

**CAJON VALLEY UNION SCHOOL DISTRICT
COUNTY OF SAN DIEGO
EL CAJON, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2002

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

Introductory Section

Cajon Valley Union School District
 Audit Report
 for the Year Ended June 30, 2002

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 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
Cajon Valley Union School District
El Cajon, California

Members of the Board of Trustees:

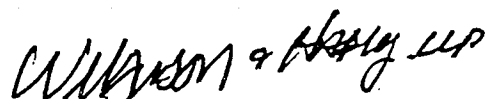
We have audited the accompanying general purpose financial statements of Cajon Valley Union School District, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Cajon Valley Union School District's management. 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Cajon Valley Union School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 January 21, 2003, on our consideration of Cajon Valley Union 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 Cajon Valley Union 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
January 21, 2003

Basic Financial Statements

**CAJON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2002
(Unaudited)**

This discussion and analysis of the Cajon Valley Union School District's financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the district's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the district's financial performance.

USING THESE FINANCIAL STATEMENTS

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Cajon Valley Union School District as a complex financial entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Cajon Valley Union School District does not operate any business-type activities, so the information presented is solely for governmental activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole district, presenting both an aggregate view of the district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2002 are as follows:

- Total net assets are \$116,968,452
- Unrestricted net assets (assets not invested in buildings, land, or equipment, and not restricted for debt payment or reserved for projects and educational programs) are \$10,401,837.
- Outstanding Capital Lease-Purchase Debt decreased from \$5,284,784 to \$4,339,942 during the 2001/02 fiscal year.
- \$21,000,000 in General Obligation Bonds were sold during the year, increasing the total GOB obligation to \$28,370,000. These funds are being used to provide much-needed modernization upgrades, safety enhancements, technology infrastructure, library expansions and many other site-specific improvements. In addition, work is underway to acquire land in the eastern portion of the district to build a middle school to accommodate growth in that area.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual audit report consists of three parts: Management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include different kinds of statements which present both a view of the district as a whole, and individual fund statements that focus on various parts of the district's operations in more detail. The financial statements also include notes that explain some of the information presented in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

Statement of Net Assets and Statement of Activities

While this document contains several funds used by the district to provide programs and activities, the view of the district as a whole looks at all financial transactions and asks the question, "How did we do financially during 2001-2002?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and all liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or disbursed.

These two statements report the district's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the district as a whole, the financial position of the district has improved or diminished.

In the Statement of Net Assets and the Statement of Activities, the district is presented in just one kind of activity, Governmental Activities. All the district's programs and services are reported here including instructional, support services, and operation and maintenance of plant and facilities. The district does not operate any business-type activities, so none are presented here.

REPORTING THE DISTRICTS MOST SIGNIFICANT INDIVIDUAL FUNDS

Fund Financial Statements

Major Funds: The analysis of the districts major funds is included in the audit report. Fund financial reports provide detailed information about the district's major funds. The district uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the most significant funds. The major governmental fund, which accounts for most of the day-to-day programs and services provided by the district, is the General Fund.

Governmental Funds: Most of the district's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the district's general government operations and the basic services it provides. Governmental fund information helps you determine the financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CAJON VALLEY UNION SCHOOL DISTRICT AS A COMPLETE FINANCIAL ENTITY

Recall that the Statement of Net Assets provides the perspective of the district as a whole. Table I provides a summary of the district's net assets for 2001-2002.

Table 1
Statement of Net Assets
June 30, 2002

Assets	
Cash	\$47,548,685
Investments	-
Receivables	6,740,196
Due from other funds	7,804
Stores	317,222
Prepaid expenses	-
Other current assets	-
Capital assets:	
Land	3,207,994
Sites and improvements	4,950,255
Buildings and improvements	129,505,406
Equipment	3,685,414
Work in progress	3,612,731
Less accumulated depreciation	<u><38,256,488></u>
Total assets	\$161,319,219
Liabilities	
Accounts payable and other current liabilities	5,621,300
Due to other funds	7,804
Deferred revenue	4,095,652
Long-term liabilities:	
Due within one year	1,036,904
Due in more than one year	<u>33,589,107</u>
Total liabilities	<u>\$44,350,767</u>
Net Assets	
Invested in capital assets, net of related debt	72,379,301
Restricted	34,187,314
Unrestricted	<u>10,401,837</u>
Total net assets	<u>\$116,968,452</u>

Revenue in the Governmental Funds is divided into general revenue, which funds the basic ongoing instructional program and related support services, and program revenue, which funds specific program activities that support the children enrolled in Cajon Valley's schools.

Table 2
Revenue – Governmental Activities

	<u>2001-2002</u>
General revenue	\$96,322,710
Program revenue & Fees for Services	<u>41,673,235</u>
 Total revenue	 \$137,995,945

The primary sources of general revenue are the state revenue limit and local property tax revenue. The primary sources of program revenue are the state of California and the federal government, which fund many programs operated by the district, and fees collected for meals and transportation.

Table 3
Expenditures – Governmental Activities

Classroom Instruction	\$ 85,826,216
Instructional Related Services	13,818,268
Pupil Services	14,683,399
General Administration	6,514,833
Plant Services	11,138,423
Facility Acquisition and Construction	2,893,662
Other Services and Activities	<u>839,299</u>
 Total Expenditures	 \$135,714,100

This chart does not include interest payments on long-term general obligation bond debt to be paid from property tax collections in future years.

THE GENERAL FUND OPERATING BUDGET

Information about the district's major fund, the General Fund, is shown later in this report. This fund is accounted for using the modified accrual basis of accounting. The district's budget is prepared according to California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of the 2001-2002 fiscal year, the district revised its general fund budget on occasion to better reflect new grants and awards, and to portray the most current state and federal budget projections, as that information became available. Most of the revisions were not significant in terms of the overall budget. Budget revisions are presented to the Governing Board for review and approval at regularly scheduled Board meetings.

CAPITAL ASSETS

At the end of the 2001-2002 fiscal year, the district had \$144,961,800 invested in land, buildings, work-in-progress, and capital equipment. Depreciation totaling \$38,256,488 was charged against the value of those assets for net capital assets of \$106,705,312.

