

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

AUDIT REPORT

JUNE 30, 2002

**WILKINSON & HADLEY, LLP
250 E. Douglas Ave, Suite 200
El Cajon, CA 92020
619-447-6700**

Introductory Section

San Pasqual Valley Unified School District
 Audit Report
 for the Year Ended June 30, 2002

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Financial Section

WILKINSON & HADLEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Financial Statements

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

Members of the Board of Trustees:

We have audited the accompanying general purpose financial statements of San Pasqual Valley Unified School District, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of San Pasqual Valley Unified School District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with generally accepted accounting principles. The amount which should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission discussed in the previous paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of San Pasqual Valley Unified School District as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2002, on our consideration of San Pasqual Valley Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of San Pasqual Valley Unified School District taken as a whole. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and the combining and individual fund financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

WILKINSON & HADLEY, LLP

Wilkinson & Hadley, LLP
December 18, 2002

General Purpose Financial Statements

Capital Projects Funds	Fiduciary Fund Types Agency Fund	Account Group General Long- Term Debt	Totals (Memorandum Only) June 30, 2002
\$ 923,054	\$ -	\$ -	\$ 2,391,329
-	78,652	-	78,652
8,335	-	-	2,500
-	-	-	351,842
-	-	-	37,009
-	-	-	9,630
-	-	-	744
-	-	256,481	256,481
<u>\$ 931,389</u>	<u>\$ 78,652</u>	<u>\$ 256,481</u>	<u>\$ 3,128,187</u>
\$ -	\$ -	\$ -	\$ 171,923
-	-	-	37,009
-	-	-	33,111
-	78,652	-	78,652
-	-	122,787	122,787
-	-	133,694	133,694
<u>-</u>	<u>78,652</u>	<u>256,481</u>	<u>577,176</u>
-	-	-	2,500
-	-	-	9,630
-	-	-	744
-	-	-	66,983
-	-	-	266,606
931,389	-	-	2,204,548
<u>931,389</u>	<u>-</u>	<u>-</u>	<u>2,551,011</u>
<u>\$ 931,389</u>	<u>\$ 78,652</u>	<u>\$ 256,481</u>	<u>\$ 3,128,187</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2002

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue:			
Revenue limit sources:			
State general purpose	\$ 2,884,029	\$ 3,116,970	\$ 232,941
Local sources-property taxes	1,083,019	1,074,729	(8,290)
Total	<u>3,967,048</u>	<u>4,191,699</u>	<u>224,651</u>
Federal	3,901,426	3,907,295	5,869
Other state	1,660,550	1,611,806	(48,744)
Other local	296,306	342,968	46,662
Total revenues	<u>9,825,330</u>	<u>10,053,768</u>	<u>228,438</u>
Expenditures:			
Current:			
Certificated salaries	3,905,048	3,777,257	127,791
Classified salaries	2,110,115	2,026,554	83,561
Employee benefits	1,613,869	1,316,194	297,675
Books and supplies	760,295	694,755	65,540
Services and other operating expenditures	1,010,053	923,659	86,394
Capital outlay	205,635	109,196	96,439
Total expenditures	<u>9,605,015</u>	<u>8,847,615</u>	<u>757,400</u>
Excess (deficiency) of revenues over (under) expenditures	220,315	1,206,153	985,838
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(502,716)	(1,054,639)	(551,923)
Other uses	(1)	(944)	(943)
Total other financing sources (uses)	<u>(502,717)</u>	<u>(1,055,583)</u>	<u>(552,866)</u>
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	(282,402)	150,570	432,972
Fund balances/equity, July 1	658,048	658,048	-
Fund balances/equity, June 30	<u>\$ 375,646</u>	<u>\$ 808,618</u>	<u>\$ 432,972</u>

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2002

	Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Revenue limit sources:			
State general purpose	\$ 2,960,029	\$ 3,151,671	\$ 191,642
Local sources-property taxes	1,083,019	1,074,729	(8,290)
Total	<u>4,043,048</u>	<u>4,226,400</u>	<u>183,352</u>
Federal	4,148,231	4,175,090	26,859
Other state	1,772,502	1,708,945	(63,557)
Other local	434,466	421,411	(13,055)
Total revenues	<u>10,398,247</u>	<u>10,531,846</u>	<u>133,599</u>
Expenditures:			
Current:			
Certificated salaries	3,964,051	3,829,749	134,302
Classified salaries	2,327,186	2,262,770	64,416
Employee benefits	1,709,642	1,414,773	294,869
Books and supplies	971,749	874,673	97,076
Services and other operating expenditures	1,184,545	1,120,033	64,512
Capital outlay	728,335	586,521	141,814
Total expenditures	<u>10,885,508</u>	<u>10,088,519</u>	<u>796,989</u>
Excess (deficiency) of revenues over (under) expenditures	(487,261)	443,327	930,588
Other financing sources (uses):			
Operating transfers in	1,081,639	1,054,639	(27,000)
Operating transfers out	(502,716)	(1,054,639)	(551,923)
Other uses	(136,510)	(137,453)	(943)
Total other financing sources (uses)	<u>442,413</u>	<u>(137,453)</u>	<u>(579,866)</u>
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	(44,848)	305,874	350,722
Fund balances/equity, July 1	2,245,137	2,245,137	-
Fund balances/equity, June 30	<u>\$ 2,200,289</u>	<u>\$ 2,551,011</u>	<u>\$ 350,722</u>

