

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

AUDIT REPORT

JUNE 30, 2003

**WILKINSON & HADLEY, LLP
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El Cajon, CA 92020
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Introductory Section

Cajon Valley Union School District
 Audit Report
 for the Year Ended June 30, 2003

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	8	A-1
Statement of Activities.....	9	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	11	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	13	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	14	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	A-6
Statement of Net Assets - Internal Service Fund.....	17	A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Assets - Internal Service Fund.....	18	A-8
Statement of Cash Flows - Proprietary Funds.....	19	A-9
Statement of Fiduciary Net Assets - Fiduciary Funds.....	20	A-10
Notes to the Financial Statements	21	
 <u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	33	B-1
Cafeteria Fund.....	34	B-2
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Organization.....	35	
Schedule of Average Daily Attendance.....	36	Table D-1
Schedule of Instructional Time.....	37	Table D-2
Schedule of Financial Trends and Analysis.....	38	Table D-3
Schedule of Expenditures of Federal Awards	39	Table D-4
Notes to the Schedule of Expenditures of Federal Awards.....	40	
Reconciliation of Unaudited Actual Financial Report (SACS)		
With Audited Financial Statements.....	41	Table D-5
Report on Compliance and on Internal Control over Financial		
Reporting Based on an Audit of Financial Statements Performed		
in Accordance with <i>Government Auditing Standards</i>	42	
Report on Compliance with Requirements Applicable		
To each Major Program and Internal Control over Compliance		
In Accordance With OMB Circular A-133.....	43	
Auditor's Report on State Compliance.....	45	
Schedule of Findings and Questioned Costs	47	
Summary Schedule of Prior Audit Findings.....	50	

Financial Section

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Independent Auditor's Report on Financial Statements

Board of Trustees
Cajon Valley Union School District
El Cajon, California 92022

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cajon Valley Union School District as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cajon Valley Union School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cajon Valley Union School District as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Cajon Valley Union School District's basic financial statements. 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 supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Wilkinson & Hadley, LLP
December 19, 2003

CAJON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003
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, 2003. 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 2003 are as follows:

- Total net assets are \$123,555,921 an increase of \$9,634,399 from June, 2002.
- Outstanding Capital Lease-Purchase Debt decreased from \$4,339,942 to \$3,413,038 during the 2002/03 fiscal year.
- \$16,500,000 in General Obligation Bonds were sold during the year, increasing the total amount of bonds issued to \$45,000,000. 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 build a middle school in the eastern portion of the district to accommodate growth in that area.
- Mid year budget reductions totaling approximately \$1.7 million were implemented during the year, to mitigate the impact of State funding reductions. In addition, another \$4.5 million in ongoing budget reductions was approved by the Governing Board for implementation in the 2003/04 school year.

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 2002-2003?" 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 2002-03.

Table 1
Statement of Net Assets
June 30, 2003

Assets	
Cash	\$32,889,963
Investments	-
Receivables**	27,450,385
Due from other funds	-
Stores	283,323
Prepaid expenses	-
Other current assets	-
Capital assets:	
Land	3,207,994
Sites and improvements	5,334,274
Buildings and improvements	130,575,480
Equipment	3,473,400
Work in progress	20,482,458
Less accumulated depreciation	<u><41,860,592></u>
Total assets	\$181,836,685
Liabilities	
Accounts payable and other current liabilities	3,662,987
Due to other funds	-
Deferred revenue	4,370,236
Long-term liabilities:	
Due within one year	3,115,118
Due in more than one year	<u>47,132,423</u>
Total liabilities	<u>\$58,280,764</u>
Net Assets	
Invested in capital assets, net of related debt	70,965,473
Restricted	48,877,561
Unrestricted	<u>3,712,887</u>
Total net assets	<u>\$123,555,921</u>

** The large amount of accounts receivable shown in this statement is due to \$16.5 million in G.O. Bond sales in June, for which the cash had not been received as of 6/30/03, and \$3.7 million in June State apportionment funds that were not received until early July.