CURRENT FINANCIAL RELATED ACTIVITIES

Over the years, Cajon Valley Union School District has maintained a strong, financially responsible budget. Each year the district takes a very careful look at revenue and expenditure projections on a multi-year basis, and adjusts its budget accordingly, to maintain an acceptable and safe reserve balance. As the preceding information shows, assets are substantial and the amount of debt paid from general revenues is a very small percentage of the overall budget. However, the financial future is full of challenges due to the district's dependence on the state of California for the bulk of its general operating revenue.

The state of California's economy has left the 2002-2003 funding for education in question. The governor has called for a mid-year review of the 2002-2003 California state budget and this review will likely affect the district's funding in 2002-2003 and future years. As of the date of this audit report, final State adjustments to 2002/03 funding had not been determined. The district must remain diligent in adjusting to its ever-changing financial picture to maintain its history of strong financial responsibility.

The district is currently developing budget reduction proposals to deal with an anticipated decrease in state revenue. This will be accomplished with the assistance of an established budget advisory committee that works with the Governing Board and administration to review and develop budget recommendations. All budget recommendations will be reviewed in light of the district's multi-year financial projection, which includes adjustments for enrollment increases or decreases, labor-related increases, and other inflationary factors.

CONTACTING THE DISTRICT'S FINANCIAL MANAGERS

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the district's finances and to show the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rebecca Gregory, Controller/Assistant Business Manager, or G. Wayne Oetken, Assistant Superintendent, at Cajon Valley Union School District, 189 Roanoke Road, El Cajon, CA 92020. Or e-mail to gregory@gwise.cajon.k12.ca.us.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2002

	Governmental Activities
ASSETS:	
Cash	\$ 47,548,685
Accounts Receivable	6,740,196
Due from Other Funds	7,804
Stores Inventory	317,222
Capital Assets:	
Land	3,207,994
Improvement of Sites	4,950,255
Buildings	129,505,406
Equipment	3,685,414
Work in Progress	3,612,731
Less Accumulated Depreciation	(38,256,488)
Total Assets	<u>\$ 161,319,219</u>
LIABILITIES:	
Accounts Payable	\$ 5,621,300
Due to Other Funds	7,804
Deferred Revenues	4,095,652
Long-term Liabilities:	
Due within one year	1,036,904
Due in more than one year	33,589,107
Total Liabilities	<u>44,350,767</u>
NET ASSETS:	
Invested in Capital Assets, net of Related Debt	72,379,301
Restricted For:	
Capital Projects	25,221,052
Debt Services	544,088
Educational Programs	1,591,370
Other Purposes (expendable)	6,830,804
Unrestricted	10,401,837
Total Net Assets	<u>\$ 116,968,452</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2002

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Government Activities:				
<i>Instruction</i>	\$ 85,826,216	\$ 130,913	\$ 23,032,088	\$ 3,752
<i>Instruction Related Services</i>	13,818,268	38,133	3,827,413	-
<i>Pupil Services</i>	14,683,399	2,026,590	10,679,485	-
<i>General Administration</i>	6,514,833	30,207	771,951	-
<i>Plant Services</i>	11,138,423	-	1,075,549	-
<i>Facility Acquisition and Construction</i>	2,893,662	-	17,276	-
<i>Community Services</i>	64,460	-	-	-
<i>Interest on Long-Term Debt</i>	432,293	-	-	-
<i>Other Outgo</i>	222,931	-	39,878	-
<i>Depreciation (unallocated)</i>	119,615	-	-	-
Total Governmental Activities	<u>135,714,100</u>	<u>2,225,843</u>	<u>39,443,640</u>	<u>3,752</u>
Total Primary Government	<u>\$ 135,714,100</u>	<u>\$ 2,225,843</u>	<u>\$ 39,443,640</u>	<u>\$ 3,752</u>

General Revenues:

- Taxes and Subventions*
- Federal and State Aid not Restricted to Specific Purposes*
- Interest and Investments*
- Miscellaneous*
- Total General Revenues and Transfers

Change in Net Assets

- Net Assets - Beginning
- Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Assets

Governmental
Activities

\$ (62,821,951)
(9,952,722)
(1,977,324)
(5,713,675)
(10,062,874)
(2,876,386)
(64,460)
(432,293)
(183,053)
(119,615)

(94,040,865)

(94,040,865)

31,569,832

61,510,141

1,121,587

2,121,150

96,322,710

2,281,845

114,686,607

\$

116,968,452

CAJON VALLEY UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2002

	General Fund	Cafeteria Fund
	<u> </u>	<u> </u>
ASSETS:		
<i>Cash in County Treasury</i>	\$ 15,344,943	\$ 1,559
<i>Cash on Hand and in Banks</i>	-	602,904
<i>Cash in Revolving Fund</i>	15,000	-
<i>Accounts Receivable</i>	3,850,734	1,071,841
<i>Due from Other Funds</i>	1,826,866	330,445
<i>Stores Inventories</i>	249,179	68,043
Total Assets	<u><u>\$ 21,286,722</u></u>	<u><u>\$ 2,074,792</u></u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
<i>Accounts Payable</i>	\$ 3,226,834	\$ 220,746
<i>Due to Other Funds</i>	330,445	1,740,289
<i>Deferred Revenue</i>	3,982,420	-
Total Liabilities	<u><u>7,539,699</u></u>	<u><u>1,961,035</u></u>
Fund Balance:		
Reserved Fund Balances:		
<i>Reserve for Revolving Cash</i>	15,000	-
<i>Reserve for Stores Inventories</i>	249,179	68,043
Designated Fund Balances:		
<i>Designated for Economic Uncertainties</i>	3,813,868	-
<i>Other Designated</i>	6,830,804	-
Unreserved	2,838,172	45,714
Unreserved, reported in nonmajor:		
<i>Special Revenue Funds</i>	-	-
<i>Debt Service Funds</i>	-	-
<i>Capital Projects Funds</i>	-	-
Total Fund Balance	<u><u>13,747,023</u></u>	<u><u>113,757</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 21,286,722</u></u>	<u><u>\$ 2,074,792</u></u>

The accompanying notes are an integral part of this statement.

