$ 1,086,738
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB # 54 inclusion of special reserve funds	1,806,179	(719,441)	(1,086,738)
June 30, 2015, audited financial statement fund balances	\$ 8,002,929	\$ -	\$ -
	Schedule of Long-Term Liabilities		
June 30, 2015, annual financial and budget report total liabilities	\$ 219,818		
Adjustments and reclassifications:			
Increase (decrease) in total liabilities:			
Net OPEB obligation understatement	209,560		
Net pension liability understatement	8,477,464		
Capital lease understatement	45,304		
Net adjustments and reclassifications	8,732,328		
June 30, 2015, audited financial statement total liabilities	\$ 8,952,146		

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.

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, 2015**

**TABLE D-6**

<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>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>			
Direct Programs:			
Impact Aid - P.L. 81.874	84.041	-	\$ 3,867,026
Indian Education	84.060	-	71,884
Improvement of Education	84.215	-	212,058
Total Direct Programs			<u>4,150,968</u>
Passed Through State Department of Education:			
Title I	84.010	14329	405,597
Migrant Education Cluster			
Migrant Education	84.011	14326	56,543
Migrant Education Summer	84.011	10005	35,381
Total Migrant Education Cluster			<u>91,924</u>
Special Education IDEA Basic	84.027	13379	164,256
Vocational Education	84.048	14894	38,550
Title VI - Rural and Low Income Schools	84.358	14356	13,825
Title III - LEP	84.365	14346	19,650
Title II - Teacher Quality	84.367	14341	35,904
Total Passed Through State Department of Education			<u>769,706</u>
Total U. S. Department of Education			<u>4,920,674</u>
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	153,774
Noncash Commodities *	10.555	-	16,853
National School Lunch Section 11	10.555	13396	263,432
National School Lunch Section 4	10.555	13391	40,063
National School Lunch Meal Supplements	10.555	23165	12,557
Total Child Nutrition Cluster			<u>486,679</u>
National School Lunch Fresh Fruit & Vegetable Program	10.582	14968	19,288
Total Passed Through State Department of Education			<u>505,967</u>
Total U. S. Department of Agriculture			<u>505,967</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,426,641</u>

\* Indicates noncash expenditures

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, 2015

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

Independent Auditor's 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

Members of the Board of Trustees:

We have audited, in accordance with the 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, 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, 2015, and the related notes to the financial statements, which collectively comprise San Pasqual Valley Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the San Pasqual Valley Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the San Pasqual Valley Unified School District's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the San Pasqual Valley Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2015-002 to 2015-005.

## **San Pasqual Valley Unified School District's Response to Findings**

San Pasqual Valley Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. San Pasqual Valley Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 14, 2015



Independent Auditor's Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required by OMB Circular A-133

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

Members of the Board of Trustees:

**Report on Compliance for Each Major Federal Program**

We have audited the 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 the San Pasqual Valley Unified School District's major federal programs for the year ended June 30, 2015. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of San Pasqual Valley Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the San Pasqual Valley Unified School District's compliance.

***Basis for Qualified Opinion on Title I, Part A (84.010)***

As described in item 2015-002 in the accompanying schedule of findings and questioned costs, the San Pasqual Valley Unified School District did not comply with requirements regarding Special Tests and Provisions that are applicable to its Title I, Part A (84.010). Compliance with such requirements is necessary, in our opinion, for San Pasqual Valley Unified School District to comply with the requirements applicable to that program.

### ***Qualified Opinion on Title I, Part A (84.010)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the San Pasqual Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I, Part A (84.010) for the year ended June 30, 2015.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the San Pasqual Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the San Pasqual Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the San Pasqual Valley Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the 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.

San Pasqual Valley Unified School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. San Pasqual Valley Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 14, 2015

### **Independent Auditor's Report on State Compliance**

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

Members of the Board of Trustees:

### **Report on State Compliance**

We have audited the District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2015.

### **Management's Responsibility for State Compliance**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. 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 the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Those standards and audit guide 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 direct and material effect on the state programs noted 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:

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:</b>	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes



Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	N/A
Adult Education Maintenance of Effort	N/A

**SCHOOL DISTRICTS, COUNTY OFFICES OF  
EDUCATION, AND CHARTER SCHOOLS:**

California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes

**CHARTER SCHOOLS:**

Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	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. The procedure was not required to be performed since the ADA was below that which requires testing.

**Opinion on State Compliance**

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, 2015.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel and which is described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004.

## **San Pasqual Valley Unified School District's Response to Findings**

San Pasqual Valley Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. San Pasqual Valley Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 14, 2015

## Findings and Recommendations Section

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?   X   Yes        None Report

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?   X   Yes        None Report

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   Yes        No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010	Title I
84.215	Improvement of Education
84.041	Impact Aid

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

Auditee qualified as low-risk auditee?        Yes   X   No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies?   X   Yes        No



**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

Unmodified

**B. Financial Statement Findings**

Finding 2015-001 (30000)  
Associated Student Body Funds

Criteria or Specific Requirement

Determine whether internal controls are in place over student body funds that will ensure all student body receipts collected and disbursements paid are properly documented and that all proper transaction procedures are being followed.