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
June 30, 2003

General revenue	\$97,783,929
Program revenue & Fees for Services	<u>48,439,003</u>
Total revenue	\$146,222,932

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
June 30, 2003

Classroom Instruction	\$ 86,820,663
Instructional Related Services	14,234,660
Pupil Services	14,659,530
General Administration	7,836,821
Plant Services	10,731,870
Community Services	69,150
Interest on Long Term Debt	1,637,877
Other Outgo	<u>597,962</u>
Total Expenditures	\$136,588,533

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 2002-2003 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 2002-2003 fiscal year, the district had \$163,073,606 in land, buildings, work-in-progress, and capital equipment. Depreciation totaling \$41,860,592 was charged against the value of those assets for net capital assets of \$121,213,014.

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 and recent changes in State leadership present some uncertainties regarding future education funding. As of the date of this audit report, there were questions regarding whether the minimum funding provisions for public education that were enacted in the 1980's through Proposition 98 might be suspended in 2003/04. There should be a clearer picture of next year's education funding when the new Governor releases his budget proposal in mid January, 2004. 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.

Basic Financial Statements

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2003

	Governmental Activities
ASSETS:	
<i>Cash in County Treasury</i>	\$ 31,924,287
<i>Cash on Hand and in Banks</i>	950,676
<i>Cash in Revolving Fund</i>	15,000
<i>Accounts Receivable</i>	27,450,385
<i>Stores Inventories</i>	283,323
<i>Capital Assets:</i>	
<i>Land</i>	3,207,994
<i>Improvement of Sites</i>	5,334,274
<i>Buildings</i>	130,575,480
<i>Equipment</i>	3,473,400
<i>Work in Progress</i>	20,482,458
<i>Less Accumulated Depreciation</i>	<u>(41,860,592)</u>
Total Assets	<u>181,836,685</u>
LIABILITIES:	
<i>Accounts Payable</i>	3,662,987
<i>Deferred Revenues</i>	4,370,236
<i>Noncurrent Liabilities:</i>	
<i>Due Within One Year</i>	3,115,118
<i>Due In More Than One Year</i>	<u>47,132,423</u>
Total Liabilities	<u>58,280,764</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	70,965,473
Restricted For:	
<i>Debt Service</i>	1,125,837
<i>Capital Projects</i>	36,011,139
<i>Educational Programs</i>	6,735,021
<i>Other Purposes (Expendable)</i>	1,025,465
<i>Other Purposes (Nonexpendable)</i>	3,980,099
Unrestricted	3,712,887
Total Net Assets	<u>\$ 123,555,921</u>

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Assets

Governmental
Activities

\$	(54,944,867)
	(9,627,818)
	(3,952,437)
	(6,842,117)
	(10,516,708)
	(69,150)
	(1,637,877)
	(558,556)
	<u>(88,149,530)</u>
	<u>(88,149,530)</u>

	35,495,296
	58,144,373
	732,149
	<u>3,412,111</u>
	<u>97,783,929</u>
	9,634,399
	116,968,452
	(3,046,930)
\$	<u><u>123,555,921</u></u>

Building Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
\$ 8,619,087	\$ 8,440,421	\$ 4,402,929	\$ 29,903,349
-	-	-	650,675
-	-	-	15,000
16,396,751	36,921	13,409	27,318,928
5,961,408	-	1,192,383	9,223,045
-	-	-	283,323
<u>\$ 30,977,246</u>	<u>\$ 8,477,342</u>	<u>\$ 5,608,721</u>	<u>\$ 67,394,320</u>
\$ 770,334	\$ -	\$ 108,535	\$ 2,640,262
165,500	6,983,291	75,389	9,216,606
-	-	106,624	4,370,236
<u>935,834</u>	<u>6,983,291</u>	<u>290,548</u>	<u>16,227,104</u>
-	-	-	15,000
-	-	-	283,323
-	-	-	3,766,474
-	-	-	6,735,021
30,041,412	1,494,051	-	35,049,225
-	-	691,829	691,829
-	-	1,125,837	1,125,837
-	-	3,500,507	3,500,507
<u>30,041,412</u>	<u>1,494,051</u>	<u>5,318,173</u>	<u>51,167,216</u>
<u>\$ 30,977,246</u>	<u>\$ 8,477,342</u>	<u>\$ 5,608,721</u>	<u>\$ 67,394,320</u>

CAJON VALLEY UNION SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2003*

Total fund balances - governmental funds balance sheet	\$ 51,167,216
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds, net of accumulated depreciation	121,213,014.
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturred interest owing at the end of the period was	(632,447)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of	(48,857,143)
Internal service funds: Internal service funds are used to conduct certain activities from which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are	<u>665,281</u>
Net assets of governmental activities - statement of net assets	\$ <u><u>123,555,921</u></u>

The accompanying notes are an integral part of this statement.