<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 26,015,326	\$ 2,902,761	\$ 44,264,589
-	-	602,904
-	-	15,000
139,139	496,848	5,558,562
-	-	2,157,311
-	-	317,222
<u>\$ 26,154,465</u>	<u>\$ 3,399,609</u>	<u>\$ 52,915,588</u>
\$ 933,412	\$ 311,986	\$ 4,692,978
-	78,773	2,149,507
-	113,232	4,095,652
<u>933,412</u>	<u>503,991</u>	<u>10,938,137</u>
-	-	15,000
-	-	317,222
-	-	3,813,868
-	-	6,830,804
25,221,053	-	28,104,939
-	573,124	573,124
-	553,919	553,919
-	1,768,575	1,768,575
<u>25,221,053</u>	<u>2,895,618</u>	<u>41,977,451</u>
<u>\$ 26,154,465</u>	<u>\$ 3,399,609</u>	<u>\$ 52,915,588</u>

CAJON VALLEY UNION SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2002

Total fund balances - governmental funds balance sheet	\$ 41,977,451
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	950,857
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is \$144,961,800 and the accumulated depreciation is \$38,256,488.	106,705,312
State mandated costs revenues are not recognized in the funds but are included in the Statement of Net Assets under the full accrual basis of accounting.	1,165,090
To adjust for the increase in liabilities not accrued in governmental funds because they are not normally expected to be liquidated with current financial resources.	795,753
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in funds. The total long-term liabilities at year end were \$34,626,011.	<u>(34,626,011)</u>
Net assets of governmental activities - statement of net assets	\$ <u><u>116,968,452</u></u>

CAJON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2002

	<u>General Fund</u>	<u>Cafeteria Fund</u>
Revenues:		
<i>Revenue Limit Sources</i>	\$ 83,669,666	\$ -
<i>Federal Revenue</i>	8,108,372	3,188,079
<i>State Revenue</i>	22,882,651	300,420
<i>Local Revenue</i>	12,138,179	1,891,060
Total Revenues	<u>126,798,868</u>	<u>5,379,559</u>
Expenditures:		
<i>Pupil Services</i>	-	5,463,388
<i>General Administration</i>	124,706,132	-
<i>Plant Services</i>	-	-
<i>Other Outgo</i>	-	-
Total Expenditures	<u>126,183,134</u>	<u>5,504,437</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>615,734</u>	<u>(124,878)</u>
Other Financing Sources (Uses):		
<i>Operating Transfers In</i>	-	181,457
<i>Operating Transfers Out</i>	(815,663)	-
<i>Other Sources</i>	334,544	-
<i>Other Uses</i>	(130,142)	(32,401)
Total Other Financing Sources (Uses)	<u>(611,261)</u>	<u>149,056</u>
Net Change in Fund Balance	4,473	24,178
Fund Balance, July 1	13,742,550	89,579
Fund Balance, June 30	<u>\$ 13,747,023</u>	<u>\$ 113,757</u>

The accompanying notes are an integral part of this statement.

Building Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 83,669,666
-	-	11,296,451
-	1,614,064	24,797,135
1,113,613	2,221,383	17,364,235
<u>1,113,613</u>	<u>3,835,447</u>	<u>137,127,487</u>
-	1,053,376	6,516,764
-	-	124,706,132
-	1,230,564	1,230,564
-	476,737	476,737
<u>4,642,602</u>	<u>3,236,043</u>	<u>139,566,216</u>
<u>(3,528,989)</u>	<u>599,404</u>	<u>(2,438,729)</u>
205,000	559,206	945,663
-	(205,000)	(1,020,663)
21,000,000	-	21,334,544
-	(60,388)	(222,931)
<u>21,205,000</u>	<u>293,818</u>	<u>21,036,613</u>
17,676,011	893,222	18,597,884
7,545,042	2,002,396	23,379,567
<u>\$ 25,221,053</u>	<u>\$ 2,895,618</u>	<u>\$ 41,977,451</u>

CAJON VALLEY UNION SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2002*

Net change in fund balances - total governmental funds	\$ 18,597,884
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities.	30,955
Capital outlay expenditures made in governmental funds and financed for acquisition or construction of capital assets are reported as capital assets on the statement of net assets.	5,397,832
To recognize revenues that were earned in the current period, but were not available under the modified accrual basis of accounting, and were therefore not accrued in the governmental funds.	1,165,090
In the Statement of Activities, compensated absences are measured by the amounts earned by employees during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used during the year. This year the amount earned exceeded the amount used by \$43,384.	(43,384)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when due, and is recognized as interest accrues in the Statement of Activities. Interest expense is increased by \$430,792 because current period interest expense is less than the eliminated prior-period interest.	(430,792)
Repayment of debt principal is expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,769,729
Elimination of other financing sources, other financing uses, and expenditures relating to the issuance of debt, and instead reflect liabilities and unamortized issue costs on the statement of net assets.	(21,334,544)
State Mandated Cost revenue relating to the prior year was recognized in the governmental funds in fiscal year ending June 30, 2002. Such prior year revenue recognition is reduced from fund balance in the Statement of Activities.	(296,632)
To eliminate expenditures that related to a prior period, but that were not recognized in the governmental funds.	703,581
The current year depreciation of capital assets is not included in the governmental funds.	<u>(3,277,874)</u>
Change in net assets of governmental activities - statement of activities	\$ <u>2,281,845</u>

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUND

JUNE 30, 2002

	Nonmajor Internal Service Fund	Self-Insurance Fund
	<u> </u>	<u> </u>
ASSETS:		
Current Assets:		
<i>Cash in County Treasury</i>	\$ 2,666,192	
<i>Accounts Receivable</i>	16,544	
Total Current Assets	<u>2,682,736</u>	
Total Assets	<u>\$ 2,682,736</u>	
LIABILITIES:		
Current Liabilities:		
<i>Accounts Payable</i>	\$ 1,724,075	
<i>Due to Other Funds</i>	7,804	
Total Current Liabilities	<u>1,731,879</u>	
Total Liabilities	<u>1,731,879</u>	
NET ASSETS:		
<i>Unrestricted Net Assets</i>	950,857	
Total Net Assets	<u>\$ 950,857</u>	

