

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

AUDIT REPORT

JUNE 30, 2001

**HARLAN & BOETTGER, LLP
5415 Oberlin Drive
San Diego, CA 92121
858-535-2000**

Introductory Section

Cajon Valley Union School District
 Audit Report
 for the Year Ended June 30, 2001

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Financial Section



James C Harlan III
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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 general purpose financial statements of Cajon Valley Union School District, as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, except for the effect on the financial statements of the omission discussed in the previous paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Cajon Valley Union School District as of June 30, 2001 and the results of its operations and 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 October 15, 2001, 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 statements taken as a whole.


October 15, 2001

General Purpose Financial Statements

Capital Projects Funds	Proprietary Fund Types	Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
	Internal Service Fund	Agency Fund	General Long- Term Debt	June 30, 2001
\$ 9,160,986	\$ 2,064,389	\$ -	\$ -	\$ 28,503,603
-	-	237,689	-	1,446,152
-	-	-	-	15,000
-	-	-	-	5,088,860
123,858	21,559	-	-	6,166,748
-	-	-	-	2,630,032
-	-	-	-	275,558
-	-	-	13,835,105	13,835,105
<u>\$ 9,284,844</u>	<u>\$ 2,085,948</u>	<u>\$ 237,689</u>	<u>\$ 13,835,105</u>	<u>\$ 57,961,058</u>
\$ 299,463	\$ 1,159,120	\$ -	\$ -	\$ 8,057,302
11,066	6,926	-	-	2,630,032
-	-	237,689	-	237,689
-	-	-	-	5,000,000
-	-	-	-	3,901,460
-	-	-	7,500,000	7,500,000
-	-	-	5,688,966	5,688,966
-	-	-	646,139	646,139
<u>310,529</u>	<u>1,166,046</u>	<u>237,689</u>	<u>13,835,105</u>	<u>33,661,588</u>
-	919,902	-	-	919,902
-	-	-	-	15,000
-	-	-	-	275,556
-	-	-	-	3,497,720
-	-	-	-	7,463,177
8,974,315	-	-	-	12,128,115
<u>8,974,315</u>	<u>919,902</u>	<u>-</u>	<u>-</u>	<u>24,299,470</u>
<u>\$ 9,284,844</u>	<u>\$ 2,085,948</u>	<u>\$ 237,689</u>	<u>\$ 13,835,105</u>	<u>\$ 57,961,058</u>

Fund Types		Totals (Memorandum Only)
Debt Service Fund	Capital Projects Funds	June 30, 2001
\$ -	\$ -	\$ 50,083,814
-	-	30,459,245
-	-	80,543,059
-	-	10,688,932
-	102,646	26,769,086
11	1,897,409	15,950,942
11	2,000,055	133,952,019
-	-	62,484,158
-	45,940	21,643,496
-	18,578	22,370,259
-	-	7,776,952
-	170,239	11,712,547
-	590,593	2,514,791
-	477,026	2,040,399
-	1,302,376	130,542,602
11	697,679	3,409,417
-	175,000	1,013,555
(3,809)	(248,818)	(1,063,555)
-	7,500,000	7,802,718
-	-	(24,229)
(3,809)	7,426,182	7,728,489
(3,798)	8,123,861	11,137,906
3,798	850,454	12,241,662
\$ -	\$ 8,974,315	\$ 23,379,568

Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
3,070,980	3,082,437	11,457	-	-	-
1,546,564	1,776,271	229,707	-	-	-
1,639,612	1,798,678	159,066	-	11	11
6,257,156	6,657,386	400,230	-	11	11
414,114	393,987	20,127	-	-	-
2,330,019	2,328,282	1,737	-	-	-
681,918	681,027	891	-	-	-
2,454,781	2,426,132	28,649	-	-	-
1,399,654	1,392,990	6,664	-	-	-
407,682	387,994	19,688	-	-	-
-	-	-	-	-	-
7,688,168	7,610,412	77,756	-	-	-
(1,431,012)	(953,026)	477,986	-	11	11
693,181	760,928	67,747	-	-	-
-	302,718	302,718	(3,811)	(3,809)	2
(206,428)	(206,428)	-	-	-	-
486,753	857,218	370,465	(3,811)	(3,809)	2
(944,259)	(95,808)	848,451	(3,811)	(3,798)	13
758,511	758,511	-	3,798	3,798	-
\$ (185,748)	\$ 662,703	\$ 848,451	\$ (13)	\$ -	\$ 13

Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 49,754,698	\$ 50,083,814	\$ 329,116
30,366,403	30,459,245	92,842
80,121,101	80,543,059	421,958
11,806,321	10,688,932	(1,117,389)
27,077,432	26,769,086	(308,346)
13,929,358	15,950,942	2,021,584
132,934,212	133,952,019	1,017,807
63,939,132	62,484,158	1,454,974
22,149,882	21,643,496	506,386
23,138,636	22,370,259	768,377
15,069,187	7,776,952	7,292,235
14,955,618	11,712,547	3,243,071
10,097,229	2,514,791	7,582,438
2,040,400	2,040,399	1
151,390,084	130,542,602	20,847,482
(18,455,872)	3,409,417	21,865,289
868,181	1,013,555	145,374
(1,591,498)	(1,063,555)	527,943
7,500,000	7,802,718	302,718
(69,940)	(24,229)	45,711
6,706,743	7,728,489	1,021,746
(11,749,129)	11,137,906	22,887,035
12,241,662	12,241,662	-
\$ 492,533	\$ 23,379,568	\$ 22,887,035

CAJON VALLEY UNION SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 2001

EXHIBIT A-4

	Proprietary Fund Type	Totals (Memorandum Only)
	Internal Service Fund	June 30, 2001
OPERATING REVENUES:		
<i>Investment income</i>	\$ 62,715	\$ 62,715
<i>Fees and contracts</i>	6,192,996	6,192,996
Total revenues	<u>6,255,711</u>	<u>6,255,711</u>
OPERATING EXPENSES:		
<i>Classified personnel salaries</i>	53,436	53,436
<i>Employee benefits</i>	20,185	20,185
<i>Books and supplies</i>	2,485	2,485
<i>Services and other operating expenditures</i>	5,525,259	5,525,259
Total expenses	<u>5,601,365</u>	<u>5,601,365</u>
Net income (loss) before operating transfers	<u>654,346</u>	<u>654,346</u>
TRANSFERS:		
<i>Interfund transfers in</i>	50,000	50,000
Net income (expense)	<u>704,346</u>	<u>704,346</u>
Retained earnings/fund balances, July 1	215,556	215,556
Retained earnings/fund balances, June 30	<u>\$ 919,902</u>	<u>\$ 919,902</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type <u>Internal Service Fund</u>	Totals (Memorandum Only) <u>June 30 2001</u>
Cash Flows from Operating Activities:		
<i>Cash Received</i>	\$ 6,206,720	\$ 6,206,720
<i>Cash Received for interest</i>	62,715	62,715
<i>Cash payments for Goods and Services</i>	(5,996,620)	(5,996,620)
Net Cash Provided (Used) by Operating Activities	<u>772,815</u>	<u>772,815</u>
Net Increase (Decrease) in Cash and Cash Equivalents	772,815	772,815
Cash and Cash Equivalents at Beginning of Year	1,291,574	1,291,574
Cash and Cash Equivalents at End of Year	<u>\$ 2,064,389</u>	<u>\$ 2,064,389</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 704,346	\$ 704,346
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	13,725	13,725
<i>Increase (Decrease) in Accounts Payable</i>	59,639	59,639
<i>Increase (Decrease) in Due to Other Funds</i>	(4,895)	(4,895)
Total Adjustments	<u>68,469</u>	<u>68,469</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 772,815</u>	<u>\$ 772,815</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, 2001

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, 2001

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 Tax Override Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Fund apportionments. These taxes will continue to be levied until the debt is fully paid.

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. Account Groups:

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

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

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, 2001

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. Fixed Assets

Expenditures for fixed assets in the governmental funds are charged to current operations as incurred. Such assets are not capitalized in a separate account group. Equipment in proprietary funds is reported as cost and is depreciated using the straight line method over its estimated useful life.

d. Deferred Revenue

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

e. Compensated Absences

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

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

f. Long-Term Obligations

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

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 management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those reported.