Building Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 50,809,576
-	-	-	34,594,979
-	-	-	11,275,741
-	7,244,778	2,855,176	30,439,875
<u>1,426,923</u>	<u>40,181</u>	<u>3,663,992</u>	<u>19,102,760</u>
<u>1,426,923</u>	<u>7,284,959</u>	<u>6,519,168</u>	<u>146,222,931</u>
-	-	940,012	85,174,205
-	-	106,118	13,777,628
-	-	-	14,416,781
-	-	-	69,165
-	-	183,171	7,165,740
12,462,386	5,790,908	1,745,117	29,870,342
-	-	-	522,962
197,740	-	307,740	1,036,904
40,773	-	1,220,118	1,424,436
<u>12,700,899</u>	<u>5,790,908</u>	<u>4,502,276</u>	<u>153,458,163</u>
(11,273,976)	1,494,051	2,016,892	(7,235,232)
163,518	-	569,182	916,920
(569,182)	-	(163,518)	(991,920)
16,500,000	-	-	16,500,000
<u>16,094,336</u>	<u>-</u>	<u>405,664</u>	<u>16,425,000</u>
4,820,360	1,494,051	2,422,556	9,189,768
25,221,052	-	2,895,617	41,977,448
<u>\$ 30,041,412</u>	<u>\$ 1,494,051</u>	<u>\$ 5,318,173</u>	<u>\$ 51,167,216</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, 2003

Net change in fund balances - total governmental funds		\$ 9,189,768
Amounts reported for governmental activities in the statement of activities are different because:		
Capital Outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	19,480,871	
Depreciation expense	<u>(3,365,122)</u>	
Net		16,115,749
Debt service: In governmental funds, repayment of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were		
		1,036,904
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds are reported as increases to liabilities. Amounts recognized in governmental funds are proceeds from debt, net of issue premium or discount, were		
		(16,500,000)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the governmental-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was		
		(213,440)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was		
		<u>5,418</u>
Change in net assets of governmental activities - statement of activities		\$ <u><u>9,634,399</u></u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUND

JUNE 30, 2003

	Nonmajor Internal Service Fund	Self-Insurance Fund
ASSETS:		
Current Assets:		
<i>Cash in County Treasury</i>	\$ 2,020,937	
<i>Cash on Hand and in Banks</i>	300,000	
<i>Accounts Receivable</i>	131,457	
Total Current Assets	<u>2,452,394</u>	
Total Assets	<u>\$ 2,452,394</u>	
LIABILITIES:		
Current Liabilities:		
<i>Accounts Payable</i>	\$ 390,279	
<i>Due to Other Funds</i>	6,438	
Total Current Liabilities	<u>396,717</u>	
Noncurrent Liabilities:		
<i>Other General Long-Term Debt</i>	1,390,398	
Total Noncurrent Liabilities	<u>1,390,398</u>	
Total Liabilities	<u>1,787,115</u>	
NET ASSETS:		
<i>Unrestricted Net Assets</i>	665,279	
Total Net Assets	<u>\$ 665,279</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, 2003

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
<i>Local Revenue</i>	\$ 12,563,662
Total Revenues	<u>12,563,662</u>
Operating Expenses:	
<i>Classified Personnel Salaries</i>	64,896
<i>Employee Benefits</i>	23,630
<i>Books and Supplies</i>	202
<i>Services and Other Operating Expenses</i>	12,835,512
Total Expenses	<u>12,924,240</u>
Income (Loss) before Contributions and Transfers	(360,578)
<i>Interfund Transfers In</i>	75,000
Change in Net Assets	<u>(285,578)</u>
Total Net Assets - Beginning	950,857
Total Net Assets - Ending	<u>\$ 665,279</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, 2003