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2002

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
<i>Local Revenue</i>	\$ 7,041,812
Total Revenues	<u>7,041,812</u>
Operating Expenses:	
<i>Classified Personnel Salaries</i>	59,939
<i>Employee Benefits</i>	23,851
<i>Books and Supplies</i>	1,258
<i>Services and Other Operating Expenses</i>	7,000,809
Total Expenses	<u>7,085,857</u>
Operating Income (Loss)	<u>(44,045)</u>
Income (Loss) before Contributions and Transfers	(44,045)
<i>Interfund Transfers In</i>	75,000
Change in Net Assets	<u>30,955</u>
Total Net Assets - Beginning	919,902
Total Net Assets - Ending	<u>\$ 950,857</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2002

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 6,979,991
Cash Payments to Other Suppliers for Goods and Services	(6,520,024)
Net Cash Provided (Used) by Operating Activities	<u>459,967</u>
Cash Flows from Non-Capital Financing Activities:	
Operating Transfers From (To) Primary Government	75,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>75,000</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	66,836
Net Cash Provided (Used) for Investing Activities	<u>66,836</u>
Net Increase (Decrease) in Cash and Cash Equivalents	601,803
Cash and Cash Equivalents at Beginning of Year	2,064,389
Cash and Cash Equivalents at End of Year	<u>\$ 2,666,192</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 30,955
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	5,015
Increase (Decrease) in Accounts Payable	564,955
Increase (Decrease) in Due to Other Funds	878
Total Adjustments	<u>570,848</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 601,803</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2002

	Agency Fund
	Student Body Fund
ASSETS:	
<i>Cash on Hand and in Banks</i>	\$ 301,122
Total Assets	<u>\$ 301,122</u>
LIABILITIES:	
<i>Due to Student Groups</i>	301,122
Total Liabilities	<u>301,122</u>
NET ASSETS:	
Total Net Assets	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN NET ASSETS
 STUDENT BODY FUND
 YEAR ENDED JUNE 30, 2002

EXHIBIT A-11

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
STUDENT BODY FUND				
ASSETS				
<i>Cash and investments</i>	\$ 237,689	\$ 852,528	\$ 789,095	\$ 301,122
Total Assets	<u>\$ 237,689</u>	<u>\$ 852,528</u>	<u>\$ 789,095</u>	<u>\$ 301,122</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 237,689	\$ 852,528	\$ 789,095	\$ 301,122
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

A. Summary of Significant Accounting Policies

Cajon Valley Union 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 Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes.
- The Cafeteria Fund is used to account separately for federal, state, and local resources to operate the food service program.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The following debt service funds are maintained by the District:

- The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

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. Proprietary Funds:

Internal Service Funds are used to account for those activities which render services on a cost-reimbursement basis to other organizational units of the District. The following internal service funds are utilized:

- The Self-Insurance Fund is used to separate monies associated with self-insurance activities from other operating funds of the District.

c. 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.

d. In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Some of the significant changes in the statement include the following:

For the first time the financial statements include:

- 1) A Management Discussion and Analysis (MD&A) section providing an analysis of the district's overall financial position and results of operations.
- 2) Financial statements prepared using full accrual accounting for all of the district's activities, including infrastructure.

A change in the fund financial statements to focus on the major funds.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

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.

Proprietary funds are accounted for on a flow of economic resources focus and use the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all applicable financial accounting and reporting standards of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, in accounting and reporting for its proprietary funds.

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

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 Board of Trustees 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 Board of Trustees satisfied these requirements.

These budgets are revised by the District's Board of Trustees 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. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego 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 San Diego 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

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives. The range of useful lives are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Site improvements	20 Years
Buildings	25-50 Years
Equipment	5-20 Years

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

f. Long-Term Obligations

The long-term debt of governmental funds is reported at face value in the appropriate governmental fund. 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 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego 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 the use of management's estimates.

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 \$3,307,400.

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 San Diego County Treasury as part of the common investment pool (\$46,930,781 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 \$46,930,781. 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$904,026 as of June 30, 2002) and in the revolving fund (\$15,000) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

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.

C. Fund Balances-Reserved & Designated

The following amounts were reserved, restricted, or designated by the Board of Trustees for the following special purposes:

	General Fund	Cafeteria Fund
Reserved for:		
Revolving cash	\$ 15,000	\$ -
Stores inventory	249,179	68,043
	<u>\$ 264,179</u>	<u>\$ 68,043</u>
Designated for:		
Economic uncertainties	\$ 3,813,868	
Other designated	6,830,804	
	<u>\$ 10,644,672</u>	

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

D. Accounts Receivable

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

	Internal Service Fund	General Fund	Special Revenue Funds	Capital Project Funds	Totals
Federal Government:					
Federal Programs	\$ -	\$ 777,986	\$ 935,140	\$ -	\$ 1,713,126
State Government:					
Categorical Aid Programs	-	755,093	62,409	-	817,502
Other	-	1,869,294	-	-	1,869,294
Deferred Maintenance	-	-	479,131	-	479,131
Total State Government	-	2,624,387	541,540	-	3,165,927
Interest	11,605	162,873	5,667	152,293	332,438
Miscellaneous	4,939	285,488	73,188	-	363,615
Totals	<u>\$ 16,544</u>	<u>\$ 3,850,734</u>	<u>\$ 1,555,535</u>	<u>\$ 152,293</u>	<u>\$ 5,575,106</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:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 1,826,866	\$ 330,445
Self-Insurance Fund	-	7,804
Capital Facilities Fund	-	6,035
Cafeteria Fund	330,445	1,740,289
Child Development Fund	-	72,738
Totals	<u>\$ 2,157,311</u>	<u>\$ 2,157,311</u>

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:

Transfers In	Transfers Out	Amount
Child Development	General	\$ 793
Self Insurance	General	75,000
Cafeteria	General	181,457
Deferred Maintenance	General	558,413
Building	Capital Facilities	205,000
Total		<u>\$ 1,020,663</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

F. Changes in Capital Assets

The changes in capital assets for the year ended June 30, 2002, are shown below:

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
Land	\$ 3,207,994	\$ -	\$ -	\$ 3,207,994
Improvements of Sites	4,738,190	212,065	-	4,950,255
Buildings	128,633,188	872,218	-	129,505,406
Equipment	2,913,392	772,022	-	3,685,414
Work in Progress	71,204	3,541,527	-	3,612,731
Totals	\$ 139,563,968	\$ 5,397,832	\$ -	\$ 144,961,800

G. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) to account for and finance its uninsured risks of loss. The Internal Service Fund provides dental and vision coverage to employees.

