

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

**AUDIT REPORT**

**JUNE 30, 2014**

**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, 2014

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## 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 San Pasqual Valley Unified School District ("the District") as of and for the year ended June 30, 2014, 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, 2014, 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 2014, San Pasqual Valley Unified School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 and schedule of funding progress for OPEB benefits 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 2013-14*, 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 12, 2014 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.

El Cajon, California  
December 12, 2014



**San Pasqual Valley Unified School District**  
**Management's Discussion and Analysis**  
**June 30, 2014**  
**(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, 2014. The management's discussion and analysis is required as an element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. Comparative financial data and statements will reflect prior year information when indicated. The district's financial statements follow this section.

**Financial Highlights**

- The SPVUSD's assets exceeded liabilities by \$24.44 million.
- Total change in District net position was decreased by \$1.12 million.
- Total revenues were \$12.09 million.
- The SPVUSD enrollment increased by 15 students for a total enrollment of 782 students in October 2013 compared to 767 students in October 2012.

**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 and liabilities of the SPVUSD, with the difference between the two reported as net position. Over time, increases or decreases in 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, 2013. 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 \$24.43 million at the close of the most recent fiscal year.

### STATEMENT OF NET POSITION 6/30/2013 (In Millions of Dollars)

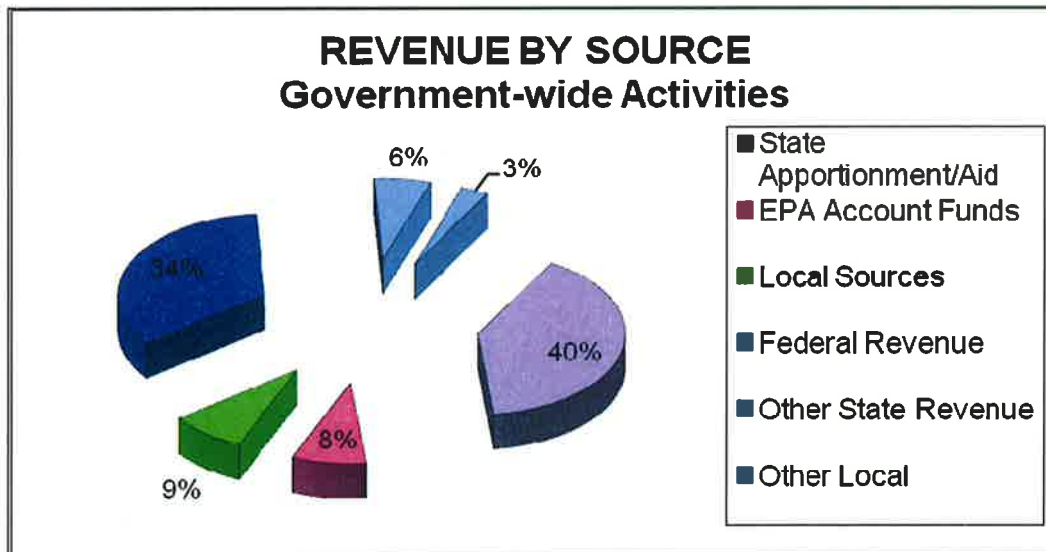
	2012-13	2013-14
<b>ASSETS:</b>		
Cash & Current Assets	9.02	8.25
Capital Assets	17.37	16.82
<b>Total Assets</b>	<b>26.39</b>	<b>25.07</b>
 <b>LIABILITIES:</b>		
Long-term Debt	.29	.39
Other Liabilities	.54	.25
<b>Total Liabilities</b>	<b>.83</b>	<b>.64</b>
 <b>TOTAL NET POSITION</b>	<b>25.56</b>	<b>24.43</b>
 <b>DISTRIBUTION OF NET ASSETS:</b>		
Invested in Capital Assets		
Invested in Capital Assets	17.37	16.74
Restricted for Capital Projects	0	0
Other Restricted	0	0
Non-restricted	8.19	7.70
<b>TOTAL NET POSITION</b>	<b>25.56</b>	<b>24.44</b>

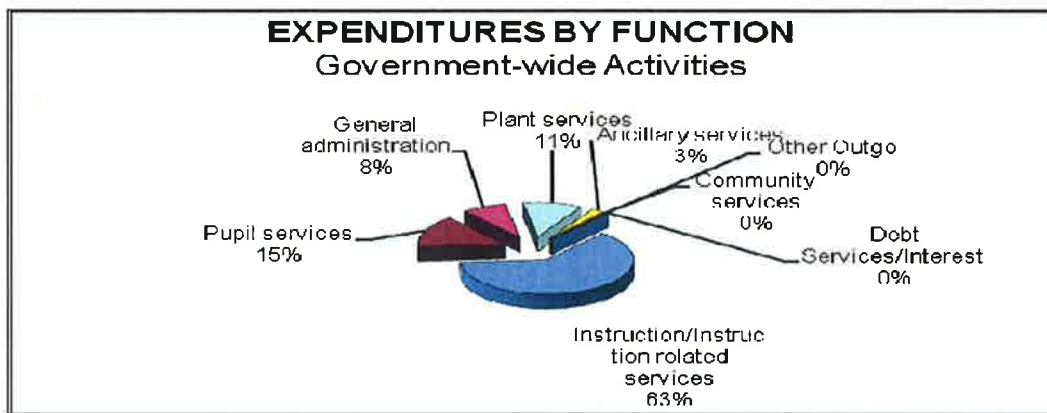
- Sixty Eight percent (68%) of SPVUSD'S net position reflects its investment in capital assets (e.g., land, equipment, buildings and improvements net of accumulated depreciation), less any related debt (bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that is still outstanding. The SPVUSD uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- 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, 2014 are as follows:

<b>REVENUES</b>	<b>2012-13</b>	<b>2013-14</b>
Program Revenues	\$ 2,487,801	\$ 2,051,572
General Revenues	\$ 9,364,893	\$ 9,795,748
Total Revenues	\$ 11,852,694	\$ 11,847,320
<b>EXPENDITURES BY FUNCTION</b>		
Instruction/Instruction related services	\$ 7,557,357	\$ 7,743,511
Pupil services	\$ 1,730,478	\$ 1,873,928
General administration	\$ 1,086,487	\$ 1,032,783
Plant services	\$ 1,538,880	\$ 1,361,189
Ancillary services	\$ 214,921	\$ 293,885
Community services	\$ 11,787	\$ 26,094
Debt Services/Interest	\$ 8,828	\$ 6,773
Other Outgo	\$ 0	\$ 22,242
Depreciation	\$ 608,311	\$ 610,035
Total Expenditures	\$12,757,049	\$12,970,440
CHANGE IN NET POSITION	\$ (904,355)	(1,123,120)
Net-Assets - Beginning	\$26,471,818	\$ 25,567,463
Net-Assets - Ending	\$25,567,463	\$ 24,444,343





### 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 \$24.44 million. This is the sixth 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 \$12.74 million.

### General Fund Budgetary Highlights

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

- Salary and benefits increased due to contract settlements with both certificated and classified staff. The increases also have corresponding increases with the associated statutory benefits.

- The district made several budget adjustments during the year to offset the projected revenue and ADA figures.

### **Capital Asset and Debt Administration**

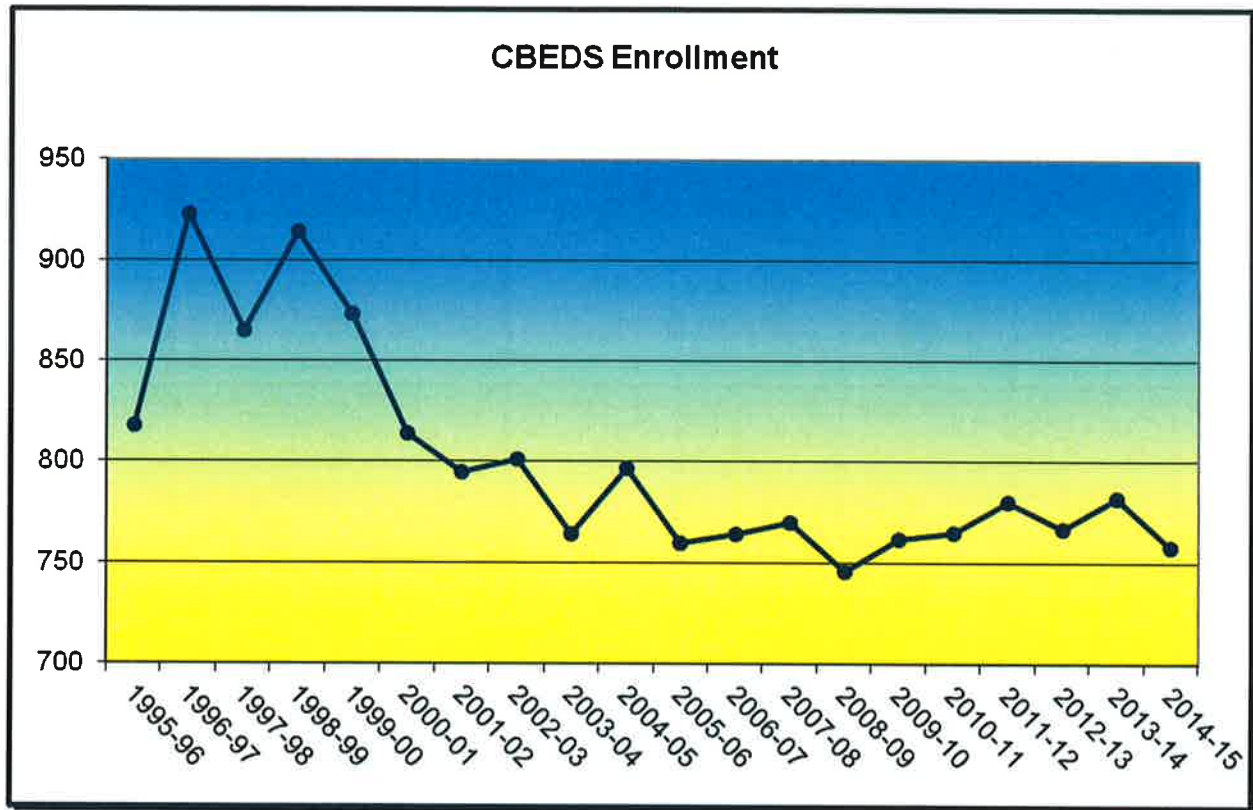
**Capital Assets.** The Board of Trustees adopted a minimum of \$5,000 as the threshold for recognition of capital assets for GASB34 reporting. The District previously contracted with American Appraisal Services to conduct the District's capital asset inventory and valuation. Those results, net of depreciation are contained in this report, updated as of June 30, 2014.

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 increased by 15 students in 2013-14. Efforts have been made to improve student attendance and sustain enrollment, however, October 2014 enrollment decreased by 32 to 758.