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 2000-01 are \$2,783,234.

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 (\$28,503,603 as of June 30, 2001). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$28,503,603. 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, 2001

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$1,446,152 as of June 30, 2001) 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.

Cash with Fiscal Agent

The District's cash with fiscal agents are categorized to give an indication of the level of risk assumed by the District at year-end. These custodial risk categories are as follows:

- Category 1 - Investments that are insured, registered or held by the District or by its agent in the District's name.
- Category 2 - Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the District's name.
- Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the District's name.

The District's investment at June 30, 2001 are shown below. Those investments which are evidenced by securities that exist in physical or book entry form are categorized by the custodial risk categories described above.

Investment	Category			Reported Amount	Fair Value
	1	2	3		
Guaranteed Investment Contract	\$ -	\$ 5,088,860	\$ -	\$ 5,088,860	\$ 5,088,860
Total investments	\$ -	\$ 5,088,860	\$ -	\$ 5,088,860	\$ 5,088,860

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, 2001

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	230,848	44,708
	<u>\$ 245,848</u>	<u>\$ 44,708</u>
Designated for:		
Economic Uncertainties	\$ 3,497,720	
Other Designated	7,463,177	
	<u>\$ 10,960,897</u>	

D. Accounts Receivable

Accounts receivable as of June 30, 2001, consist of the following:

	Internal Service Fund	General Fund	Special Revenue Funds	Capital Project Funds	Totals
Federal Government:					
Federal Programs	\$ -	\$ 887,981	\$ 632,747	\$ -	\$ 1,520,728
State Government:					
Categorical Aid Programs	-	282,642	343,538	-	626,180
Other	-	2,703,697	-	-	2,703,697
Deferred Maintenance	-	-	479,594	-	479,594
Total State Government	-	<u>2,986,339</u>	<u>823,132</u>	-	<u>3,809,471</u>
Interest	17,548	304,600	9,964	122,640	454,752
Miscellaneous	4,011	330,037	46,531	1,218	381,797
Totals	<u>\$ 21,559</u>	<u>\$ 4,508,957</u>	<u>\$ 1,512,374</u>	<u>\$ 123,858</u>	<u>\$ 6,166,748</u>

E. Interfund Transactions

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances as of June 30, 2001, are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 2,380,532	\$ 249,500
Tax Override Fund	-	1
Self-Insurance Fund	-	6,926
Capital Facilities	-	9,212
Cafeteria Fund	232,987	2,067,366
Child Development Fund	16,513	295,173
Building Fund	-	1,854
Totals	<u>\$ 2,630,032</u>	<u>\$ 2,630,032</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

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 2000-2001 fiscal year are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Special Reserve	\$ 73,818
General	Tax Override	3,809
Self Insurance	General	50,000
Cafeteria	General	232,987
Deferred Maintenance	General	527,941
Building	Capital Facilities	175,000
Total		<u>\$ 1,063,555</u>

F. Tax and Revenue Anticipation Note

On July 5, 2000 the district issued Tax Revenue Anticipation Notes in the amount of \$5,000,000. The notes include interest at a rate of 4.75 % which were sold to supplement the district's cash flow and mature on August 3, 2001.

At June 30, 2001 the principal amount due was \$5,000,000.

G. Risk Management

The District is exposed to various risks of loss related to torts; theftof, 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 \$1,080,783 is included in the liabilities under accounts payable 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, 2001 are indicated below:

	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
Year 2000-01	<u>\$1,006,481</u>	<u>\$5,599,561</u>	<u>\$5,525,259</u>	<u>\$1,080,783</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

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	Lease Payments
2002	\$ 1,962,929
2003	1,103,062
2004	978,064
2005	979,925
2006	467,795
Thereafter	1,279,025
Total Minimum Lease Payments	\$ 6,770,800
Less Amount Representing Interest	(1,081,834)
Present Value of Net Minimum Lease Payments	\$ <u>5,688,966</u>

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

I. General Obligation Bonds Payable

The outstanding general obligation bonded debt of the District as of June 30, 2001, is:

Date of Issuance	Interest Rate Payable	Maturity Date	Amounts Original Issue	Amounts Outstanding July 1 2000	Issued Current Year	Amounts Outstanding June 30 2001
2001	3.0-4.9 %	2031	\$ 7,500,000	\$ -	\$ 7,500,000	\$ 7,500,000
Totals			\$ <u>7,500,000</u>	\$ <u>-</u>	\$ <u>7,500,000</u>	\$ <u>7,500,000</u>

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2001, are as follows:

Year Ending June 30	Principal	Interest	Total
2002	\$ 130,000	\$ 345,236	\$ 475,236
2003	110,000	365,896	475,896
2004	115,000	357,784	472,784
2005	130,000	349,303	479,303
2006	140,000	339,715	479,715
Thereafter	6,875,000	5,190,555	12,065,555
Totals	\$ <u>7,500,000</u>	\$ <u>6,948,489</u>	\$ <u>14,448,489</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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

J. Changes in General Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below.

	Balance July 1 2000	Additions	Deductions	Balance June 30 2001
Compensated Absences	\$ 439,825	\$ 206,314	\$ -	\$ 646,139
Capital Leases	7,325,185	-	1,636,219	5,688,966
General Obligation Bonds	-	7,500,000	-	7,500,000
Totals	\$ 7,765,010	\$ 7,706,314	\$ 1,636,219	\$ 13,835,105

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.

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2001 is as follows:

Total Assets	\$364,469
Total Liabilities	477,204
Total Fund Balance	(112,735)
Total Cash Receipts	1,726,410
Total Cash Disbursements	1,669,810
Net Change in Fund Balance	56,600

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

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 2000-01 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, 2001, 2000 and 1999 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.

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 2000-01 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, 2001, 2000 and 1999 were \$4,530,738, \$4,413,102 and \$4,246,106, 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 2001, expenditures of \$1,089,835 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

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.

O. Subsequent Events

The district issued \$5,000,000 of Tax Revenue Anticipation Notes (TRANS) dated July 3, 2001. These TRANS include an interest rate of 4.5% and were sold to supplement the district's cashflow. The notes mature June 28, 2002.

General Fund

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

CAJON VALLEY UNION SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Revenue limit sources:			
State apportionments	\$ 49,754,698	\$ 50,083,814	\$ 329,116
Local sources	30,366,403	30,459,245	92,842
Total revenue limit	80,121,101	80,543,059	421,958
Federal	8,735,341	7,606,495	(1,128,846)
Other state	25,428,222	24,890,169	(538,053)
Other local	11,162,601	12,254,844	1,092,243
Total revenues	125,447,265	125,294,567	(152,698)
Expenditures:			
Current:			
Certificated salaries	63,525,018	62,090,171	1,434,847
Classified salaries	19,761,621	19,269,274	492,347
Employee benefits	22,434,068	21,670,654	763,414
Books and supplies	12,614,406	5,350,820	7,263,586
Services and other operating expenditures	12,114,706	10,149,318	1,965,388
Capital outlay	2,915,919	1,536,204	1,379,715
Debt service:			
Principal	1,563,374	1,563,373	1
Total expenditures	134,929,112	121,629,814	13,299,298
Excess (deficiency) of revenues over (under) expenditures	(9,481,847)	3,664,753	13,146,600
Other financing sources (uses):			
Operating transfers in	-	77,627	77,627
Operating transfers out	(1,338,869)	(810,928)	527,941
Other uses	136,488	182,199	45,711
Total other financing sources (uses)	(1,202,381)	(551,102)	651,279
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	(10,684,228)	3,113,651	13,797,879
Fund balances/equity, July 1	10,628,899	10,628,899	-
Fund balances/equity, June 30	\$ (55,329)	\$ 13,742,550	\$ 13,797,879