All funds of the District participate in the program, but only the General Fund makes payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a liability for open claims and Incurred But Not Reported (IBNR) claims. The claims and liability of \$1,226,546 is included in the liabilities under other long-term debt and is reported in accordance with Financial Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claim liability in the fiscal year ended June 30, 2002 are indicated below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Year 2001-02	<u>\$1,080,783</u>	<u>\$7,146,572</u>	<u>\$7,000,809</u>	<u>\$1,226,546</u>

H. 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:

Year Ending June 30	<u>Lease Payments</u>
2003	\$ 1,171,995
2004	1,047,355
2005	1,049,766
2006	538,840
2007	428,913
Thereafter	908,209
Total Minimum Lease Payments	\$ 5,145,078
Less Amount Representing Interest	(805,136)
Present Value of Net Minimum Lease Payments	<u>\$ 4,339,942</u>

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

I. General Obligation Bonds Payable

The outstanding general obligation bonded debt of the District as of June 30, 2002, is:

<u>Date of Issuance</u>	<u>Interest Rate Payable</u>	<u>Maturity Date</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding July 1 2001</u>	<u>Issued (Redeemed) Current Year</u>	<u>Amounts Outstanding June 30 2002</u>
2001	3.0-4.9 %	2031	\$ 7,500,000	\$ 7,500,000	\$ (130,000)	\$ 7,370,000
2002	4.0-7.0%	2032	\$ 21,000,000	\$ -	\$ 21,000,000	\$ 21,000,000
Totals			<u>\$ 28,500,000</u>	<u>\$ 7,500,000</u>	<u>\$ 20,870,000</u>	<u>\$ 28,370,000</u>

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2002, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 110,000	\$ 1,176,345	\$ 1,286,345
2004	185,000	1,439,949	1,624,949
2005	465,000	1,417,293	1,882,293
2006	500,000	1,383,380	1,883,380
2007	535,000	1,347,855	1,882,855
Thereafter	26,575,000	20,611,825	47,186,825
Totals	<u>\$ 28,370,000</u>	<u>\$ 27,376,647</u>	<u>\$ 55,746,647</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions.

J. 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	\$ 646,139	\$ 43,384	\$ -	\$ 689,523
Capital Leases	5,688,964	334,544	1,683,566	4,339,942
General Obligation Bonds	7,500,000	21,000,000	130,000	28,370,000
Other Long-term Debt	-	1,226,546	-	1,226,546
Totals	<u>\$ 13,835,103</u>	<u>\$ 22,604,474</u>	<u>\$ 1,813,566</u>	<u>\$ 34,626,011</u>

K. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSR). 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

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	\$714,990
Total Liabilities	604,577
Total Fund Balance	110,413
Total Cash Receipts	2,518,795
Total Cash Disbursements	2,153,063
Net Change in Fund Balance	365,732

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 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.

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

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 \$5,388,150, \$4,530,738 and \$4,413,102, respectively, and equal 100% of the required contributions for each year.

M. Postemployment Benefits Other Than Pension Benefits

In addition to the pension benefits described in Note L, the District provides postretirement health care benefits, as established by board policy, to all eligible employees who retire from the District until age 55 with at least 10 years of service.

During the year ended June 30 2002, expenditures of \$1,208,450 were recognized for postretirement health care. These costs were funded on a pay-as-you-go basis.

The District does not recognize a liability for future postemployment health care benefits because the amount cannot be reasonably determined.

N. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

Required Supplementary Information

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

CAJON VALLEY UNION SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND-MAJOR FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Revenue Limit Sources</i>	\$ 82,316,884	\$ 82,316,884	\$ 83,669,666	\$ 1,352,782
<i>Federal Revenue</i>	7,428,468	7,428,468	8,108,372	679,904
<i>State Revenue</i>	13,733,776	21,057,778	22,882,651	1,824,873
<i>Local Revenue</i>	12,031,936	12,031,936	12,138,179	106,243
Total Revenues	<u>115,511,064</u>	<u>122,835,066</u>	<u>126,798,868</u>	<u>3,963,802</u>
Expenditures:				
<i>General Administration</i>	116,309,080	138,332,488	124,706,132	13,626,356
Total Expenditures	<u>117,793,983</u>	<u>139,809,490</u>	<u>126,183,134</u>	<u>13,626,356</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,282,919)</u>	<u>(16,974,424)</u>	<u>615,734</u>	<u>17,590,158</u>
Other Financing Sources (Uses):				
<i>Operating Transfers Out</i>	(770,240)	(815,663)	(815,663)	-
<i>Other Sources</i>	-	-	334,544	334,544
<i>Other Uses</i>	186,903	(240,661)	(130,142)	(110,519)
Total Other Financing Sources (Uses)	<u>(583,337)</u>	<u>(1,056,324)</u>	<u>(611,261)</u>	<u>445,063</u>
Net Change in Fund Balance	<u>(2,866,256)</u>	<u>(18,030,748)</u>	<u>4,473</u>	<u>18,035,221</u>
Fund Balance, July 1	<u>13,742,550</u>	<u>13,742,550</u>	<u>13,742,550</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 10,876,294</u>	<u>\$ (4,288,198)</u>	<u>\$ 13,747,023</u>	<u>\$ 18,035,221</u>