	Internal Service Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 12,409,765
<i>Cash Payments to Other Suppliers for Goods and Services</i>	<u>(12,870,005)</u>
Net Cash Provided (Used) by Operating Activities	<u>(460,240)</u>
Cash Flows from Non-capital Financing Activities:	
<i>Operating Transfers From (To) Primary Government</i>	<u>75,000</u>
Net Cash Provided (Used) by Non-capital Financing Activities	<u>75,000</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	<u>39,985</u>
Net Cash Provided (Used) for Investing Activities	<u>39,985</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(345,255)
Cash and Cash Equivalents at Beginning of Year	<u>2,666,192</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,320,937</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (285,577)
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(114,913)
<i>Increase (Decrease) in Accounts Payable</i>	56,601
<i>Increase (Decrease) in Due to Other Funds</i>	<u>(1,366)</u>
Total Adjustments	<u>(59,678)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (345,255)</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, 2003

	Agency Fund
	Student Body Fund
ASSETS:	
<i>Cash on Hand and in Banks</i>	\$ 272,952
Total Assets	<u>\$ 272,952</u>
LIABILITIES:	
<i>Due to Student Groups</i>	272,952
Total Liabilities	<u>272,952</u>
NET ASSETS:	
Total Net Assets	<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, 2003

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 (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Cafeteria Fund. This fund is used account separately for federal, state, and local resources to operate the food service program.

Building Fund. This fund accounts the acquisition of major governmental capital facilities and buildings from the sale of bonds proceeds.

County School Facilities Fund. This fund was established to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

In addition, the District reports the following fund types:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds. These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds. These funds are used to account for the acquisition and/or construction of all major governmental capital assets.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

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

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

b. Measurement Focus, Basis of Accounting

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

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

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$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.

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Site Improvements	20
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

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.

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

f. 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.

CAJON VALLEY UNION SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2003

g. Interfund Activity

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

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

i. 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.

j. Use of Estimates

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

C. Excess of Expenditures Over Appropriations

As of June 30, 2003, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
General administration	\$ 1,248,434
Community service	987

D. 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 (\$31,924,287 as of June 30, 2003). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$31,924,287. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$1,223,628 as of June 30, 2003) 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

E. Capital Assets

Capital asset activity for the year ended June 30, 2003, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,207,994	\$ -	\$ -	\$ 3,207,994
Work in progress	3,909,190	16,573,268	-	20,482,458
Total capital assets not being depreciated	<u>7,117,184</u>	<u>16,573,268</u>	<u>-</u>	<u>23,690,452</u>
<i>Capital assets being depreciated:</i>				
Improvements	4,738,190	596,084	-	5,334,274
Buildings	128,573,016	2,002,464	-	130,575,480
Equipment	3,164,345	309,055	-	3,473,400
Total capital assets being depreciated	<u>136,475,551</u>	<u>2,907,603</u>	<u>-</u>	<u>139,383,154</u>
Less accumulated depreciation for:				
Improvements	(3,843,375)	(110,759)	-	(3,954,134)
Buildings	(33,027,921)	(2,821,940)	-	(35,849,861)
Equipment	(1,624,174)	(432,423)	-	(2,056,597)
Total accumulated depreciation	<u>(38,495,470)</u>	<u>(3,365,122)</u>	<u>-</u>	<u>(41,860,592)</u>
Total capital assets being depreciated, net	<u>97,980,081</u>	<u>(457,519)</u>	<u>-</u>	<u>97,522,562</u>
Governmental activities capital assets, net	<u>\$ 105,097,265</u>	<u>\$ 16,115,749</u>	<u>\$ -</u>	<u>\$ 121,213,014</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,679,535
Instruction-Related Services	458,055
Pupil Services	518,419
General Administration	671,815
Plant Services	37,298
	<u>\$ 3,365,122</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2003, consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Child Development Fund	\$ 66,913
General Fund	Cafeteria Fund	1,803,206
General Fund	Capital Facilities Fund	8,477
General Fund	Self Insurance Fund	6,438
Cafeteria Fund	General Fund	184,220
Building Fund	General Fund	5,000
Building Fund	Building Fund	165,500
Building Fund	County School Facilities Fund	5,790,908
State School Building Fund	County School Facilities Fund	1,192,383
	Total	<u>\$ 9,223,045</u>