Special Revenue Funds

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

CAJON VALLEY UNION SCHOOL DISTRICT

EXHIBIT B-2

COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 JUNE 30, 2001

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Totals June 30, 2001
ASSETS:				
Cash in county treasury	\$ 30,045	\$ 30,697	\$ 91,510	\$ 152,252
Cash on hand and in banks	-	1,208,463	-	1,208,463
Accounts receivable	290,501	741,039	480,834	1,512,374
Due from other funds	16,513	232,987	-	249,500
Stores Inventories	-	44,710	-	44,710
Total assets	\$ 337,059	\$ 2,257,896	\$ 572,344	\$ 3,167,299
LIABILITIES AND FUND EQUITY:				
Liabilities:				
Accounts payable	\$ 41,105	\$ 100,952	\$ -	\$ 142,057
Due to other funds	295,173	2,067,366	-	2,362,539
Total liabilities	336,278	2,168,318	-	2,504,596
Fund Equity:				
Reserved Fund Balances:				
Reserved for stores inventories	-	44,708	-	44,708
Unreserved, undesignated fund balance	781	44,870	572,344	617,995
Total fund equity	781	89,578	572,344	662,703
Total liabilities and fund equity	\$ 337,059	\$ 2,257,896	\$ 572,344	\$ 3,167,299

CAJON VALLEY UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2001

EXHIBIT B-3

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Totals June 30, 2001
Revenue:				
<i>Federal</i>	\$ -	\$ 3,082,437	\$ -	\$ 3,082,437
<i>Other state</i>	993,247	289,477	493,547	1,776,271
<i>Other local</i>	9,155	1,783,491	6,032	1,798,678
Total revenues	<u>1,002,402</u>	<u>5,155,405</u>	<u>499,579</u>	<u>6,657,386</u>
Expenditures:				
Current:				
<i>Certificated salaries</i>	393,987	-	-	393,987
<i>Classified salaries</i>	257,046	2,071,236	-	2,328,282
<i>Employee benefits</i>	179,966	501,061	-	681,027
<i>Books and supplies</i>	35,629	2,390,503	-	2,426,132
<i>Services and other operating expenditures</i>	64,908	220,859	1,107,223	1,392,990
<i>Capital outlay</i>	341,768	46,226	-	387,994
Total expenditures	<u>1,273,304</u>	<u>5,229,885</u>	<u>1,107,223</u>	<u>7,610,412</u>
Excess (deficiency) of revenues over (under) expenditures	(270,902)	(74,480)	(607,644)	(953,026)
Other financing sources (uses):				
<i>Operating transfers in</i>	-	232,987	527,941	760,928
<i>Other sources</i>	302,718	-	-	302,718
<i>Other uses</i>	(31,035)	(175,393)	-	(206,428)
Total other financing sources (uses)	<u>271,683</u>	<u>57,594</u>	<u>527,941</u>	<u>857,218</u>
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	781	(16,886)	(79,703)	(95,808)
Fund balances/equity, July 1	-	106,464	652,047	758,511
Fund balances/equity, June 30	<u>\$ 781</u>	<u>\$ 89,578</u>	<u>\$ 572,344</u>	<u>\$ 662,703</u>

Cafeteria Fund			Deferred Maintenance Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 3,070,980	\$ 3,082,437	\$ 11,457	\$ -	\$ -	\$ -
281,944	289,477	7,533	493,547	493,547	-
1,628,580	1,783,491	154,911	6,032	6,032	-
<u>4,981,504</u>	<u>5,155,405</u>	<u>173,901</u>	<u>499,579</u>	<u>499,579</u>	<u>-</u>
-	-	-	-	-	-
2,072,451	2,071,236	1,215	-	-	-
501,064	501,061	3	-	-	-
2,390,504	2,390,503	1	-	-	-
220,862	220,859	3	1,107,223	1,107,223	-
46,227	46,226	1	-	-	-
<u>5,231,108</u>	<u>5,229,885</u>	<u>1,223</u>	<u>1,107,223</u>	<u>1,107,223</u>	<u>-</u>
(249,604)	(74,480)	175,124	(607,644)	(607,644)	-
165,240	232,987	67,747	527,941	527,941	-
-	-	-	-	-	-
(175,393)	(175,393)	-	-	-	-
<u>(10,153)</u>	<u>57,594</u>	<u>67,747</u>	<u>527,941</u>	<u>527,941</u>	<u>-</u>
(259,757)	(16,886)	242,871	(79,703)	(79,703)	-
106,464	106,464	-	652,047	652,047	-
<u>\$ (153,293)</u>	<u>\$ 89,578</u>	<u>\$ 242,871</u>	<u>\$ 572,344</u>	<u>\$ 572,344</u>	<u>\$ -</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