CAJON VALLEY UNION SCHOOL DISTRICT

EXHIBIT C-1

CAFETERIA FUND-MAJOR FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Federal Revenue</i>	\$ 3,112,535	\$ 3,112,535	\$ 3,188,079	\$ 75,544
<i>State Revenue</i>	291,667	291,667	300,420	8,753
<i>Local Revenue</i>	1,803,692	1,803,692	1,891,060	87,368
Total Revenues	<u>5,207,894</u>	<u>5,207,894</u>	<u>5,379,559</u>	<u>171,665</u>
Expenditures:				
<i>Pupil Services</i>	5,490,133	5,567,635	5,463,388	104,247
Total Expenditures	<u>5,490,133</u>	<u>5,567,635</u>	<u>5,504,437</u>	<u>63,198</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(282,239)</u>	<u>(359,741)</u>	<u>(124,878)</u>	<u>234,863</u>
Other Financing Sources (Uses):				
<i>Operating Transfers In</i>	165,240	165,240	181,457	16,217
<i>Other Uses</i>	(125,000)	(32,401)	(32,401)	-
Total Other Financing Sources (Uses)	<u>40,240</u>	<u>132,839</u>	<u>149,056</u>	<u>16,217</u>
Net Change in Fund Balance	(241,999)	(226,902)	24,178	251,080
Fund Balance, July 1	89,579	89,579	89,579	-
Fund Balance, June 30	<u>\$ (152,420)</u>	<u>\$ (137,323)</u>	<u>\$ 113,757</u>	<u>\$ 251,080</u>

CAJON VALLEY UNION SCHOOL DISTRICT
 CHILD DEVELOPMENT FUND-NON MAJOR FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2002

EXHIBIT C-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State Revenue	\$ 1,150,751	\$ 1,150,751	\$ 1,094,675	\$ (56,076)
Local Revenue	-	-	17,516	17,516
Total Revenues	<u>1,150,751</u>	<u>1,150,751</u>	<u>1,112,191</u>	<u>(38,560)</u>
Expenditures:				
Pupil Services	<u>1,083,760</u>	<u>1,207,177</u>	<u>1,053,376</u>	<u>153,801</u>
Total Expenditures	<u>1,083,760</u>	<u>1,207,177</u>	<u>1,053,376</u>	<u>153,801</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>66,991</u>	<u>(56,426)</u>	<u>58,815</u>	<u>115,241</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	793	793
Other Uses	<u>(66,991)</u>	<u>(66,531)</u>	<u>(60,388)</u>	<u>(6,143)</u>
Total Other Financing Sources (Uses)	<u>(66,991)</u>	<u>(66,531)</u>	<u>(59,595)</u>	<u>6,936</u>
Net Change in Fund Balance	-	(122,957)	(780)	122,177
Fund Balance, July 1	780	780	780	-
Fund Balance, June 30	<u>\$ 780</u>	<u>\$ (122,177)</u>	<u>\$ -</u>	<u>\$ 122,177</u>

CAJON VALLEY UNION SCHOOL DISTRICT
DEFERRED MAINTENANCE FUND-NON MAJOR FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2002

EXHIBIT C-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>State Revenue</i>	\$ 513,000	\$ 513,000	\$ 495,472	\$ (17,528)
<i>Local Revenue</i>	5,800	5,800	8,296	2,496
Total Revenues	<u>518,800</u>	<u>518,800</u>	<u>503,768</u>	<u>(15,032)</u>
Expenditures:				
<i>Plant Services</i>	1,137,518	1,137,518	943,088	194,430
Total Expenditures	<u>1,137,518</u>	<u>1,137,518</u>	<u>1,080,606</u>	<u>56,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(618,718)</u>	<u>(618,718)</u>	<u>(576,838)</u>	<u>41,880</u>
Other Financing Sources (Uses):				
<i>Operating Transfers In</i>	530,000	530,000	558,413	28,413
Total Other Financing Sources (Uses)	<u>530,000</u>	<u>530,000</u>	<u>558,413</u>	<u>28,413</u>
Net Change in Fund Balance	(88,718)	(88,718)	(18,425)	70,293
Fund Balance, July 1	572,344	572,344	572,344	-
Fund Balance, June 30	<u>\$ 483,626</u>	<u>\$ 483,626</u>	<u>\$ 553,919</u>	<u>\$ 70,293</u>

CAJON VALLEY UNION SCHOOL DISTRICT
BOND INTEREST AND REDEMPTION FUND-NON MAJOR FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2002

EXHIBIT C-4

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State Revenue	\$ -	\$ 20,166	\$ 20,166	\$ -
Local Revenue	954,133	1,000,659	1,000,659	-
Total Revenues	<u>954,133</u>	<u>1,020,825</u>	<u>1,020,825</u>	<u>-</u>
Expenditures:				
Other Outgo	<u>476,737</u>	<u>476,737</u>	<u>476,737</u>	<u>-</u>
Total Expenditures	<u>476,737</u>	<u>476,737</u>	<u>476,737</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>477,396</u>	<u>544,088</u>	<u>544,088</u>	<u>-</u>
Net Change in Fund Balance	477,396	544,088	544,088	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	<u>\$ 477,396</u>	<u>\$ 544,088</u>	<u>\$ 544,088</u>	<u>\$ -</u>

CAJON VALLEY UNION SCHOOL DISTRICT

EXHIBIT C-5

BUILDING FUND-MAJOR FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local Revenue	\$ 421,804	\$ 473,005	\$ 1,113,613	\$ 640,608
Total Revenues	<u>421,804</u>	<u>473,005</u>	<u>1,113,613</u>	<u>640,608</u>
Expenditures:				
Total Expenditures	<u>7,250,707</u>	<u>29,277,511</u>	<u>4,642,602</u>	<u>24,634,909</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,828,903)</u>	<u>(28,804,506)</u>	<u>(3,528,989)</u>	<u>25,275,517</u>
Other Financing Sources (Uses):				
Operating Transfers In	205,000	205,000	205,000	-
Other Sources	15,000,000	36,000,000	21,000,000	(15,000,000)
Total Other Financing Sources (Uses)	<u>15,205,000</u>	<u>36,205,000</u>	<u>21,205,000</u>	<u>(15,000,000)</u>
Net Change in Fund Balance	8,376,097	7,400,494	17,676,011	10,275,517
Fund Balance, July 1	<u>7,545,042</u>	<u>7,545,042</u>	<u>7,545,042</u>	-
Fund Balance, June 30	<u>\$ 15,921,139</u>	<u>\$ 14,945,536</u>	<u>\$ 25,221,053</u>	<u>\$ 10,275,517</u>