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2003, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Cafeteria Fund	\$ 184,220
General Fund	Self Insurance Fund	75,000
Building Fund	Deferred Maintenance Fund	569,182
Capital Facilities Fund	Building Fund	11,760
State School Facilities Fund	Building Fund	149,736
Special Reserve Fund	Building Fund	2,022
	Total	<u>\$ 991,920</u>

G. Short-Term Debt Activity

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

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2003, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 28,370,000	\$ 16,500,000	\$ 110,000	\$ 44,760,000	185,000
Capital Leases	4,339,942	-	926,904	3,413,038	855,615
Other Long-term Debt	1,226,546	7,387,639	7,223,787	1,390,398	1,390,398
Compensated Absences *	689,523	-	5,418	684,105	684,105
Total governmental activities	<u>\$ 34,626,011</u>	<u>\$ 23,887,639</u>	<u>\$ 8,266,109</u>	<u>\$ 50,247,541</u>	<u>\$ 3,115,118</u>

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2003, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2004	\$ 3,115,117	\$ 2,028,911	\$ 5,144,028
2005	1,616,263	2,256,514	3,872,777
2006	1,250,142	2,155,781	3,405,923
2007	1,207,656	2,080,629	3,288,285
2008	1,206,210	2,005,992	3,212,202
2009-2013	5,627,153	9,065,675	14,692,828
2014-2018	6,330,000	7,843,806	14,173,806
2019-2023	7,985,000	6,283,290	14,268,290
2024-2028	10,120,000	4,160,697	14,280,697
2029-2033	11,790,000	1,427,174	13,217,174
Totals	\$ 50,247,541	\$ 39,308,469	\$ 89,556,010

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2003, as follows:

<u>Year Ending June 30:</u>	
2004	\$ 1,047,356
2005	1,049,766
2006	542,839
2007	428,912
2008	361,048
2009-2013	547,160
Total Minimum Lease Payments	3,977,081
Less Amount Representing Interest	(564,043)
Present Value of Net Minimum Lease Payments	\$ 3,413,038

I. Joint Ventures (Joint Powers Agreements)

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

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2003 is as follows:

Total Assets	\$	1,362,661
Total Liabilities		1,037,479
Total Fund Balance		325,182
Total Cash Receipts		2,417,377
Total Cash Disbursements		1,779,601
Net Change in Fund Balance		637,776

J. Employee Retirement Systems

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

PERS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2002-03 were 2.894% of payroll for the six months ending December 31, 2002, and 2.771% of payroll for the remaining six months ending June 30, 2003. 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, 2003, 2002 and 2001 were \$558,497, \$0 and \$0, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$18,069.

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, 2003

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 2002-03 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, 2003, 2002 and 2001 were \$5,410,483, \$5,388,150 and \$4,530,738, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$3,304,094.

K. Postemployment Benefits Other Than Pension Benefits

The District provides postretirement health care benefits, as established by board policy, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service.

The District pays health insurance premiums on behalf of qualified pre-Medicare retirees at a rate ranging from 50% to 100% of the cost, depending on length of service and other factors. During the year ended June 30 2003, expenditures of \$1,326,581 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.

L. 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.

M. 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 two self-insurance funds (Internal Service Funds) to account for and finance its uninsured risks of loss and to pay for medical and dental coverage for employees.

All funds of the District participate in the program and make 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 \$1,390,398 is included in the liabilities under accounts payable and is reported in accordance with Financial Accounting Standards Board Statement Number 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, 2003 are indicated below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Year 2002-03	<u>\$1,226,546</u>	<u>\$7,387,639</u>	<u>\$7,223,787</u>	<u>\$1,390,398</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

N. Subsequent Events

On October 2, 2003 the district issued \$10,180,000 of 2003 Certificates of Participation. The Certificates bear interest ranging from 2.5% to 4.0%. Principal payments are to be made annually in May of each year beginning in May, 2004 and mature in 2016. Interest payments are made semi-annually in May and November of each year until the maturity date.