### 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, 2014**

	Governmental Activities
<b>ASSETS:</b>	
Cash	\$ 6,933,823
Accounts Receivable	1,306,669
Stores Inventories	7,978
Capital Assets:	
Land	66,865
Improvements	1,701,782
Buildings	18,843,451
Equipment	2,931,924
Less Accumulated Depreciation	(6,719,315)
Total Assets	<u>25,073,177</u>
<b>LIABILITIES:</b>	
Accounts Payable	246,989
Long-Term Liabilities	
Due Within One Year	69,357
Due In More Than One Year	312,488
Total Liabilities	<u>628,834</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	16,736,074
Restricted For:	
Capital Projects	1,891,064
Educational Programs	4,647,438
Other Purposes (Expendable)	192,710
Other Purposes (Nonexpendable)	10,478
Other Restrictions	966,579
Total Net Position	<u>\$ 24,444,343</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, 2014**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				<b>Governmental Activities</b>
Instruction	\$ 6,525,663	\$ -	\$ 1,015,642	\$ -
Instruction-Related Services:				
Instructional Supervision and Administration	243,061	-	158,754	-
Instructional Library, Media and Technology	82,906	-	82,906	-
School Site Administration	891,881	-	3,852	-
Pupil Services:				
Home-to-School Trans- portation	676,417	-	-	-
Food Services	614,616	5,341	588,087	-
All Other Pupil Services	582,895	-	59,575	-
General Administration:				
Centralized Data Processing	40,723	-	-	-
All Other General Administration	992,060	2,391	61,811	-
Plant Services	1,361,189	6,504	6,983	-
Ancillary Services	293,885	-	-	-
Community Services	26,094	-	-	-
Interest on Long-Term Debt	6,773	-	-	-
Other Outgo	22,242	56,030	3,696	-
Depreciation (Unallocated)*	610,035	-	-	-
Total Expenses	\$ 12,970,440	\$ 70,266	\$ 1,981,306	\$ -
General Revenues:				
Taxes and Subventions:				
Taxes Levied for General Purposes				960,038
Federal and State Aid Not Restricted to Specific Programs				8,681,351
Interest and Investment Earnings				34,782
Interagency Revenues				22,380
Miscellaneous				97,197
Total General Revenues				9,795,748
Change in Net Position				(1,123,120)
Net Position Beginning				25,567,463
Net Position Ending				\$ 24,444,343

The accompanying notes are an integral part of this statement.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash in County Treasury	\$ 6,615,170	\$ 316,154	\$ 6,931,324
Cash in Revolving Fund	2,500	-	2,500
Accounts Receivable	1,220,290	86,378	1,306,668
Stores Inventories	-	7,978	7,978
Total Assets	<u>7,837,960</u>	<u>410,510</u>	<u>8,248,470</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 245,227	\$ 1,762	\$ 246,989
Total Liabilities	<u>245,227</u>	<u>1,762</u>	<u>246,989</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	2,500	-	2,500
Stores Inventories	-	7,978	7,978
Restricted Fund Balances	159,920	32,790	192,710
Assigned Fund Balances	2,489,663	367,980	2,857,643
Unassigned:			
Reserve for Economic Uncertainty	1,080,150	-	1,080,150
Other Unassigned	3,860,500	-	3,860,500
Total Fund Balance	<u>7,592,733</u>	<u>408,748</u>	<u>8,001,481</u>
Total Liabilities and Fund Balances	<u>\$ 7,837,960</u>	<u>\$ 410,510</u>	<u>\$ 8,248,470</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, 2014**

Total fund balances, governmental funds	\$ 8,001,481
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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:	23,544,022	
Accumulated depreciation:	<u>(6,719,315)</u>	
Net		16,824,707

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	88,633	
Net OPEB obligation	267,184	
Compensated absences payable	<u>26,028</u>	
Total		<u>(381,845)</u>

Total net position of governmental activities	\$ <u>24,444,343</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, 2014**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
LCFF Sources:			
State Apportionment or State Aid	\$ 4,549,874	\$ -	\$ 4,549,874
Education Protection Account Funds	931,230	-	931,230
Local Sources	960,038	-	960,038
Federal Revenue	3,890,116	544,408	4,434,524
Other State Revenue	715,217	117,368	832,585
Other Local Revenue	346,548	37,880	384,428
Total Revenues	<u>11,393,023</u>	<u>699,656</u>	<u>12,092,679</u>
Expenditures:			
Instruction	6,540,605	92,440	6,633,045
Instruction - Related Services	1,217,848	-	1,217,848
Pupil Services	1,266,697	622,441	1,889,138
Ancillary Services	293,886	-	293,886
Community Services	26,094	-	26,094
General Administration	1,032,783	-	1,032,783
Plant Services	1,398,763	12,655	1,411,418
Other Outgo	22,242	-	22,242
Debt Service:			
Principal	39,039	-	39,039
Interest	8,828	-	8,828
Total Expenditures	<u>11,846,785</u>	<u>727,536</u>	<u>12,574,321</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(453,762)</u>	<u>(27,880)</u>	<u>(481,642)</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	(503,762)	22,120	(481,642)
Fund Balance, July 1	8,096,495	386,628	8,483,123
Fund Balance, June 30	<u>\$ 7,592,733</u>	<u>\$ 408,748</u>	<u>\$ 8,001,481</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, 2014**

Total change in fund balances, governmental funds \$ (481,642)

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	64,503	
Depreciation expense	<u>(610,035)</u>	
Net		(545,532)

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:

41,097

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:

(138,389)

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:

1,346

Change in net position of governmental activities \$ (1,123,120)

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, 2014**

	Agency Fund
	Student Body Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 44,651
Total Assets	44,651
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 44,651
Total Liabilities	44,651
<b>NET POSITION:</b>	
Total Net Position	\$ -

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, 2014**

**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, 2014**

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 account for the acquisition and/or construction of all major governmental general fixed assets.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

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, 2014**

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.