CAJON VALLEY UNION SCHOOL DISTRICT

EXHIBIT C-6

CAPITAL FACILITIES FUND-NON MAJOR FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local Revenue	\$ 724,435	\$ 724,435	\$ 1,183,788	\$ 459,353
Total Revenues	<u>724,435</u>	<u>724,435</u>	<u>1,183,788</u>	<u>459,353</u>
Expenditures:				
Plant Services	137,425	484,264	287,476	196,788
Total Expenditures	<u>714,925</u>	<u>910,415</u>	<u>625,324</u>	<u>285,091</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,510</u>	<u>(185,980)</u>	<u>558,464</u>	<u>744,444</u>
Other Financing Sources (Uses):				
Operating Transfers Out	(205,000)	(205,000)	(205,000)	-
Total Other Financing Sources (Uses)	<u>(205,000)</u>	<u>(205,000)</u>	<u>(205,000)</u>	<u>-</u>
Net Change in Fund Balance	(195,490)	(390,980)	353,464	744,444
Fund Balance, July 1	1,294,008	1,294,008	1,294,008	-
Fund Balance, June 30	<u>\$ 1,098,518</u>	<u>\$ 903,028</u>	<u>\$ 1,647,472</u>	<u>\$ 744,444</u>

CAJON VALLEY UNION SCHOOL DISTRICT
 STATE SCHOOL BUILDING LEASE-PURCHASE FUND-NON MAJOR FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2002

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State Revenue	\$ -	\$ -	\$ 3,751	\$ 3,751
Local Revenue	-	-	11,052	11,052
Total Revenues	<u>-</u>	<u>-</u>	<u>14,803</u>	<u>14,803</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>14,803</u>	<u>14,803</u>
Net Change in Fund Balance	-	-	14,803	14,803
Fund Balance, July 1	133,328	133,328	133,328	-
Fund Balance, June 30	<u>\$ 133,328</u>	<u>\$ 133,328</u>	<u>\$ 148,131</u>	<u>\$ 14,803</u>

CAJON VALLEY UNION SCHOOL DISTRICT

EXHIBIT C-8

SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS-NON MAJOR FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local Revenue	\$ 2,500	\$ 2,500	\$ 72	\$ (2,428)
Total Revenues	<u>2,500</u>	<u>2,500</u>	<u>72</u>	<u>(2,428)</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,500</u>	<u>2,500</u>	<u>72</u>	<u>(2,428)</u>
Net Change in Fund Balance	2,500	2,500	72	(2,428)
Fund Balance, July 1	1,936	1,936	1,936	-
Fund Balance, June 30	<u>\$ 4,436</u>	<u>\$ 4,436</u>	<u>\$ 2,008</u>	<u>\$ (2,428)</u>

Other Supplementary Information

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

Supplementary Information Section

CAJON VALLEY UNION SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2002

The Cajon Valley Union School District was established in 1870 and is comprised of an area approximately 66.3 square miles located in San Diego County. There were no changes in the boundaries of the District during the current year. The District is currently operating 21 elementary schools, and 5 middle schools. In addition, the District operates the Sevick School for special education students.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jane Cruz Alfano	President	November, 2002
Jeff Kover	Vice-President	November, 2004
Jill D. Barto	Clerk	November, 2002
Marsha Saben	Member	November, 2002
Laoma Dana Davidson	Member	November, 2004

Administration

Dr. Janice Cook
Superintendent

Robyn Perlin
Assistant Superintendent
Instructional Services

G. Wayne Oetken
Assistant Superintendent
Business Services

Dr. Ronald Damschen
Assistant Superintendent
Personnel Services

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2002

TABLE E-1

	<u>Revised Second Period Report</u>	<u>Revised Annual Report</u>
Elementary:		
Kindergarten	1,702.88	1,704.57
Grades 1 through 3	5,799.38	5,798.55
Grades 4 through 6	6,086.19	6,064.82
Grades 7 and 8	3,714.06	3,699.32
Community day schools	27.29	30.14
Opportunity schools	13.33	14.97
Home & Hospital	8.06	9.04
Special education	791.91	800.15
Elementary totals	<u>18,143.10</u>	<u>18,121.56</u>
 ADA totals	 <u>18,143.10</u>	 <u>18,121.56</u>

<u>Summer School</u>	<u>Hours of Attendance</u>
Elementary	363,092

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.

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2002

TABLE E-2

<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 Calender</u>	<u>Number of Days Multitrack Calender</u>	<u>Status</u>
Kindergarten	31,680	36,000	36,000	180	N/A	Complied
Grades 1 through 3	42,380	50,400	51,525	180	N/A	Complied
Grades 4 through 8	52,560	54,000	54,300	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.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2002

TABLE E-3

General Fund	(Budget) 2003	2002	2001	2000
Revenues and other financial sources	\$ 123,031,324	\$ 127,133,412	\$ 125,372,195	\$ 112,705,201
Expenditures and Other uses and transfers out	125,504,910	127,128,939	122,258,542	112,859,211
Total outgo	(2,473,586)	4,473	3,113,653	(154,010)
Ending fund balance	\$ 11,273,437	\$ 13,747,023	\$ 13,742,550	\$ 10,628,897
Available reserves	\$ 11,009,258	\$ 13,482,845	\$ 13,496,701	\$ 10,367,776
Available reserves as a percentage of total outgo	8.8%	10.6%	11.0%	9.2%
Total long-term debt	\$ 33,347,000	\$ 34,626,011	\$ 13,835,105	\$ 7,765,010
Average daily attendance at P-2	18,164	18,143	18,249	18,417

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 \$2,964,112 over the past three years. The fiscal year 2002-03 budget projects a decrease of \$2,473,586. 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 increased by \$25,162,521 over the past three years.