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

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 50,150,504	\$ 50,433,795	\$ 50,809,576	\$ 375,781
Local Sources	34,150,226	34,343,133	34,594,979	251,846
Federal Revenue	7,607,985	10,897,004	8,011,834	(2,885,170)
Other State Revenue	19,752,243	22,851,314	20,024,594	(2,826,720)
Other Local Revenue	11,370,336	12,656,669	12,161,117	(495,552)
Total Revenues	<u>123,031,294</u>	<u>131,181,915</u>	<u>125,602,100</u>	<u>(5,579,815)</u>
Expenditures:				
Instruction	85,958,151	97,343,776	84,234,193	13,109,583
Instruction - Related Services	13,413,984	14,648,429	13,671,510	976,919
Pupil Services	8,778,662	9,904,819	9,005,579	899,240
Community Services	68,178	68,178	69,165	(987)
General Administration	5,708,311	5,637,739	6,886,173	(1,248,434)
Plant Services	10,372,162	11,316,429	9,871,931	1,444,498
Other Outgo	253,242	547,133	522,962	24,171
Debt Service:				
Principal	530,000	532,000	531,424	576
Interest	163,000	165,000	163,545	1,455
Total Expenditures	<u>125,245,690</u>	<u>140,163,503</u>	<u>124,956,482</u>	<u>15,207,021</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,214,396)</u>	<u>(8,981,588)</u>	<u>645,618</u>	<u>9,627,206</u>
Other Financing Sources (Uses):				
Operating Transfers Out	<u>(259,220)</u>	<u>(259,220)</u>	<u>(259,220)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(259,220)</u>	<u>(259,220)</u>	<u>(259,220)</u>	<u>-</u>
Net Change in Fund Balance	(2,473,616)	(9,240,808)	386,398	9,627,206
Fund Balance, July 1	13,747,021	13,747,021	13,747,021	-
Fund Balance, June 30	<u>\$ 11,273,405</u>	<u>\$ 4,506,213</u>	<u>\$ 14,133,419</u>	<u>\$ 9,627,206</u>

CAJON VALLEY UNION SCHOOL DISTRICT

EXHIBIT B-2

CAFETERIA FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Federal Revenue</i>	\$ 3,247,339	\$ 3,276,020	\$ 3,263,907	\$ (12,113)
<i>Other State Revenue</i>	305,170	247,026	315,327	68,301
<i>Other Local Revenue</i>	2,234,799	2,079,926	1,810,547	(269,379)
Total Revenues	<u>5,787,308</u>	<u>5,602,972</u>	<u>5,389,781</u>	<u>(213,191)</u>
Expenditures:				
<i>Pupil Services</i>	5,519,067	5,439,444	5,411,202	28,242
<i>General Administration</i>	125,000	96,396	96,396	-
Total Expenditures	<u>5,644,067</u>	<u>5,535,840</u>	<u>5,507,598</u>	<u>28,242</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>143,241</u>	<u>67,132</u>	<u>(117,817)</u>	<u>(184,949)</u>
Other Financing Sources (Uses):				
<i>Operating Transfers In</i>	-	-	184,220	184,220
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>184,220</u>	<u>184,220</u>
Net Change in Fund Balance	143,241	67,132	66,403	(729)
Fund Balance, July 1	113,758	113,758	113,758	-
Fund Balance, June 30	<u>\$ 256,999</u>	<u>\$ 180,890</u>	<u>\$ 180,161</u>	<u>\$ (729)</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, 2003

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jeff Kover	President	November, 2004
Jane Cruz Alfano	Vice President	November, 2006
Jill D. Barto	Clerk	November, 2006
Marsha Sabin	Member	November, 2006
Laoma Dana Davidson	Member	November, 2004