ALL SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2001

	Totals		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue:			
<i>Federal</i>	\$ 3,070,980	\$ 3,082,437	\$ 11,457
<i>Other state</i>	1,546,564	1,776,271	229,707
<i>Other local</i>	1,639,612	1,798,678	159,066
Total revenues	<u>6,257,156</u>	<u>6,657,386</u>	<u>400,230</u>
Expenditures:			
Current:			
<i>Certificated salaries</i>	414,114	393,987	20,127
<i>Classified salaries</i>	2,330,019	2,328,282	1,737
<i>Employee benefits</i>	681,918	681,027	891
<i>Books and supplies</i>	2,454,781	2,426,132	28,649
<i>Services and other operating expenditures</i>	1,399,654	1,392,990	6,664
<i>Capital outlay</i>	407,682	387,994	19,688
Total expenditures	<u>7,688,168</u>	<u>7,610,412</u>	<u>77,756</u>
Excess (deficiency) of revenues over (under) expenditures	(1,431,012)	(953,026)	477,986
Other financing sources (uses):			
<i>Operating transfers in</i>	693,181	760,928	67,747
<i>Other sources</i>	-	302,718	302,718
<i>Other uses</i>	(206,428)	(206,428)	-
Total other financing sources (uses)	<u>486,753</u>	<u>857,218</u>	<u>370,465</u>
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	(944,259)	(95,808)	848,451
Fund balances/equity, July 1	758,511	758,511	-
Fund balances/equity, June 30	<u>\$ (185,748)</u>	<u>\$ 662,703</u>	<u>\$ 848,451</u>

Capital Projects Funds

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

State School Bldg. Lease	Capital Outlay Projects	Totals June 30, 2001
\$ 403,962	\$ 1,673	\$ 9,160,986
5,649	263	123,858
<u>\$ 409,611</u>	<u>\$ 1,936</u>	<u>\$ 9,284,844</u>
\$ 276,283	\$ -	\$ 299,463
-	-	11,066
<u>276,283</u>	<u>-</u>	<u>310,529</u>
133,328	1,936	8,974,315
<u>133,328</u>	<u>1,936</u>	<u>8,974,315</u>
<u>\$ 409,611</u>	<u>\$ 1,936</u>	<u>\$ 9,284,844</u>

State School Bldg. Lease	Capital Outlay Projects	Totals June 30, 2001
\$ 102,646	\$ -	\$ 102,646
11,080	3,834	1,897,409
<u>113,726</u>	<u>3,834</u>	<u>2,000,055</u>
-	-	45,940
-	-	18,578
-	-	170,239
-	-	590,593
-	-	477,026
<u>-</u>	<u>-</u>	<u>1,302,376</u>
113,726	3,834	697,679
-	-	175,000
-	(73,818)	(248,818)
-	-	7,500,000
<u>-</u>	<u>(73,818)</u>	<u>7,426,182</u>
113,726	(69,984)	8,123,861
19,602	71,920	850,454
<u>\$ 133,328</u>	<u>\$ 1,936</u>	<u>\$ 8,974,315</u>

Capital Facilities Fund			State School Building Lease-Purchase Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 102,646	\$ 102,646	\$ -
816,000	1,467,121	651,121	11,080	11,080	-
<u>816,000</u>	<u>1,467,121</u>	<u>651,121</u>	<u>113,726</u>	<u>113,726</u>	<u>-</u>
58,242	45,940	12,302	-	-	-
22,650	18,578	4,072	-	-	-
71,300	71,282	18	-	-	-
617,700	517,535	100,165	-	-	-
-	-	-	-	-	-
<u>769,892</u>	<u>653,335</u>	<u>116,557</u>	<u>-</u>	<u>-</u>	<u>-</u>
46,108	813,786	767,678	113,726	113,726	-
-	-	-	-	-	-
(175,000)	(175,000)	-	-	-	-
-	-	-	-	-	-
<u>(175,000)</u>	<u>(175,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(128,892)	638,786	767,678	113,726	113,726	-
655,223	655,223	-	19,602	19,602	-
<u>\$ 526,331</u>	<u>\$ 1,294,009</u>	<u>\$ 767,678</u>	<u>\$ 133,328</u>	<u>\$ 133,328</u>	<u>\$ -</u>