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

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 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

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. Fund Accounting

District accounts are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of assets, liabilities, fund equity (or retained earnings), revenues and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. The fund types and funds utilized by the District are described below:

a. Governmental Funds:

The *General Fund* serves as the general operating fund. It is used to account for all financial resources of the District except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following special revenue funds are utilized by the District:

- The Child Development Fund is used to account separately for federal, state, and local revenues to operate child development programs.
- The Adult Education Fund is used to account separately for federal, state, and local revenues for adult education programs.
- The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

- The Cafeteria Fund is used to account separately for federal, state, and local resources to operate the food service program.
- The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund money for general operating purposes.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

- The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.
- The State School Building Lease-Purchase Fund is used primarily to account for state apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17070-17080).
- The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
- The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes.

b. Fiduciary Funds:

Agency Funds account for resources held for others in a custodial capacity. The following funds are in use:

- Student Body Funds are used to account for the activities of student groups.

c. Account Groups:

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources." Thus, the fixed assets and long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account groups of the District.

The *General Long-Term Debt Account Group* accounts for long-term liabilities expected to be financed from governmental funds.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become both measurable and available to financial expenditures in the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered) except for unmatured interest on General Long-Term Debt, which is recognized when due.

Agency funds are also accounted for on the modified accrual basis.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

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. It is this final revised budget that is presented in the financial statements.

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

5. 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.

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

c. Fixed Assets

Expenditures for fixed assets are charged to current operations as incurred. Such assets are not capitalized in a separate account group.

d. Deferred Revenue

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

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end. The noncurrent portion of the liabilities is recognized in the general long-term debt account group.

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

f. Long-Term Obligations

The long-term debt of governmental funds is reported at face value in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

g. Fund Balance Reserves and Designations

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

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

h. Property Tax

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. Tax revenues are recognized by the District when received.

i. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those reported.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

7. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

8. On-Behalf Payments

GASB No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to all California school districts. These on-behalf payments are not reflected in the accompanying financial statements as the net results to the general fund balance at year end is zero. The estimated amount of these on-behalf payments made for the district during 2001-02 are \$180,355.

B. Cash and Investments

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 (\$2,391,329 as of June 30, 2002). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$2,391,329. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest 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.

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$78,652 as of June 30, 2002) and in the revolving fund (\$2,500) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments:

Investment Accounting Policy

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

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

C. Excess of Expenditures Over Appropriations

As of June 30, 2002, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Deferred Maintenance Fund:	
Classified salaries	\$ 6,875
Employee benefits	5,001
Child Development Fund:	
Classified salaries	16,826
Employee benefits	18,911
Books and supplies	2,098
Services and other operating expenditures	159
Special Reserve Fund for Capital Outlay:	
Services and other operating expenditures	57,050

D. Accounts Receivable

Accounts receivable as of June 30, 2002, consist of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Totals</u>
Federal Government:				
Federal Programs	\$ 108,304	\$ 40,681	\$ -	\$ 148,985
State Government:				
Categorical Aid Programs	19,985	2,851	-	22,836
Other	83,566	35,136	-	118,702
Total State Government	<u>103,551</u>	<u>37,987</u>	<u>-</u>	<u>141,538</u>
Interest	42,565	10,419	8,335	61,319
Totals	<u>\$ 254,420</u>	<u>\$ 89,087</u>	<u>\$ 8,335</u>	<u>\$ 351,842</u>

E. Interfund Transactions

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances as of June 30, 2002, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 33,008	\$ 4,000
Adult Education Fund		11,215
Child Development Fund	4,000	16,290
Cafeteria Fund	1	
Deferred Maintenance Fund		5,504
Totals	<u>\$ 37,009</u>	<u>\$ 37,009</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2001-2002 fiscal year are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Adult Education	General	\$ 55,000
Child Development	General	18,000
Cafeteria	General	100,000
Deferred Maintenance	General	67,000
Special Reserve	General	814,639
Total		<u>\$ 1,054,639</u>