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/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, 2014**

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 when incurred.

c. Capital Assets

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

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

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

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

d. Compensated Absences

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

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

e. 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 combined balance sheet and revenue is recognized.

f. Interfund Activity

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

Fund balances of the governmental funds are classified as follows:

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

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

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

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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

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

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

i. Minimum Fund Balance

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

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. At June 30, 2014 the District had no Deferred Inflows or Deferred Outflows of Resources.

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. 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.

10. Changes in Accounting Policies

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

**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

**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 (\$6,931,324 as of June 30, 2014). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$6,953,633. 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.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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

Cash balances on hand and in banks (\$44,651 as of June 30, 2014) and in the revolving fund (\$2,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments

The District's investments at June 30, 2014 are shown below.

Investment or Investment Type	Average Days to Maturity	Amount Reported	Fair Value
Imperial County Pooled Investment Funds	737	\$ 6,931,324	\$ 6,953,633

4. General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

5. 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. The Imperial County Investment Pool is rated AA+ by Standard & Poors.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

b. Custodial Credit Risk - Deposits

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

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

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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2014, the District's bank balances (including revolving cash) of \$47,151 was fully insured by the FDIC and was not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

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.

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.

6. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.



**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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**

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2014 consist of:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:			
Federal Programs	\$ 218,535	\$ 81,060	\$ 299,595
State Government:			
LCFF State Aid	888,034	-	888,034
Lottery	51,211	-	51,211
Special Education	36,043	-	36,043
Child Nutrition	-	949	949
Other State Programs	5,460	-	5,460
Local Sources:			
Interest	1,507	139	1,646
Other Local Sources	19,500	4,230	23,730
Total	<u>\$ 1,220,290</u>	<u>\$ 86,378</u>	<u>\$ 1,306,668</u>

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

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 66,865	\$ -	\$ -	\$ 66,865
Work in progress	-	-	-	-
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	-	-	18,843,451
Improvements	1,661,963	39,819	-	1,701,782
Equipment	2,907,240	24,684	-	2,931,924
Total capital assets being depreciated	<u>23,412,654</u>	<u>64,503</u>	<u>-</u>	<u>23,477,157</u>
Less accumulated depreciation for:				
Buildings	(3,397,227)	(354,560)	-	(3,751,787)
Improvements	(655,937)	(77,778)	-	(733,715)
Equipment	(2,056,116)	(177,697)	-	(2,233,813)
Total accumulated depreciation	<u>(6,109,280)</u>	<u>(610,035)</u>	<u>-</u>	<u>(6,719,315)</u>
Total capital assets being depreciated, net	<u>17,303,374</u>	<u>(545,532)</u>	<u>-</u>	<u>16,757,842</u>
Governmental activities capital assets, net	<u>\$ 17,370,239</u>	<u>\$ (545,532)</u>	<u>\$ -</u>	<u>\$ 16,824,707</u>

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

Depreciation was charged to functions as follows:

Unallocated	\$	610,035
	\$	<u>610,035</u>

**F. Accounts Payable**

Accounts payable balances as of June 30, 2014 consist of:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts Payable:			
Vendor payables	\$ 192,294	\$ 1,762	\$ 194,056
Payroll and benefits	52,933	-	52,933
Total	<u>\$ 245,227</u>	<u>\$ 1,762</u>	<u>\$ 246,989</u>

**G. Interfund Balances and Activities**

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

Transfers to and from other funds at June 30, 2014 consisted of the following:

Transfers To	Transfers From	Amount	Purpose
Cafeteria Fund	General Fund	\$ 50,000	Cash flow
Special Reserve Fund	General Fund	64,790	OPEB contribution
	Total	<u>\$ 114,790</u>	

**H. 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.

**I. 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, 2014 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital leases	\$ 129,727	\$ -	\$ 41,094	\$ 88,633	\$ 43,329
Net OPEB Obligation	128,795	141,748	3,359	267,184	-
Compensated absences *	27,374	-	1,346	26,028	26,028
Total governmental activities	<u>\$ 285,896</u>	<u>\$ 141,748</u>	<u>\$ 45,799</u>	<u>\$ 381,845</u>	<u>\$ 69,357</u>

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB obligation at June 30, 2014 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 69,357	\$ 4,538	\$ 73,895
2016	45,304	2,320	47,624
2017	-	-	-
Totals	\$ 114,661	\$ 6,858	\$ 121,519

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2014 as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 43,329	\$ 4,538	\$ 47,867
2016	45,304	2,320	47,624
Totals	\$ 88,633	\$ 6,858	\$ 95,491

J. Components of Ending Fund Balance

As of June 30, 2014 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	-	7,978	7,978
Restricted Fund Balances			
California Clean Energy Jobs Act	61,329	-	61,329
Child Nutrition Program	-	32,790	32,790
Common Core	43,269	-	43,269
Other	55,322	-	55,322
Assigned Fund Balances			
Capital Projects	1,839,000	52,064	1,891,064
Post Employment Benefits	650,663	-	650,663
Child Development Program	-	104,034	104,034
Child Nutrition Program	-	211,448	211,448
Deferred Maintenance	-	434	434
Unassigned Fund Balances			
For Economic Uncertainty	1,080,150	-	1,080,150
Unappropriated	3,860,500	-	3,860,500
Total Fund Balance	\$ 7,592,733	\$ 408,748	\$ 8,001,481

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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

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

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

Combined condensed financial information of the JPA's for the fiscal year ended June 30, 2014 is not available.

**L. Employee Retirement Systems**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$283,167, \$268,805 and \$235,933, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

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

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$376,569, \$347,816 and \$344,499, respectively, and equal 100% of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to STRS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$237,535 (5.204002% of salaries subject to STRS). 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.