Totals		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 102,646	\$ 102,646	\$ -
1,127,145	1,897,409	770,264
<u>1,229,791</u>	<u>2,000,055</u>	<u>770,264</u>
58,242	45,940	12,302
22,650	18,578	4,072
1,441,258	170,239	1,271,019
6,773,628	590,593	6,183,035
477,026	477,026	-
<u>8,772,804</u>	<u>1,302,376</u>	<u>7,470,428</u>
(7,543,013)	697,679	8,240,692
175,000	175,000	-
(248,818)	(248,818)	-
7,500,000	7,500,000	-
<u>7,426,182</u>	<u>7,426,182</u>	<u>-</u>
(116,831)	8,123,861	8,240,692
850,454	850,454	-
<u>\$ 733,623</u>	<u>\$ 8,974,315</u>	<u>\$ 8,240,692</u>

Trust and Agency Funds

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

CAJON VALLEY UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2001

EXHIBIT B-8

	Balance July 1, 2000	Additions	Deductions	Balance June 30, 2001
<u>ELEMENTARY STUDENT ACTIVITIES</u>				
ASSETS				
<i>Cash and investments</i>	\$ 68,774	\$ 62,016	\$ 65,757	\$ 65,033
Total Assets	\$ 68,774	\$ 62,016	\$ 65,757	\$ 65,033
LIABILITIES				
<i>Due to student groups</i>	\$ 68,774	\$ 62,016	\$ 65,757	\$ 65,033
Total Liabilities	\$ 68,774	\$ 62,016	\$ 65,757	\$ 65,033
<u>MIDDLE SCHOOL STUDENT ACTIVITIES</u>				
ASSETS				
<i>Cash and investments</i>	\$ 69,562	\$ 462,840	\$ 453,340	\$ 79,062
Total Assets	\$ 69,562	\$ 462,840	\$ 453,340	\$ 79,062
LIABILITIES				
<i>Due to student groups</i>	\$ 69,562	\$ 462,840	\$ 453,340	\$ 79,062
Total Liabilities	\$ 69,562	\$ 462,840	\$ 453,340	\$ 79,062
<u>VOCATIONAL EDUCATION STUDENT ACTIVITIES</u>				
ASSETS				
<i>Cash and investments</i>	\$ 68,436	\$ 208,074	\$ 182,916	\$ 93,594
Total Assets	\$ 68,436	\$ 208,074	\$ 182,916	\$ 93,594
LIABILITIES				
<i>Due to student groups</i>	\$ 68,436	\$ 208,074	\$ 182,916	\$ 93,594
Total Liabilities	\$ 68,436	\$ 208,074	\$ 182,916	\$ 93,594
<u>TOTAL AGENCY FUNDS:</u>				
ASSETS				
<i>Cash and investments</i>	\$ 206,772	\$ 732,930	\$ 702,013	\$ 237,689
Total Assets	\$ 206,772	\$ 732,930	\$ 702,013	\$ 237,689
LIABILITIES				
<i>Due to student groups</i>	\$ 206,772	\$ 732,930	\$ 702,013	\$ 237,689
Total Liabilities	\$ 206,772	\$ 732,930	\$ 702,013	\$ 237,689

The accompanying notes are an integral part of this statement.

Supplementary Information Section

CAJON VALLEY UNION SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2001

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. District is currently operating 21 elementary schools, 5 middle schools (grades 6,7&8). In addition, the District operates the Sevvick School for special education students.

Governing Board

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

Administration

Dr. Marge Dean
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, 2001

TABLE 1

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	1,816.50	1,817.79
Grades 1 through 3	5,898.36	5,896.13
Grades 4 through 6	6,060.86	6,052.76
Grades 7 and 8	3,656.00	3,646.88
Community Day Schools	21.35	22.54
Opportunity Schools	14.94	16.02
Home and Hospital	7.83	8.57
Special education	772.69	800.85
Elementary totals	<u>18,248.53</u>	<u>18,261.54</u>
ADA totals	<u>18,248.53</u>	<u>18,261.54</u>
	<u>Hours of Attendance</u>	
<u>Summer School</u>		
Elementary	284,398	

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, 2001

TABLE 2

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2000-01 Actual Minutes</u>	<u>Status</u>
Kindergarten	31,680	36,000	36,000	Complied
Grades 1 through 3	42,380	50,400	50,700	Complied
Grades 4 through 8	52,560	54,000	59,070	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 46201 through 46206.