F. Fund Balances-Reserved and Designated

The following amounts have been reserved and designated by the Board of Trustees for the purposes noted:

	<u>General Fund</u>	<u>Cafeteria Fund</u>
Reserved For:		
Revolving cash	\$ 2,500	\$ -
Legally restricted balance	66,983	
Prepaid expenditures	-	744
Stores inventory	-	9,630
Total Reserved	<u>\$ 69,483</u>	<u>\$ 10,374</u>
Designated For:		
Economic uncertainties	<u>\$ 266,606</u>	

G. Leases

Capital Leases

The District leases facilities and equipment under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
2003	\$ 136,509
Total Minimum Lease Payments	\$ 136,509
Less Amount Representing Interest	(2,815)
Present Value of Net Minimum Lease Payments	<u>\$ 133,694</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

H. Changes in General Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2002, is shown below.

	<u>Balance July 1 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30 2002</u>
Compensated Absences	\$ 116,193	\$ 6,594	\$ -	\$ 122,787
Capital Leases	257,299	-	123,605	133,694
Totals	<u>\$ 373,492</u>	<u>\$ 6,594</u>	<u>\$ 123,605</u>	<u>\$ 256,481</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

I. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRM). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2002 is as follows:

Total Assets	\$1,901
Total Liabilities	-
Total Fund Balance	1,901
Total Cash Receipts	10,667
Total Cash Disbursements	9,250
Net Change in Fund Balance	1,417

J. Employee Retirement Systems

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

PERS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2001-02 was 0% 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, 2002, 2001 and 2000 were \$0, \$0 and \$0, respectively, and equal 100% of the required contributions for each year.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

STRS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2001-02 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, 2002, 2001 and 2000 were \$289,203, \$290,547 and \$262,581, respectively, and equal 100% of the required contributions for each year.

K. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

L. Subsequent Events

In July 2002, the district entered into the California School Cash Reserve Program Authority 2002 Pooled Bonds, Series A in the amount of \$1,210,000. The bonds include interest that will yield 3.25%. The bonds were sold to supplement the district's cash flows and will mature July 3, 2003.

General Fund

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2002**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Revenue limit sources:			
State general purpose	\$ 2,884,029	\$ 3,116,970	\$ 232,941
Local sources-property taxes	1,083,019	1,074,729	(8,290)
Total	<u>3,967,048</u>	<u>4,191,699</u>	<u>224,651</u>
Federal	3,901,426	3,907,295	5,869
Other state	1,660,550	1,611,806	(48,744)
Other local	296,306	342,968	46,662
Total revenues	<u>9,825,330</u>	<u>10,053,768</u>	<u>228,438</u>
Expenditures:			
Current:			
Certificated salaries	3,905,048	3,777,257	127,791
Classified salaries	2,110,115	2,026,554	83,561
Employee benefits	1,613,869	1,316,194	297,675
Books and supplies	760,295	694,755	65,540
Services and other operating expenditures	1,010,053	923,659	86,394
Capital outlay	205,635	109,196	96,439
Total expenditures	<u>9,605,015</u>	<u>8,847,615</u>	<u>757,400</u>
Excess (deficiency) of revenues over (under) expenditures	220,315	1,206,153	985,838
Other financing sources (uses):			
Operating transfers out	(502,716)	(1,054,639)	(551,923)
Other uses	(1)	(944)	(943)
Total other financing sources (uses)	<u>(502,717)</u>	<u>(1,055,583)</u>	<u>(552,866)</u>
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	(282,402)	150,570	432,972
Fund balances/equity, July 1	658,048	658,048	-
Fund balances/equity, June 30	<u>\$ 375,646</u>	<u>\$ 808,618</u>	<u>\$ 432,972</u>

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Totals June 30, 2002
\$ 110,637	\$ 53,551	\$ 530,114	\$ 764,478
44,342	35,136	8,513	89,087
1	-	-	4,001
9,630	-	-	9,630
744	-	-	744
<u>\$ 165,354</u>	<u>\$ 88,687</u>	<u>\$ 538,627</u>	<u>\$ 867,940</u>
\$ 3,038	\$ 4,713	\$ -	\$ 11,226
-	5,504	-	33,009
-	-	-	12,701
<u>3,038</u>	<u>10,217</u>	<u>-</u>	<u>56,936</u>
9,630	-	-	9,630
744	-	-	744
151,942	78,470	538,627	800,630
<u>162,316</u>	<u>78,470</u>	<u>538,627</u>	<u>811,004</u>
\$ 165,354	\$ 88,687	\$ 538,627	\$ 867,940