**M. 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, 2014, 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		5,152
Amortization adjustment		(7,449)
Net OPEB cost		141,748
Contributions made and implicit subsidy		(3,359)
Increase in OPEB obligation		138,389
Net OPEB obligation - beginning of year		128,795
Net OPEB obligation - end of year	\$	267,184

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 is 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

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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

**N. Alternative Pension Plans**

All current employees are eligible to participate in a 403 (b) plan and 457 (b) plan under the County Schools FBC Deferred Compensation Program upon date of hire. Voluntary contributions made by the employee vest immediately. The District does not contribute to these plans and does not match any employee voluntary contributions.

**O. Commitments and Contingencies**

Litigation

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

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to 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.

**P. Construction Commitments**

As of June 30, 2014 the District had no commitments with respect to unfinished capital projects.

**Q. Subsequent Events**

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50 Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions are also addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for the purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer (as defined by this statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for the 2014-15 fiscal year.

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. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

GASB Statement No. 71 amends paragraph 137 of Statement No. 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 No. 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 provisions of this statement are required to be applied with the provisions of Statement No. 68 which is effective for the 2014-15 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 2,912,400	\$ 4,543,718	\$ 4,549,874	\$ 6,156
Education Protection Account Funds	760,030	931,230	931,230	-
Local Sources	1,108,315	966,194	960,038	(6,156)
Federal Revenue	4,124,749	3,890,116	3,890,116	-
Other State Revenue	1,944,349	477,682	477,682	-
Other Local Revenue	262,111	338,488	338,488	-
Total Revenues	<u>11,111,954</u>	<u>11,147,428</u>	<u>11,147,428</u>	<u>-</u>
Expenditures:				
Current:				
Certificated Salaries	4,792,614	4,807,373	4,807,373	-
Classified Salaries	2,560,086	2,439,162	2,439,162	-
Employee Benefits	2,276,301	2,098,705	2,098,705	-
Books And Supplies	839,122	771,139	771,139	-
Services And Other Operating Expenditures	962,237	1,364,049	1,364,049	-
Other Outgo	-	22,242	22,242	-
Capital Outlay	132,000	58,713	58,713	-
Debt Service:				
Principal	39,039	39,039	39,039	-
Interest	8,828	8,828	8,828	-
Total Expenditures	<u>11,610,227</u>	<u>11,609,250</u>	<u>11,609,250</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(498,273)</u>	<u>(461,822)</u>	<u>(461,822)</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers Out	(114,790)	(114,790)	(114,790)	-
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>(613,063)</u>	<u>(576,612)</u>	<u>(576,612)</u>	<u>-</u>
Fund Balance, July 1	6,438,532	6,438,532	6,438,532	-
Fund Balance, June 30	<u>\$ 5,825,469</u>	<u>\$ 5,861,920</u>	<u>\$ 5,861,920</u>	<u>\$ -</u>

The accompanying notes to required supplemental information are an integral part of this statement.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS-HEALTH BENEFITS PLAN  
YEAR ENDED JUNE 30, 2014

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%

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 7,592,733
Less Fund 17 Fund Balance	(1,080,150)
Less Fund 20 Fund Balance	(650,663)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	\$ <u>5,861,920</u>

General Fund - Fund Financial Statements Net Change in Fund Balance	\$ (503,762)
Change in Fund Balance attributed to Fund 17	(5,225)
Change in Fund Balance attributed to Fund 20	(67,625)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	\$ <u>(576,612)</u>

In addition, the budgetary comparison schedule does not include revenue and expenses associated with on behalf payments made by the state for the fiscal year as follows:

General Fund - Fund Financial Statements Revenues and Other Financing Sources (Excluding Fund 17 and Fund 20)	\$ 11,384,963
Less On Behalf Payments for year ended June 30, 2014	(237,535)
General Fund - Budgetary Comparison Schedule Revenues and Other Financing Sources	\$ <u>11,147,428</u>

General Fund - Fund Financial Statements Expenditures and Other Financing Uses (Excluding Fund 17 and Fund 20)	\$ 11,961,575
Less On Behalf Payments for year ended June 30, 2014	(237,535)
General Fund - Budgetary Comparison Schedule Expenditures and Other Financing Uses	\$ <u>11,724,040</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, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 268,363	\$ 47,791	\$ 316,154
Accounts Receivable	82,105	4,273	86,378
Stores Inventories	7,978	-	7,978
Total Assets	<u>358,446</u>	<u>52,064</u>	<u>410,510</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 1,762	\$ -	\$ 1,762
Total Liabilities	<u>1,762</u>	<u>-</u>	<u>1,762</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	7,978	-	7,978
Restricted Fund Balances	32,790	-	32,790
Assigned Fund Balances	315,916	52,064	367,980
Total Fund Balance	<u>356,684</u>	<u>52,064</u>	<u>408,748</u>
Total Liabilities and Fund Balances	<u>\$ 358,446</u>	<u>\$ 52,064</u>	<u>\$ 410,510</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, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>			
Federal Revenue	\$ 543,415	\$ 993	\$ 544,408
Other State Revenue	117,368	-	117,368
Other Local Revenue	25,862	12,018	37,880
Total Revenues	<u>686,645</u>	<u>13,011</u>	<u>699,656</u>
<b>Expenditures:</b>			
Instruction	92,440	-	92,440
Pupil Services	622,441	-	622,441
Plant Services	12,655	-	12,655
Total Expenditures	<u>727,536</u>	<u>-</u>	<u>727,536</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(40,891)</u>	<u>13,011</u>	<u>(27,880)</u>
<b>Other Financing Sources (Uses):</b>			
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	9,109	13,011	22,120
Fund Balance, July 1	347,575	39,053	386,628
Fund Balance, June 30	<u>\$ 356,684</u>	<u>\$ 52,064</u>	<u>\$ 408,748</u>