Average daily attendance (ADA) is expected to increase by 21 during 2002-03.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

TABLE C-4

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF THE INTERIOR			
Direct Program:			
U. S. Wildlife *	15.611	-	\$ 17,591
Total U. S. Department of the Interior			<u>17,591</u>
U. S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Impact Aid - P.L. 81.874	84.041	-	15,154
21st Century	84.287	-	256,339
Total Direct Programs			<u>271,493</u>
Passed Through State Department of Education:			
IASA Title I	84.010	03064	3,761,228
Middle School Coordinator	84.013	03066	214,904
Special Education *	84.027	03379	1,807,036
Emergency Immigrant Education	84.162	03159	101,077
Preschool *	84.173	03430	415,328
Title IV	84.186	03453	66,490
Reading Intervention	84.276	03264	164,079
Title II	84.281	03207	197,275
IASA Title VI	84.298	03340	95,006
Federal Class Size Reduction	84.298	10053	444,332
Technology Challenge	84.318	13285	18,687
Comprehensive School Reform	84.332	03966	275,412
Tutorial Assistance	84.338	04185	150,457
Total Passed Through State Department of Education			<u>7,711,311</u>
Total U. S. Department of Education			<u>7,982,804</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	03988	420,826
National School Lunch Program *	10.555	03396	2,767,253
Total Passed Through State Department of Education			<u>3,188,079</u>
Total U. S. Department of Agriculture			<u>3,188,079</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Program:			
Medi-Cal *	93.778	-	107,977
Total Federal Emergency Management Agency			<u>107,977</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,296,451</u>

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

The accompanying notes are an integral part of this schedule.

CAJON VALLEY UNION 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 Cajon Valley Union 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.

CAJON VALLEY UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT (J-200) WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

TABLE E-5

	Deferred Maintenance Fund	Cafeteria Fund
June 30, 2002, annual financial and budget report (Form J-200) fund balances	\$ 691,437	\$ 154,805
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Accounts payable understatement	(137,518)	-
Stores inventory overstatement	-	(41,048)
Net adjustments and reclassifications	(137,518)	(41,048)
June 30, 2002, audited financial statement fund balances	\$ 553,919	\$ 113,757

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 Form J-200 to the audited financial statements.

Other Independent Auditor's Reports

WILKINSON & HADLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

250 E. DOUGLAS AVE., SUITE 200
EL CAJON, CA 92020
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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
Cajon Valley Union School District
El Cajon, California

Members of the Board of Trustees:

We have audited the general purpose financial statements of Cajon Valley Union School District as of and for the year ended June 30, 2002, and have issued our report thereon dated January 21, 2003. 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.

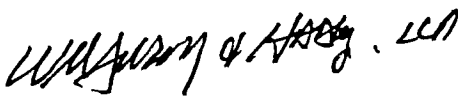
Compliance

As part of obtaining reasonable assurance about whether Cajon Valley Union 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 Cajon Valley Union 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
January 21, 2003

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
Cajon Valley Union School District
El Cajon, California

Members of the Board of Trustees:

Compliance

We have audited the compliance of Cajon Valley Union 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. Cajon Valley Union 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 Cajon Valley Union School District's management. Our responsibility is to express an opinion on Cajon Valley Union 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 Cajon Valley Union 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 Cajon Valley Union School District's compliance with those requirements.

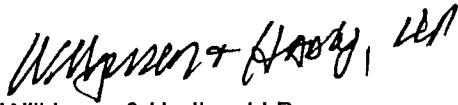
In our opinion, Cajon Valley Union School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Cajon Valley Union 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 Cajon Valley Union 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
January 21, 2003

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Auditor's Report on State Compliance

Board of Trustees
Cajon Valley Union School District
El Cajon, California

Members of the Board of Trustees:

We have audited the general purpose financial statements of the Cajon Valley Union School District ("District") as of and for the year ended June 30, 2002, and have issued our report thereon dated January 21, 2003. 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:

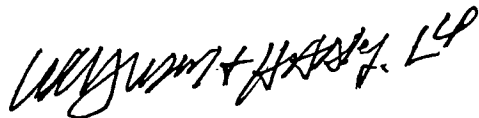
<u>Description</u>	<u>Procedures In Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	4	Yes
Kindergarten continuation	3	Yes
Independent study	13	Yes
Continuation education	11	Not applicable
Adult education	8	Not applicable
Regional occupational center/programs	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	No (see Below)

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	Not applicable
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 community day schools because the community day schools ADA was under the level that requires testing.

Based on our audit, we found that, for the items tested, Cajon Valley Union School District complied with the state laws and regulations referred to above, except as described in the Findings and Recommendations section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Cajon Valley Union 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
January 21, 2003

Findings and Recommendations Section

CAJON VALLEY UNION 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: Unqualified

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>
84.010	Title I
84.173	Preschool
84.027	Special Education
10.555	National School Lunch
10.553	National School Breakfast

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

Auditee qualified as low-risk auditee? X Yes No

CAJON VALLEY UNION 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:	<u>Unqualified</u>	

B. Financial Statement Findings

Finding 2002-1 (30000)
 State Preschool Program

Criteria or Specific Requirement

Determine that the information submitted to the California Department of Education on the final attendance and fiscal report for the year is complete and accurate.

Condition

In our review of the June 30, 2002 fiscal report, we noted due to a clerical error, the amount of interest earned during the year was understated by \$1,509.

Questioned Costs

Understatement of interest income of \$1,509.

Recommendation

We recommend the district file an amended June 30, 2002 fiscal report and properly reflect the amount of interest income for the year.

LEA's Response

The interest income error has been reviewed and an amended State Preschool fiscal report has been filed with the Department of Education.

C. Federal Award Findings and Questioned Costs

NONE

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

D. State Award Findings and Questioned Costs

Finding 2002-2 (10000)
Attendance

Criteria or Specific Requirement

Determine whether the P2 and annual attendance reports submitted to the state reconcile to the supporting documentation maintained by the district.

Condition

In our review of the annual attendance report (Form J-18/19) we noted, due to a clerical error, the ADA reported for extended year special day classes was overstated by 8.89 ADA.

Questioned Costs

Annual attendance overstated by 8.89 ADA.

Recommendation

We recommend the district file an amended annual attendance report (Form J-18/19) to properly reflect the correct ADA.

LEA's Response

This clerical error was made due to incorrect compilation of extended year special day class ADA. The error has been corrected in the district's records and an amended J-18/19 Annual Attendance Report has been submitted to the County Office of Education and the Department of Education.

CAJON VALLEY UNION 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 Schiff-Bustamante Instructional Materials Program</p> <p>District charged \$117,936 of expenditures to the Schiff-Bustamante Instructional Materials Fund; however, the materials were not on the approved list.</p> <p>Transfer \$117,936 of expenditures to the State Instructional Materials Fund Program and increase the carryover balance in the Schiff-Bustamante Instructional Materials Fund.</p>	<p>Implemented</p>	