<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve Fund</u>	<u>Totals June 30, 2002</u>
\$ -	\$ -	\$ -	\$ 34,701
267,795	-	-	34,701
19,108	-	-	267,795
27,715	452	19,048	97,139
<u>314,618</u>	<u>452</u>	<u>19,048</u>	<u>55,320</u>
-	-	-	454,955
125,059	22,875	-	52,492
30,380	8,376	-	236,216
164,276	-	-	98,579
48,750	52,290	-	175,092
-	7,600	-	129,274
<u>368,465</u>	<u>91,141</u>	<u>-</u>	<u>9,247</u>
(53,847)	(90,689)	19,048	700,900
100,000	67,000	-	(245,945)
<u>100,000</u>	<u>67,000</u>	<u>-</u>	<u>240,000</u>
46,153	(23,689)	19,048	240,000
116,163	102,159	519,579	(5,945)
<u>\$ 162,316</u>	<u>\$ 78,470</u>	<u>\$ 538,627</u>	<u>\$ 816,949</u>
			<u>\$ 811,004</u>

Child Development Fund			Cafeteria Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
79,900	75,917	(3,983)	240,002	267,795	27,793
701	4,996	4,295	22,000	19,108	(2,892)
<u>80,601</u>	<u>80,913</u>	<u>312</u>	<u>320,203</u>	<u>314,618</u>	<u>(5,585)</u>
-	-	-	-	-	-
49,780	66,606	(16,826)	128,972	125,059	3,913
16,795	35,706	(18,911)	50,827	30,380	20,447
1,000	3,098	(2,098)	193,600	164,276	29,324
26,892	27,051	(159)	66,000	48,750	17,250
-	-	-	-	-	-
<u>94,467</u>	<u>132,461</u>	<u>(37,994)</u>	<u>439,399</u>	<u>368,465</u>	<u>70,934</u>
(13,866)	(51,548)	(37,682)	(119,196)	(53,847)	65,349
-	18,000	18,000	150,000	100,000	(50,000)
-	<u>18,000</u>	<u>18,000</u>	<u>150,000</u>	<u>100,000</u>	<u>(50,000)</u>
(13,866)	(33,548)	(19,682)	30,804	46,153	15,349
34,762	34,762	-	116,163	116,163	-
<u>\$ 20,896</u>	<u>\$ 1,214</u>	<u>\$ (19,682)</u>	<u>\$ 146,967</u>	<u>\$ 162,316</u>	<u>\$ 15,349</u>

Special Reserve Fund for Other Than Capital Outlay Projects			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 76,000	\$ 32,600	\$ (43,400)
-	-	-	76,000	34,701	(41,299)
-	-	-	246,805	267,795	20,990
-	-	-	111,952	97,139	(14,813)
20,000	19,048	(952)	83,103	55,320	(27,783)
<u>20,000</u>	<u>19,048</u>	<u>(952)</u>	<u>517,860</u>	<u>454,955</u>	<u>(62,905)</u>
-	-	-	59,003	52,492	6,511
-	-	-	217,071	236,216	(19,145)
-	-	-	95,773	98,579	(2,806)
-	-	-	206,454	175,092	31,362
-	-	-	164,492	129,274	35,218
-	-	-	12,700	9,247	3,453
<u>-</u>	<u>-</u>	<u>-</u>	<u>755,493</u>	<u>700,900</u>	<u>54,593</u>
20,000	19,048	(952)	(237,633)	(245,945)	(8,312)
-	-	-	267,000	240,000	(27,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>267,000</u>	<u>240,000</u>	<u>(27,000)</u>
20,000	19,048	(952)	29,367	(5,945)	(35,312)
519,579	519,579	-	816,949	816,949	-
<u>\$ 539,579</u>	<u>\$ 538,627</u>	<u>\$ (952)</u>	<u>\$ 846,316</u>	<u>\$ 811,004</u>	<u>\$ (35,312)</u>

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

State School Bldg. Lease	Capital Outlay Projects	Totals June 30, 2002
\$ 418	\$ 921,023	\$ 923,054
6	8,326	8,335
<u>\$ 424</u>	<u>\$ 929,349</u>	<u>\$ 931,389</u>
-	-	-
424	929,349	931,389
<u>424</u>	<u>929,349</u>	<u>931,389</u>
<u>\$ 424</u>	<u>\$ 929,349</u>	<u>\$ 931,389</u>