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2014

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 103,969	\$ 163,960	\$ 434	\$ 268,363
Accounts Receivable	96	82,009	-	82,105
Stores Inventories	-	7,978	-	7,978
Total Assets	<u>104,065</u>	<u>253,947</u>	<u>434</u>	<u>358,446</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 20	\$ 1,742	\$ -	\$ 1,762
Total Liabilities	<u>20</u>	<u>1,742</u>	<u>-</u>	<u>1,762</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	-	7,978	-	7,978
Restricted Fund Balances	10	32,780	-	32,790
Assigned Fund Balances	104,035	211,447	434	315,916
Total Fund Balance	<u>104,045</u>	<u>252,205</u>	<u>434</u>	<u>356,684</u>
Total Liabilities and Fund Balances	<u>\$ 104,065</u>	<u>\$ 253,947</u>	<u>\$ 434</u>	<u>\$ 358,446</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, 2014

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ -	\$ 543,415	\$ -	\$ 543,415
Other State Revenue	73,353	44,015	-	117,368
Other Local Revenue	5,418	20,442	2	25,862
Total Revenues	<u>78,771</u>	<u>607,872</u>	<u>2</u>	<u>686,645</u>
Expenditures:				
Instruction	92,440	-	-	92,440
Pupil Services	-	622,441	-	622,441
Plant Services	5,790	6,865	-	12,655
Total Expenditures	<u>98,230</u>	<u>629,306</u>	<u>-</u>	<u>727,536</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(19,459)</u>	<u>(21,434)</u>	<u>2</u>	<u>(40,891)</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	(19,459)	28,566	2	9,109
Fund Balance, July 1	123,504	223,639	432	347,575
Fund Balance, June 30	<u>\$ 104,045</u>	<u>\$ 252,205</u>	<u>\$ 434</u>	<u>\$ 356,684</u>

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2014

	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	\$ 46,233	\$ 1,541	\$ 47,791
Accounts Receivable	-	4,272	1	4,273
Total Assets	<u>17</u>	<u>50,505</u>	<u>1,542</u>	<u>52,064</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Assigned Fund Balances	\$ 17	\$ 50,505	\$ 1,542	\$ 52,064
Total Fund Balance	<u>17</u>	<u>50,505</u>	<u>1,542</u>	<u>52,064</u>
Total Liabilities and Fund Balances	<u>\$ 17</u>	<u>\$ 50,505</u>	<u>\$ 1,542</u>	<u>\$ 52,064</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, 2014

	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ -	\$ -	\$ 993	\$ 993
Other Local Revenue	-	12,012	6	12,018
Total Revenues	-	12,012	999	13,011
Expenditures:				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	12,012	999	13,011
Net Change in Fund Balance	-	12,012	999	13,011
Fund Balance, July 1	17	38,493	543	39,053
Fund Balance, June 30	\$ 17	\$ 50,505	\$ 1,542	\$ 52,064

## 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, 2014

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  
Executive Assistant  
to the Superintendent

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**YEAR ENDED JUNE 30, 2014**

**TABLE D-1**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	244.32	N/A	242.17	N/A
TK/K-3 Totals	244.32	N/A	242.17	N/A
Grades 4-6:				
Regular ADA	180.24	N/A	179.02	N/A
Grades 4-6 Totals	180.24	N/A	179.02	N/A
Grades 7 and 8:				
Regular ADA	106.42	N/A	106.26	N/A
Community Day School	0.26	N/A	0.39	N/A
Grades 7 and 8 Totals	106.68	N/A	106.65	N/A
Grades 9-12:				
Regular ADA	176.17	N/A	173.63	N/A
Community Day School	2.60	N/A	2.27	N/A
Grades 9-12 Totals	178.77	N/A	175.90	N/A
ADA Totals	710.01	N/A	703.74	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, 2014**

**TABLE D-2**

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted &amp; Reduced</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	59,370	178	-	Complied
Grade 1	50,400	49,000	59,370	178	-	Complied
Grade 2	50,400	49,000	59,370	178	-	Complied
Grade 3	50,400	49,000	59,370	178	-	Complied
Grade 4	54,000	52,500	59,370	178	-	Complied
Grade 5	54,000	52,500	59,370	178	-	Complied
Grade 6	54,000	52,500	66,950	178	-	Complied
Grade 7	54,000	52,500	66,950	178	-	Complied
Grade 8	54,000	52,500	66,950	178	-	Complied
Grade 9	64,800	63,000	66,950	178	-	Complied
Grade 10	64,800	63,000	66,950	178	-	Complied
Grade 11	64,800	63,000	66,950	178	-	Complied
Grade 12	64,800	63,000	66,950	178	-	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, 2013**

**TABLE D-3**

General Fund	Budget 2015 (See Note 1)	2014	2013	2012
Revenues and other financial sources	\$ 11,720,442	\$ 11,384,963	\$ 11,478,893	\$ 11,659,378
Expenditures, other uses and transfers out	13,316,555	11,961,575	11,978,570	11,549,127
Change in fund balance (deficit)	(1,596,113)	(576,612)	(499,677)	110,251
Ending fund balance	\$ 4,265,807	\$ 5,861,920	\$ 6,438,532	\$ 6,938,209
Available reserves (Note 2)	\$ 4,206,004	\$ 5,699,500	\$ 4,323,935	\$ 6,878,899
Available reserves as a percentage of total outgo	31.6%	48.6%	36.8%	60.7%
Total long-term debt	\$ 312,488	\$ 381,845	\$ 285,896	\$ 308,395
Average daily attendance at P-2	704	710	721	717

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 \$966,038 over the past three years. The fiscal year 2014-15 budget projects a decrease of \$1,596,113. 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 \$52,723 over the past three years.