Condition

In our review of the receipts and deposits of the San Pasqual Valley High School student body funds, we noted the following:

- 1 One out of twelve cash transmittal forms tested did not have a proper preparer signature and verification signature and one of the transmittal forms was not legible so the amount could not be determined.
- 2 Three of the twelve cash transmittals tested did not have any supporting documentation other than what was written on the cash transmittal form.
- 3 Two of the twelve deposits tested did not have cash transmittal forms on file.

In our review of the disbursements and checks of the San Pasqual Valley High School student body funds, we noted the following:

- 1 Three out of eight disbursements tested did not have an invoice to support the disbursement.
- 2 None of the eight invoices tested were defaced or stamped as "paid" in order to prevent duplicate payment.

Questioned Costs

None

Recommendation

We rerecommend that the District adopt procedures that require that supporting documentation be obtained for all deposits into the student body funds. We also recommend that the District adopt policies which require that all payments from student body funds will not be made without an original invoice.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

LEA's Response

The District will meet with the Principals, ASB advisors, and accounting clerks to implement new procedures and requirements for the ASB. These requirements will include that cash transmittal forms are completed, signed, and approved. Also NO expenditures will be processed without the three required signatures and required documentation. Each of the expenditures will not be paid without an original invoice and must be reviewed by the Principal before it can be processed. Deposits will only be processed with supporting documentation. This will also be reviewed by the Principal and will require the Principal's signature. The ASB advisors and accounting clerks will attend additional training in the spring to assist in meeting the requirements. The District Office Business Services personnel will also be reviewing the ASB accounts and documentation at the end of each month.

A comprehensive list of responsibilities has been developed in regards to Coaches, student athletes, site secretaries, ticket takers. Cash box Request forms and ticket inventory forms have also been develop to assist.

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

Finding 2015-002 (50000)  
 Special Tests & Provisions  
 School Wide Plan

Federal Program Information

84.010 - Title I, Part A

Federal Grantor

U.S. Department of Education

Pass-Through Grantor

California Department of Education

Criteria or Specific Requirement

Verify that the schoolwide plan included the required core elements and components as identified in the Code of Federal Regulations (CFR) 34 Sections 200.26 and 200.28 and in U.S.C. Section 6314 (b) (1).

Condition

In our review of the San Pasqual Valley Elementary School Single Plan for Student Achievement we noted that one of the five required components were not present in the plan. The plan was missing component 2, instruction by highly qualified professional staff.

Questioned Costs

Program expenditures under the program were:

<u>CFDA #</u>	<u>Program</u>	<u>Questioned Costs</u>
84.010	2011-15 Title I, Part A	\$ 405,597

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Context

To operate a schoolwide program, a school must include in their plan the following three core elements:

- 1 Comprehensive needs assessment of the entire school (34 CFR section 200.26(a)).
- 2 Comprehensive plan based on data from the needs assessment (34 CFR section 200.26(b)).
- 3 Annual evaluation of the results achieved by the schoolwide program and revision of the schoolwide plan based on that evaluation (34 CFR section 200.26 (c)).

A schoolwide plan must also include the following five components:

- 1 Schoolwide reform strategies (34 CFR section 200.28(a)).
- 2 Instruction by highly qualified professional staff (34 CFR section 200.28 (b)).
- 3 Strategies to increase parental involvement (34 CFR section 200.28(c)).
- 4 Additional support to students experiencing difficulty (34 CFR section 200.28(d)).
- 5 Transition plans for assisting preschool children in the successful transition to the schoolwide program (34 CFR 200.28(e)).

Cause

Component 2, instruction by highly qualified professional staff was published in the school accountability report card rather than the school plan, and in the other school's schoolwide plan. The district had established policies and procedures to ensure that the students be instructed by highly qualified professional staff, but due to a clerical oversight it was not included in the school plan.

Effect

1 out of 5 required components were not included in the schoolwide plans.

Recommendation

Provide training to school site councils and school site personnel as to the requirements for schoolwide plans. Work with the school site councils to ensure all required core elements and components are included in the schoolwide plans.

LEA's Response

The District will schedule training for the school site councils at all three sites for January 2016. The training will review school site council policies, procedures, and composition. The trainers will also review the components of the school wide plan.

The Elementary school wide plan for 2015-16 is currently being developed with the assistance of Larry Boese from the California Department of Education to ensure that all the components are covered correctly.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

Finding 2015-003 (10000)

Attendance Reporting

Criteria or Specific Requirement

Determine that attendance reported to the California Department of Education is accurately reported and supported by contemporaneous records.

Condition

During our audit of attendance we noted the following conditions:

- A. Teachers rosters at San Pasqual Elementary and at the Continuation School are not being printed and signed within one week from the end of the week of attendance. All class rosters are being signed by the teachers to verify attendance, but the verification is not done in a timely manner.

Questioned Costs

None, The district has established procedures that the teachers enter attendance into the system on a daily basis. While the verifications were not completed within state guidelines, the attendance was entered contemporaneously by individuals with first hand knowledge.