State School Bldg. Lease	Capital Outlay Projects	Totals June 30, 2002
\$ -	\$ 21,659	\$ 23,123
-	21,659	23,123
-	4,826	4,826
50	67,050	67,100
-	468,078	468,078
<u>50</u>	<u>539,954</u>	<u>540,004</u>
(50)	(518,295)	(516,881)
-	814,639	814,639
-	(136,509)	(136,509)
-	<u>678,130</u>	<u>678,130</u>
(50)	159,835	161,249
474	769,514	770,140
<u>\$ 424</u>	<u>\$ 929,349</u>	<u>\$ 931,389</u>

Capital Facilities Fund			State School Building Lease-Purchase Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 52	\$ 1,455	\$ 1,403	\$ -	\$ -	\$ -
52	1,455	1,403	-	-	-
-	-	-	-	-	-
-	-	-	-	50	(50)
-	-	-	-	-	-
-	-	-	-	50	(50)
52	1,455	1,403	-	(50)	(50)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
52	1,455	1,403	-	(50)	(50)
152	152	-	474	474	-
\$ 204	\$ 1,607	\$ 1,403	\$ 474	\$ 424	\$ (50)

Totals		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 55,057	\$ 23,123	\$ (31,934)
<u>55,057</u>	<u>23,123</u>	<u>(31,934)</u>
5,000	4,826	174
10,000	67,100	(57,100)
510,000	468,078	41,922
<u>525,000</u>	<u>540,004</u>	<u>(15,004)</u>
(469,943)	(516,881)	(46,938)
814,639	814,639	-
(136,509)	(136,509)	-
<u>678,130</u>	<u>678,130</u>	<u>-</u>
208,187	161,249	(46,938)
770,140	770,140	-
<u>\$ 978,327</u>	<u>\$ 931,389</u>	<u>\$ (46,938)</u>

Trust and Agency Funds

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

EXHIBIT B-8

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED JUNE 30, 2002

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
ELEMENTARY STUDENT ACTIVITIES				
ASSETS				
<i>Cash and investments</i>	\$ 24,634	\$ 7,944	\$ 10,907	\$ 21,671
Total Assets	<u>\$ 24,634</u>	<u>\$ 7,944</u>	<u>\$ 10,907</u>	<u>\$ 21,671</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 24,634	\$ 7,944	\$ 10,907	\$ 21,671
Total Liabilities	<u>\$ 24,634</u>	<u>\$ 7,944</u>	<u>\$ 10,907</u>	<u>\$ 21,671</u>
HIGH SCHOOL STUDENT ACTIVITIES				
ASSETS				
<i>Cash and investments</i>	\$ 47,275	\$ 118,152	\$ 108,446	\$ 56,981
Total Assets	<u>\$ 47,275</u>	<u>\$ 118,152</u>	<u>\$ 108,446</u>	<u>\$ 56,981</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 47,275	\$ 118,152	\$ 108,446	\$ 56,981
Total Liabilities	<u>\$ 47,275</u>	<u>\$ 118,152</u>	<u>\$ 108,446</u>	<u>\$ 56,981</u>
TOTAL AGENCY FUNDS:				
ASSETS				
<i>Cash and investments</i>	\$ 71,909	\$ 126,096	\$ 119,353	\$ 78,652
Total Assets	<u>\$ 71,909</u>	<u>\$ 126,096</u>	<u>\$ 119,353</u>	<u>\$ 78,652</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 71,909	\$ 126,096	\$ 119,353	\$ 78,652
Total Liabilities	<u>\$ 71,909</u>	<u>\$ 126,096</u>	<u>\$ 119,353</u>	<u>\$ 78,652</u>

The accompanying notes are an integral part of this statement.

Supplementary Information Section

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2002

The San Pasqual Valley Unified School District was established in 1958. The District encompasses an area of approximately 2,100 square miles in Imperial County, in and around the city of Winterhaven. The District is currently operating one elementary school, one middle school, one high school, and one continuation high school.

Governing Board

Name	Office	Term Expires
Mrs. Barbara Bensel	President	November, 2004
Ms. Bernadine Swiftarrow	Vice President	November, 2005
Mr. Damon Polk	Clerk	November, 2004
Mr. Robert Johnson	Member	November, 2004
Ms. LaRue Nelson	Member	November, 2005