Average daily attendance (ADA) has decreased by 14 over the past three years.

**Notes:**

- 1 Budget 2015 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 \$237,535, \$229,072, and \$210,476, have been excluded from the calculation of available reserves as a percentage of total outgo for the fiscal years ending June 30, 2014, 2013 and 2012.
- 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.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

	General Fund	Special Reserve Fund Postemployment Benefits
June 30, 2014, annual financial and budget report fund balances	\$ 5,861,920	\$ 650,663
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB # 54 inclusion of special reserve funds with general fund	1,730,813	(650,663)
June 30, 2014, audited financial statement fund balances	\$ 7,592,733	\$ -
	Schedule of Long-Term Liabilities	
June 30, 2014, annual financial and budget report total liabilities	\$ 204,199	
Adjustments and reclassifications:		
Increase (decrease) in total liabilities:		
Net OPEB obligation understatement	138,389	
Capital lease understatement	39,257	
Net adjustments and reclassifications	177,646	
June 30, 2014, audited financial statement total liabilities	\$ 381,845	

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

**TABLE D-4**

Special Reserve Fund Other Than Capital Outlay Projects
<hr/>
\$ 1,080,150
<hr/>

(1,080,150)
<hr/>
\$ -
<hr/>

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF CHARTER SCHOOLS  
YEAR ENDED JUNE 30, 2014

TABLE D-5

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

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

# SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
Impact Aid - P.L. 81.874	84.041	-	\$ 3,056,161
Indian Education	84.060	-	76,282
Medi-Cal Billing Option	93.778	-	8,494
Total Direct Programs			<u>3,140,937</u>
Passed Through State Department of Education:			
Title I	84.010	14329	418,507
Migrant Education Cluster			
Migrant Education	84.011	14326	52,899
Migrant Education Summer	84.011	10005	13,088
Total Migrant Education Cluster			<u>65,987</u>
Special Education IDEA Basic	84.027	13379	179,376
Vocational Education	84.048	14894	4,723
Title VI - Rural and Low Income Schools	84.358	14356	14,257
Title III - LEP	84.365	14346	19,217
Title II - Teacher Quality	84.367	14341	80,422
Total Passed Through State Department of Education			<u>782,489</u>
Total U. S. Department of Education			<u>3,923,426</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.555	13526	187,027
Noncash Expenditure *	10.555	-	7,825
National School Lunch Section 11	10.555	13396	280,089
National School Lunch Section 4	10.555	13391	43,507
National School Lunch Meal Supplements	10.555	23165	3,056
Total Child Nutrition Cluster			<u>521,504</u>
Child Care Food Program	10.558	13393	949
National School Lunch Fresh Fruit & Vegetable Program	10.582	14968	20,958
Total Passed Through State Department of Education			<u>543,411</u>
Total U. S. Department of Agriculture			<u>543,411</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,466,837</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, 2014

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, 2014, 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 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 San Pasqual Valley Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 2014-1, that we consider to be significant deficiencies.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 2014-2.

## **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.

El Cajon, California  
December 12, 2014

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 San Pasqual Valley Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Pasqual Valley Unified School District's major federal programs for the year ended June 30, 2014. 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 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 San Pasqual Valley Unified School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, 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 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, 2014.

## Report on Internal Control Over Compliance

Management of San Pasqual Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

El Cajon, California  
December 12, 2014

## **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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, 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, 2014.

### **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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* 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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* 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>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time for School Districts	10	Yes
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
For Charter Schools:		
Contemporaneous Records of Attendance	8	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A
Facility Grant Program	1	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, 2014.

### **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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel and which is described in the accompanying schedule of findings and questioned costs as item 2014-2.

### **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 Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California  
December 12, 2014

## Findings and Recommendations Section

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**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 Reported

Noncompliance material to financial statements noted?        Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
84.041	Impact Aid

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

Auditee qualified as low-risk auditee?   X   Yes        No

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?        Yes   X   No

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



**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**B. Financial Statement Findings**

Finding 2014-1 (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 significant deficiencies in internal controls:

1. Six out of twenty cash transmittal forms tested did not have a proper preparer signature and verification signature.
2. Eight out of twenty cash transmittal forms tested had no collection date listed.
3. Seven out of twenty cash transmittal forms were prepared by the individual receiving the funds and not by the person collecting the revenues at the point of origination.
4. Ticket reconciliations for football games were not being completed on a consistent basis and were not signed by the ticket seller, or they were incomplete.

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

1. Five out of twenty five disbursements tested did not have proper invoice support, only incomplete check requests.
2. There was no documentation for two disbursements tested and no support for the expenses could be located.
3. Nine disbursements had incomplete check requests. Check requests were not dated, completed properly, did not provide enough data as to the reason for the expense, and lacked proper approval signatures.
4. None of the invoices on file were defaced or stamped as "paid" in order to prevent duplicate payment.
5. Checks cashed for athlete meals did not have proper support. Documentation was missing, students did not sign as verification of receipt of meal funds, and check requests were incomplete.
6. In many cases, actual checks drawn were only being signed by the individual reconciling the account which results in a serious deficiency in the segregation of duties over the account.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Questioned Costs

None

Recommendation

The District should immediately implement procedures to correct the serious deficiencies in the student body internal controls.