Context

California Education Code Section 44809 and California Code of Federal Regulations, Title 5, Section 401 require that the California Department of Education approve forms and procedures that constitute an LEA's attendance accounting system. The district has established a system whereby teachers are required to enter attendance into an online system daily. Currently, the California Department of Education approves online attendance accounting systems providing that teachers are signing and dating a weekly printout of attendance records entered into the online system during the previous week. This verification process by the teachers is intended to ensure that the data in the system is accurately reported. As an additional supporting record of attendance, attendance clerks should keep a phone log documenting calls made by parents to verify reasons for absences

Cause

School site personnel did not understand the purpose and requirement that teachers verify attendance weekly.

Effect

The school sites procedures were not consistent with approved attendance systems.

Recommendation

Establish written attendance procedures and provide to all school site personnel charged with the responsibility of attendance accounting. Provide training to ensure a complete understanding of the procedures. Monitor attendance accounting procedures to ensure that school sites are following required procedures.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

LEA's Response

The District has scheduled a meeting with all principals and attendance clerks to improve the attendance process and procedures. Improved systems will be put into place to ensure that attendance clerks are printing rosters and teachers are reviewing and signing them on a regular and timely basis. This system will be monitored by the site administrator. Teachers will also be reminded monthly at each staff meeting.

Finding 2015-004 (40000)

After School Education and Safety Program

Criteria or Specific Requirement

Determine that the local education agency operating the After School Education and Safety Program is compliant with the state requirements for operating the after school program as cited under Education Code Section 14502.1.

Condition

In our review of the after school program and testing of pupil service days for San Pasqual Elementary School for the month of February 2105 we noted that there were differences between the number of students actually attending from a count of the student sign in and sign out sheets and a daily count prepared by the local education agency. At San Pasqual Valley Elementary School a total of 29 pupil service days out of 1,034 days tested were not deemed valid for the month of San Pasqual Valley Elementary School - a total of 29 days out of 1,034 days claimed are questioned for month of February 2015.

Questioned Costs

San Pasqual Valley Elementary School - a total of 29 days out of 1,034 days claimed are questioned for the pupils tested.

Cause

School site personnel prepare a manual count of students served at the end of each day. The manual count needs to be verified.

Effect

Attendance reported was overstated.

Recommendation

Establish monitoring procedures to ensure that the manual daily count prepared from the sign in and sign shhets agrees to the total of students served for that day.

LEA's Response

The District will work with the ASES Coordinator and Attendance Clerk to better monitor the daily attendance count for the two ASES sites. This will include training from the County ASES coordinator on the process. Regular cross checks will also be done by District and/or County personnel.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2013-5 (70000)  
Instructional Materials

Criteria or Specific Requirement

Verify that the District held a public hearing to determine the sufficiency of instructional materials within the first eight weeks of school as required by Education Code Section 60119.

Condition

The District held a public hearing to determine the sufficiency of instructional materials on December 9, 2014 which was after the statutory requirement of completing the public hearing within the first eight weeks of school.

Questioned Costs

None

Context

Education Code Section 60119 requires that the District must hold a public hearing within the first eight weeks of school to determine the sufficiency of instructional materials and supplies.

Effect

The District was not in compliance with requirements to receive funding under the instructional materials funding realignment program.

Cause

The District inadvertently left off their master calendar the requirement to hold the public hearing within the first eight weeks of school.

Recommendation

Establish procedures to ensure public hearing is held within the first eight weeks of school to determine sufficiency of instructional materials and supplies.

LEA's Response

The district has established a procedural timeline that the Instructional Materials public hearing will take place at the September Board meeting. This will ensure that it always takes place within the first eight weeks of the school year. It has also been updated in the district operational calendar.

# SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2014-1 Student Body Funds</p> <p>In review of the student body funds at San Pasqual High School, ticket reconciliation forms were not being completed for events, cash transmittal forms did not have proper signatures or accurate collection dates, and the cash transmittal forms were being prepared by the individual receiving the funds and not by the person at the point of revenue origin. In addition, disbursements did not have proper invoice support, invoices were not stamped paid, and check requests were either incomplete or could not be located.</p> <p>Implement procedures to correct the significant deficiencies in the student body controls. Require all cash transmittal forms to be complete, signed, and dated properly and utilize ticket reconciliations for all events held. Also, require all disbursements to have proper supporting invoice documentation and completed check requests.</p>	<p>Partially Implemented</p>	<p>See Current Year Finding</p>
<p>Finding 2014-2 Attendance</p> <p>In review of daily attendance at San Pasqual Elementary and San Pasqual High School, class attendance rosters were not being verified on a timely basis. Some rosters were being verified in excess of three months past the final attendance date for the period and some rosters did not have proper teacher signatures or date verification.</p> <p>Establish controls to ensure all class attendance rosters are signed, dated, and verified within one week after the end of each attendance period. Monitor and review all class rosters to verify that all teachers are signing and dating the class attendance rosters on a timely basis.</p>	<p>Partially Implemented</p>	<p>See Current Year Finding</p>