Administration

Dr. Janice Cook
Superintendent

Robyn Perlin
Assistant Superintendent
Educational Services

G. Wayne Oetken
Assistant Superintendent
Business Services

Dr. Ronald Damschen
Assistant Superintendent
Personnel Services

CAJON VALLEY UNION SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2003

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	1,638.39	1,638.51
Grades 1 through 3	5,553.42	5,553.61
Grades 4 through 6	5,865.02	5,854.16
Grades 7 and 8	3,866.23	3,863.62
Community day schools	39.61	42.68
Opportunity schools	6.78	6.78
Home & Hospital	5.36	5.82
Special education	877.60	888.54
Elementary totals	<u>17,852.41</u>	<u>17,853.72</u>
ADA totals	<u>17,852.41</u>	<u>17,853.72</u>
	<u>Hours of Attendance</u>	
<u>Summer School</u>		
Elementary	328,806	

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

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2003

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2002-03 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	31,680	36,000	36,000	180	-	Complied
Grades 1 through 3	42,380	50,400	50,625	180	-	Complied
Grades 4 through 8	52,560	54,000	54,000	180	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Educational Code Section 46201. This schedule is required of all districts, including basic aid districts.

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

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2003

TABLE D-3

General Fund	(Budget) 2004	2003	2002	2001
Revenues and other financial sources	\$ 118,727,481	\$ 125,602,100	\$ 127,133,410	\$ 125,372,195
Expenditures, other uses and transfers out	120,133,150	125,215,702	127,128,939	122,258,542
Change in fund balance	(1,405,669)	386,398	4,471	3,113,653
Ending fund balance	\$ 12,727,750	\$ 14,133,419	\$ 13,747,021	\$ 13,742,550
Available reserves	\$ 12,499,124	\$ 13,904,793	\$ 13,482,845	\$ 13,496,701
Available reserves as a percentage of total outgo	10.4%	11.1%	10.6%	11.0%
Total long-term debt	\$ 47,132,423	\$ 50,247,541	\$ 34,626,011	\$ 13,835,105
Average daily attendance at P-2	17,948	17,852	18,143	18,249

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 \$3,504,523 during the past three years. The fiscal year 2003-04 budget projects a decrease of \$1,405,669. 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 \$42,482,531 during the past three years.

Average daily attendance (ADA) has decreased by 565 during the past three years.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

TABLE D-4

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF THE INTERIOR</u>			
Direct Program:			
U. S. Wildlife *	15.611	-	\$ 20,816
Total U. S. Department of the Interior			<u>20,816</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Medi-Cal *	93.778	-	105,948
Total U. S. Department of Health and Human Services			<u>105,948</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Program:			
Impact Aid - P.L. 81.874	84.041	-	22,530
Passed Through State Department of Education:			
Title I	84.010	03064	3,608,806
Middle School Coordinator	84.013	03066	106,524
Special Education *	84.027	03379	2,145,075
Emergency Immigrant Education	84.162	03159	16,039
Preschool *	84.173	03430	413,057
Title IV	84.186	03453	142,634
Reading Intervention	84.276	03264	229,614
Title II	84.281	03207	563,267
Title V	84.294	04110	97,753
Federal Class Size Reduction	84.298	10053	138,976
Technology Challenge	84.318	13285	12,313
Tutorial Assistance	84.338	04185	249,543
Title III-LEP	84.365	04203	138,939
Total Passed Through State Department of Education			<u>7,862,540</u>
Total U. S. Department of Education			<u>7,885,070</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	03988	430,836
National School Lunch Program *	10.555	03396	2,833,071
Total Passed Through State Department of Education			<u>3,263,907</u>
Total U. S. Department of Agriculture			<u>3,263,907</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,275,741</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, 2003

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 State, 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 UNAUDITED ACTUAL FINANCIAL
 REPORT (SACS) WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2003*

TABLE D-5

	General Fund	Cafeteria Fund
June 30, 2003, annual financial and budget report (SACS) fund balances	\$ 13,820,831	\$ 155,284
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Accounts receivable understatement	312,588	-
Stores inventory understatement	-	24,877
Net adjustments and reclassifications	312,588	24,877
June 30, 2003, audited financial statement fund balances	\$ 14,133,419	\$ 180,161

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

Other Independent Auditor's Reports

WILKINSON & HADLEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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 92022

Members of the Board of Trustees:

We have audited the basic financial statements of Cajon Valley Union School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 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 basic 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 basic 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 basic 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 controls over financial reporting that we have included in the Schedule of Audit Findings and Questioned Costs.