For deposits and receipts: Cash transmittals should be completed and dated by the individual collecting the funds and subsequently verified by the student body clerk prior to deposit. Require all cash collected to be deposited to the bank in a timely manner, including all revenues earned from football games and other events that sell tickets. Ensure ticket reconciliation forms are utilized for all football games and other significant events, and are being completed properly including the signature of the ticket seller.

For disbursements and checks: Require all disbursements to have proper invoice support and ensure invoices are being defaced with a paid stamp. Utilize check requests for all expenses and ensure check requests are complete, dated properly, disclose sufficient reason for the expense, and contain proper approval signatures. Actual checks drawn should be signed by two separate individuals and not by the person that reconciles and manages the account. Cash paid out for student travel expenses must have proper support, including the signatures of students receiving an allotment for daily meals. Any check that is cashed for any purpose must have proper invoice support or other documentation for the expense, including all major events.

It is imperative that the District office immediately establish procedures and monitor activity over the student body transactions to eliminate the deficiencies that are currently evident in the internal controls over the account.

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 form be completed, signed, and approved. Also NO expenditures will be processed without the three required signatures and required documentation. Each of the expenditures will be reviewed by the Principal before it can be processed. Deposits will only be processed with supporting documentation. This will also be reviewed by the Principal and will require the Principal's signature. The ASB advisors and accounting clerks will attend additional training in the Spring to assist in meeting the requirements. The District Office Business Services personnel will also be reviewing the ASB accounts and documentation at the end of each month.

All ticket takers for sporting events and POWWOW activities will be trained and will receive a list of procedures and responsibilities that they also sign off on.

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 developed to assist.

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

NONE

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

Finding 2014-2 (10000)  
Attendance

Criteria or Specific Requirement

Determine that class attendance rosters are being signed, dated, and retained in a timely manner as proper verification of pupil attendance based on the guidelines and provisions under Education Code Sections 46000 and 46303.

Condition

In review of class rosters at San Pasqual Valley Elementary School and San Pasqual Valley High School the period January 6 through January 31, 2014 which was the sixth month of attendance, we noted that a significant number of class attendance rosters were not being verified on a timely basis. During our examination, a number of class attendance rosters were being verified and dated in excess of three months past the final attendance date for the period. Weekly attendance rosters should be signed, dated, and verified immediately after the end of each attendance period with no exceptions. In addition, we noted some rosters were not being dated properly and lacked proper teacher verification signatures. Based on our review we determined there were no questioned costs or loss of attendance as all teachers rosters were eventually approved prior to the end of the fiscal year; however, procedures need to be implemented to ensure teachers are verifying pupil attendance on a timely basis.

Questioned Costs

None

Recommendation

Implement procedures to ensure teacher class rosters at all school sites are verified, signed, and dated on a timely basis. Under no circumstances should class rosters be approved months after the end of each weekly attendance period. All rosters should be signed, dated, and verified immediately within one week after the end of each attendance period in a timely manner.

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.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2013-1(30000)  Associated Student Body Funds</p> <p>In our review of student body receipts and disbursements we noted that the cash transmittal form was lacking key elements such as signatures, reconciliations, and approvals on seven of the ten items tested. In addition, supporting documentation was missing or did not agree to the amount deposited on seven of the ten items selected for testing. In our review of expenditure testing we noted that paid invoices were not defaced on four of the ten items tested and there was a complete lack of documentation supporting the expenditure on three of the ten items tested.</p> <p>We recommend that the District adopt procedures that require that the cash transmittal form be properly completed, signed, and approved and that the District require that all deposits have proper supporting documentation for all deposits of student body funds. We also recommend that the District adopt policies that require that all disbursements of ASB funds have proper documentation and that all paid invoices be defaced with a stamp.</p>	Partially Implemented	See Current Year Finding
<p>Finding 2013-2 (50000)  San Pasqual Valley Unified Schoolwide Plan</p> <p>In our review and testing for the schoolwide program for each school of the San Pasqual Valley Unified School District, we noted that the schoolwide plan had not been updated and revised for the 2012-13 fiscal year and we could not verify that the 2012-13 schoolwide plan was approved by the governing board. As a result, our federal compliance testing was limited in testing the special tests and provisions for the Title I program. We could not confirm that the schoolwide program for each school of the San Pasqual Valley Unified School District I included the three required core elements and five additional components as stated in the aforementioned criteria.</p>		

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Establish procedures to ensure that the schoolwide plan for for each school of the San Pasqual Valley Unified School District be updated and revised on an annual basis and is approved by the governing board prior to the start of each school year. Determine the schoolwide plans meets the federal criteria and includes the required three core elements and five additional components as stated under the federal compliance special tests and provisions for the Title I program.</p> <p>Finding 2013-3 (10000) Attendance - Teacher Rosters</p> <p>In our review of attendance at the middle school we noted that the attendance clerk is printing the attendance rosters for the teachers to verify and sign on a monthly basis. The rosters should be printed and signed on a weekly basis. Based on our review, we determined that there were no questioned costs or loss of attendance as all of the teacher rosters were approved and signed by the teachers prior to the end of the P2 reporting period.</p> <p>We recommend that the District implement procedures that require all teacher rosters be printed, verified, and signed on a weekly basis.</p> <p>Finding 2013-4 (72000) School Accountability Report Card</p> <p>In our review of the supporting documentation used to prepare the SARC, we noted the information included was not in agreement with the information reported on the FIT in regards to the conditions at the middle school.</p> <p>We recommend a procedure be implemented that will ensure the information on the FIT is properly recorded and stated on the SARC.</p>	<p>Implemented</p> <p>Partially Implemented</p> <p>Implemented</p>	<p>See Current Year Finding</p>