Administration

Dr. Joen Painter
Superintendent

Mr. Douglas Isaly
Assistant Superintendent
Business Services

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

TABLE C-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE

YEAR ENDED JUNE 30, 2002

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	60.72	61.54
Grades 1 through 3	176.61	177.44
Grades 4 through 6	169.00	169.39
Grades 7 and 8	107.01	107.10
Opportunity schools	5.57	5.62
Special education	20.42	20.12
Elementary totals	<u>539.33</u>	<u>541.21</u>
High School:		
Grades 9 through 12, regular classes	156.25	154.47
Special education	4.33	4.12
Continuation education	4.34	4.88
Opportunity schools	0.75	0.86
High school totals	<u>165.67</u>	<u>164.33</u>
Classes for adults:		
Adults enrolled	5.67	6.07
Independent Study	21.91	23.76
ADA totals	<u>732.58</u>	<u>735.37</u>
	<u>Hours of Attendance</u>	
<u>Summer School</u>		
Elementary	21,649	
High School	4,327	

Average daily attendance is a measurement of the number of pupils attending classes of the district. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

TABLE C-2

SCHEDULE OF INSTRUCTIONAL TIME

YEAR ENDED JUNE 30, 2002

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2001-02 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	28,000	36,000	47,220	180	N/A	Complied
Grades 1 through 3	55,125	50,400	57,060	180	N/A	Complied
Grades 4 through 6	55,125	54,000	57,060	180	N/A	Complied
Grades 7 through 8	66,000	54,000	68,740	180	N/A	Complied
Grades 9 through 12	66,000	64,800	68,740	180	N/A	Complied

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Educational Code Section 46201.

The district has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

TABLE C-3

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

YEAR ENDED JUNE 30, 2002

General Fund	(Budget) 2003	2002	2001	2000
Revenues and other financial sources	\$ 10,400,318	\$ 10,053,768	\$ 10,255,500	\$ 9,447,344
Expenditures and Other uses and transfers out	10,352,928	9,903,198	10,280,872	9,302,703
Change in fund balance (deficit)	47,390	150,570	(25,372)	144,641
Ending fund balance	\$ 856,008	\$ 808,618	\$ 658,048	\$ 683,420
Available reserves	\$ 786,525	\$ 739,135	\$ 655,548	\$ 680,920
Available reserves as a percentage of total outgo	7.6%	7.4%	6.4%	7.3%
Total long-term debt	\$ 120,000	\$ 256,481	\$ 373,492	\$ 471,688
Average daily attendance at P-2	744	733	777	831

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

The general fund balance has increased by \$269,839 over the past three years. The fiscal year 2002-03 budget projects an increase of \$47,390. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures and other outgo.

Total long-term debt has decreased by \$365,096 over the past three years.

Average daily attendance (ADA) is expected to increase by 11 during fiscal year 2002-03.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

TABLE C-4

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Medi-Cal *	93.778	-	\$ 33,718
Total U. S. Department of Health and Human Services			<u>33,718</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Programs:			
Impact Aid - P.L. 81.874	84.041	-	2,983,200
Title VII	84.060	-	75,758
Total Direct Programs			<u>3,058,958</u>
Passed Through State Department of Education:			
IASA Title I	84.010	03064	392,739
Special Education *	84.027	03379	116,400
Vocational Education	84.048	03569	11,733
21st Century *	84.173	10042	54,486
Title IV	84.186	03453	3,310
Title III	84.278	10009	27,032
Title II	84.281	03207	8,651
Title VI	84.298	03340	7,242
Federal Class Size Reduction	84.298	03073	27,146
CSRD	84.332	03170	165,880
Total Passed Through State Department of Education			<u>814,619</u>
Total U. S. Department of Education			<u>3,873,577</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	03988	59,327
National School Lunch Program *	10.555	03396	208,468
Total Passed Through State Department of Education			<u>267,795</u>
Total U. S. Department of Agriculture			<u>267,795</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,175,090</u>

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

The accompanying notes are an integral part of this schedule.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

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.

760 572.0711

San Pasqual Valley
 Adjusting Entries
 Year Ended 6/30/02

FUND

GENERAL

AJE #	Account	Account #	Debit	Credit
1	Accounts Payable	9510	\$ 122,485.00	
	Audit Adjustment	9793		\$ 122,485.00
10	Accounts Payable	9510	\$ 64,302.39	
	Audit Adjustment	9793		\$ 64,302.39
Fund 11				
2	Audit Adjustment	9793	\$ 6,643.23	
	Accounts Receivable	9160		\$ 6,643.23
Fund 12				
3&11	Accounts Receivable	9160	\$ 180.64	
	Audit Adjustment	9793	\$ 1,421.36	
	Accounts Payable	9510		\$ 1,602.00
Fund 13				
4,10&11	Accounts Receivable	9160	\$ 37,532.72	
	Accounts Payable	9510	\$ 2,021.07	
	Audit Adjustment	9793		\$ 39,553.79
Fund 17				
5	Accounts Receivable	9160	\$ 8,513.47	
	Audit Adjustment	9793		\$ 8,513.47
Fund 40				
6	Accounts Receivable	9190	\$ 8,325.81	
	Audit Adjustment	9793		\$ 8,325.81