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



Wilkinson & Hadley, LLP
December 19, 2003

WILKINSON & HADLEY LLP

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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 92022

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, 2003. 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 *Governmnet 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, 2003.

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.

A handwritten signature in black ink, appearing to read "Wilkinson & Hadley, LLP". The signature is written in a cursive, stylized font.

Wilkinson & Hadley, LLP
December 19, 2003

WILKINSON & HADLEY LLP

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Auditor's Report on State Compliance

Board of Trustees
Cajon Valley Union School District
El Cajon, California 92022

Members of the Board of Trustees:

We have audited the basic financial statements of the Cajon Valley Union School District ("District") as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 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 for 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
Incentive for Longer Instructional Day:		
School Districts	4	Yes
County Offices of Education	4	Not Applicable
GANN Limit Calculation	1	Yes
Early Retirement Incentive Program	5	Not Applicable
Community Day Schools	8	No (see below)

Class Size Reduction Program:		
Option One Classes	10	Yes
Option Two Classes	9	Not Applicable
Option One and Two Classes	14	Not Applicable
Program to Reduce Class Size in Two Courses in Grade 9	8	Not Applicable
State Instructional Materials Fund:		
Instructional Materials Funding Alignment Program	9	Yes
Schiff-Bustamante Standards-Based Instructional Materials	9	Yes
Digital High School Education Technology Grant Program	5	Not Applicable
California Public Schools Act of 1998	4	Yes
Office of Criminal Justice Planning	--	Not Applicable
Ratios of Administrative Employees to Teachers	3	Yes

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 had not complied with the state laws and regulations, except as described in the Findings and Recommendations section of this report.

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



Wilkinson & Hadley, LLP
December 19, 2003

Findings and Recommendations Section

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

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
10.553	National School Breakfast
10.555	National School Lunch
84.281	Title II

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, 2003

3. State Awards

Internal control over state programs:

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

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

B. Financial Statement Findings

Finding 2003-1 (30000)
 Cafeteria Stores Inventory

Criteria or Specific Requirement

Determine the value of the inventory reported in the financial statements is materially correct and properly stated in accordance with applicable accounting procedures.

Condition

In our review of the final stores inventory value at year end, we noted the ending balance did not reflect the fair market value of USDA commodities and the final adjustment to the physical count had not been booked. As a result, an audit adjustment was required to properly reflect the inventory value at year end.

Questioned Costs

None

Recommendation

We recommend all journal entries adjusting the inventory value at year end be reviewed to ensure they are properly posted. In addition, the fair market value of USDA commodities on hand at year end should be calculated and the inventory adjusted to reflect this value.

LEA's Response

In our review of year end adjusting entries made to the cafeteria fund, we found that the entry made to reflect the fair market value of commodities had been made to an expenditure account, rather than to an asset account; therefore, the stores inventory account ending balance was not properly stated. That entry will be corrected, as well as the final adjustment to the physical inventory count. All future inventory postings will be reviewed to ensure that year end values are properly stated.

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, 2003

D. State Award Findings and Questioned Costs

Finding 2003-2 (40000)
Staff Development Days

Criteria or Specific Requirement

Determine that contemporaneous records support the number of funded staff development days.

Condition

In reviewing the the tabulation for the reimbursement for staff development days, we noted a clerical error that resulted in the number of staff development days originally reported to be understated by six days.

Questioned Costs

Understatement of six days. An additional \$1,796 due the district.

Recommendation

We recommend the district file an amended Consolidated Application to reflect the proper number of days to be claimed for funding.

LEA's Response

A review of all staff development days for 2002/03 has been conducted and an amended Consolidated Application report reflecting the correct number of days will be filed with the State.

CAJON VALLEY UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 YEAR ENDED JUNE 30, 2003

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2002-1 State Preschool Program	Implemented	The final fiscal report submitted to the California Department of Education did not include interest income earned during the year.
File an amended June 30, 2002 fiscal report and include \$1,509 of interest income earned during the year.		
Finding 2002-2 Attendance	Implemented	A clerical error caused the annual attendance report to be overstated by 8.89 ADA.
File an amended annual attendance report and report the correct ADA.		