ok w/ Audit Rpt

186,787.39

total 22nd to december

Audit reports <5729>

Audit net <1421>

ok

ok

TABLE C-5

Adult Education Fund	Child Development Fund	Special Reserve Fund	Special Reserve for Capital Outlay Fund
\$ 36,106	\$ 2,635	\$ 530,113	\$ 921,022
(5,729)	181	8,514	8,327
<u>-</u>	<u>(1,602)</u>	<u>-</u>	<u>-</u>
<u>(5,729)</u>	<u>(1,421)</u>	<u>8,514</u>	<u>8,327</u>
<u>\$ 30,377</u>	<u>\$ 1,214</u>	<u>\$ 538,627</u>	<u>\$ 929,349</u>

Other Independent Auditor's Reports

WILKINSON & HADLEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

250 E. DOUGLAS AVE., SUITE 200

EL CAJON, CA 92020

TEL (619) 447-6700 • FAX (619) 447-6707

Report on Compliance and on Internal Control over Financial
Reporting 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 the general purpose financial statements of San Pasqual Valley Unified School District as of and for the year ended June 30, 2002, and have issued our report thereon dated December 18, 2002. That report was qualified because of the omission of the general fixed assets account group from the financial statements. 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.

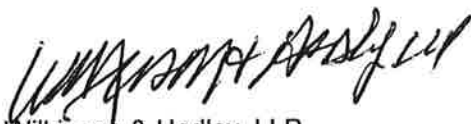
Compliance

As part of obtaining reasonable assurance about whether San Pasqual Valley Unified School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Pasqual Valley Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted certain other matters involving internal control over financial reporting that we have included in the Schedule of Audit Findings and Questioned Costs.

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



Wilkinson & Hadley, LLP
December 18, 2002

WILKINSON & HADLEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Report on Compliance with Requirements Applicable
To each Major Program and Internal Control over Compliance
In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

Compliance

We have audited the compliance of San Pasqual Valley Unified School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. San Pasqual Valley Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of San Pasqual Valley Unified School District's management. Our responsibility is to express an opinion on San Pasqual Valley Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Pasqual Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on San Pasqual Valley Unified School District's compliance with those requirements.

In our opinion, San Pasqual Valley Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of San Pasqual Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered San Pasqual Valley Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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



Wilkinson & Hadley, LLP
December 18, 2002

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Auditor's Report on State Compliance

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

Members of the Board of Trustees:

We have audited the general purpose financial statements of the San Pasqual Valley Unified School District ("District") as of and for the year ended June 30, 2002, and have issued our report thereon dated December 18, 2002. That report was qualified because of the omission of the general fixed assets account group from the financial statements. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures In Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	4	Yes
Kindergarten continuation	3	Yes
Independent study	13	Yes
Continuation education	11	No (see below)
Adult education	8	Yes
Regional occupational center/programs	4	Not applicable
Staff development days	3	Yes
County Office of Education programs	3	Not applicable
Incentive for longer instructional day:		
School districts	3	Yes
County offices of education	3	Not applicable
GANN limit calculation	2	Yes
Early retirement incentive program	5	Not applicable
Community day schools	8	Not applicable
Class size reduction program:		
Option one classes	11	Yes
Option two classes	10	Not applicable
Option one and two classes	16	Not applicable
Program to reduce class size in two courses in grade 9	8	Not applicable


Instructional Materials Fund

State instructional materials fund		
K-8	10	Yes
9-12	7	Yes
Schiff-Bustamante standards-based instructional materials	9	Yes
Digital high school education technology grant program	5	Not applicable
California Public Schools Act of 1998	4	Yes
Office of Criminal Justice Planning	--	Not applicable

We did not perform testing for continuation education because the continuation education ADA was under the level that requires testing.

Based on our audit, we found that, for the items tested, San Pasqual Valley Unified School District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the San Pasqual Valley Unified School District has not complied with the state laws and regulations.

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



Wilkinson & Hadley, LLP
December 18, 2002

Findings and Recommendations Section

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None Reported

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? Yes X No

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

3. State Awards

Internal control over state programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Reportable condition(s) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

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

B. Financial Statement Findings

Finding 2002-1 (30000)
 Year End Accruals

Criteria or Specific Requirement
 Determine that year end financial statements reflect correctly all financial transactions of the district and all accruals set up at year end are properly recorded.

Condition
 In our review of the year end financial statements, we noted several instances where year end accruals were not properly set up. As a result, we made significant audit adjustments in six of the district's funds in order to properly report accounts receivable and accounts payable at year end.

Questioned Costs
 None

Recommendation
 We recommend prior to closing the books, a comprehensive review be made of all funds to ensure all year end accruals are properly set up in order to reflect correct balances at year end.

LEA's Response
 The primary problem in the accrual was in our failure to accrue the accounts receivable interest in funds other than the general fund. Additionally, incorrect accrual of payables resulted in some double accruals. The double accruals and under accrual of interest were corrected by an audit adjustment.

Finding 2002-2 (30000)
 Elementary School Student Body Fund

Criteria or Specific Requirement
 Determine that internal controls are in place that provide for adequate safeguarding of the assets of the student body funds. In addition, determine that year end financial statements are materially correct and properly reflect the accounts of the student body.

Condition
 As part of our review of the student body fund, we noted the reconciled cash balance in the elementary school ASB was not in agreement with the amounts reported in the schools ledger. The cash amount was in excess of the amounts shown in the ledger.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

Questioned Costs

None

Recommendation

We recommend a review be made of the amounts reported in the school's ledger and reconcile it to the cash amount in the bank. In addition, we recommend this reconciliation be made at the end of each year to ensure the cash balance agrees with the ledger balance.

LEA's Response

Accuracy in reconciliation of the schools ledger and cash account is paramount. The District will monitor monthly the reconciliation of the two and ensure the elementary school has accurately completed the reconciliations.

Finding 2002-3 (30000)
High School Student Body Fund

Criteria or Specific Requirement

Determine that internal controls are in place that provide for adequate safeguarding of the assets of the student body funds.. In addition, determine that year end financial statements are materially correct and properly reflect the accounts of the student body.

Condition

In our review of the student body fund, we noted no reconciliation is being made of ticket sales for football games with cash collections. As a result, we were unable to determine if the amount recorded as gate receipts was accurate.

Questioned Costs

None

Recommendation

We recommend the school implement a ticket reconciliation procedure to reconcile tickets sold to actual cash collections in order to ensure accuracy.

LEA's Response

Accurate point of sale reconciliation of tickets sold and cash collections is a fundamental internal control. Increased emphasis will be placed on the high school to properly issue and account for each ticket sold and provide a written report after each game to account for the tickets sold and cash collected. A report will be generated monthly by the school and provided to the district for review.

Finding 2002-4 (30000)
Cafeteria Inventory

Criteria or Specific Requirement

Determine that the amount of inventory reflected in the year end financial statements is properly recorded in the general ledger and correctly reflects the inventory value at year end.

Condition

In our review of the inventory in the cafeteria fund, we noted the amount reflected in the year end financial statements was the same amount as reported at June 30, 2001. We also noted the cost value of inventory items is not being updated on a regular basis to reflect the current value of the inventory.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

Questioned Costs

None

Recommendation

We recommend the district implement a procedure to update their inventory values on a regular basis. This will allow for proper calculation of the inventory on hand at year end. We also recommend the district make the necessary adjusting journal entry at year end to reflect the correct inventory balance.

LEA's Response

Increased training on valuation of the cafeteria inventory and the requirement to utilize current costs for valuation. The District will more vigorously monitor the valuation of the inventory.

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2002

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2001-1 Cafeteria Inventory</p> <p>Inventory is not being recorded at the correct value due to not updating the inventory records.</p> <p>We recommend the district implement procedures to update inventory cost records to ensure the correct amounts are properly recorded.</p>	<p>Not Implemented</p>	<p>See current year finding</p>
<p>Finding 2001-2 State Preschool Program</p> <p>The district was late in filing the year end financial and attendance reports.</p> <p>We recommend the district implement a procedure that will ensure the year end reports are filed timely.</p>	<p>Implemented</p>	
<p>Finding 2001-3 Kindergarten Retention</p> <p>Two students did not have the correct retention form on file.</p> <p>We recommend the district amend their attendance reports and reduce ADA for kindergarten students at P2 by 1.78.</p>	<p>Implemented</p>	
<p>Finding 2001-4 California Public School Library Act</p> <p>One expenditure totaling \$1,299 were not acceptable as expenditures for the program.</p> <p>We recommend the district charge this amount to the general education program and increase the carryover of the California Public School Library Act program by \$1,299.</p>	<p>Implemented</p>	

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2002

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2001-5 Class Size Reduction Program (K-3)</p> <p>The method used to calculate the number of students eligible for funding was incorrect.</p> <p>We recommend the district amend their Form J-7CSR and reduce the number of students eligible for funding by two. In addition, we recommend in future years the district use the correct method to calculate the students eligible for funding.</p>	<p>Implemented</p>	