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2001

TABLE 3

General Fund	(Budget) 2002	2001	2000	1999
Revenues and other financial sources	\$ 122,835,066	\$ 125,372,194	\$ 112,705,201	\$ 107,271,561
Expenditures and other uses and transfers out	118,377,320	122,258,542	112,859,211	105,891,707
Change in fund balance (deficit)	4,457,746	3,113,652	(154,010)	1,379,854
Ending fund balance	\$ 18,200,295	\$ 13,742,549	\$ 10,628,897	\$ 10,782,909
Available reserves	\$ 17,954,447	\$ 13,496,701	\$ 10,367,776	\$ 10,513,436
Available reserves as a percentage of total outgo	15.1%	11.0%	9.2%	9.9%
Total long-term debt	\$ 12,250,000	\$ 13,835,105	\$ 7,765,010	\$ 9,463,490
Average daily attendance at P-2	18,249	18,249	18,417	18,429

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 \$4,339,496 over the past three years. The fiscal year 2001-02 budget projects an increase of \$4,457,746. 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 \$2,836,679 over the past three years.

Average daily attendance (ADA) is not anticipated to change during 2001-02.

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2001

TABLE 4

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct Program:			
Middle School Drug Prevention	N/A		\$ 194,121
Total U.S. Department of Education			<u>194,121</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Medi-Cal *	93.778		197,969
Total U. S. Department of Health and Human Services			<u>197,969</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Programs:			
Impact Aid - P.L. 81.874	84.041		22,963
21 st Century	84.287		174,059
Total Direct Programs			<u>197,022</u>
Passed Through California Department of Education:			
IASA Title I	84.010	03064	3,977,248
Special Education *	84.027	03379	1,491,957
Emergency Immigrant Education	84.162	03159	117,300
Preschool *	84.173	03430	395,152
Title IV	84.186	03453	91,491
Reading Intervention	84.276	03264	(6,120)
Title II	84.281	03207	58,580
IASA Title VI	84.298	03340	644,986
Comprehensive School Reform	84.332	03966	246,789
Total Passed Through California Department of Education			<u>7,017,383</u>
Total U. S. Department of Education			<u>7,214,405</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	03988	415,509
National School Lunch Program *	10.555	03396	2,666,929
Total Passed Through State Department of Education			<u>3,082,438</u>
Total U. S. Department of Agriculture			<u>3,082,438</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 10,688,933</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
FOR THE YEAR ENDED JUNE 30, 2001

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, 2001

TABLE 5

	<u>General Long-Term Debt Account Group</u>
June 30, 2001, annual financial and budget report (Form J-200) total liabilities	\$ <u>7,011,708</u>
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Other Long-Term Debt overstated	(1,080,783)
General Obligation Bonds understated	7,500,000
Capital Leases understated	<u>404,180</u>
Net adjustments and reclassifications	<u>6,823,397</u>
June 30, 2001, audited financial statement, general long-term debt total liabilities	\$ <u><u>13,835,105</u></u>

All other fund balances as reported on Form J-200 are in agreement with the amounts reported in the accompanying audited financial statements.

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



James C. Harlan III
William C. Boettger
P. Robert Wilkinson
Marshall J. Varano

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

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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, 2001, and have issued our report thereon dated October 15, 2001. That report was qualified because of the omission of the general fixed assets account group from the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

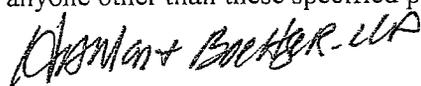
Compliance

As part of obtaining reasonable assurance about whether 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 consider 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.


October 15, 2001



James C. Harlan III
William C. Boettger
P. Robert Wilkinson
Marshall J. Varano

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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, 2001. 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 the Cajon Valley Union School District's management. Our responsibility is to express an opinion on Cajon Valley Union 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 State, 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, 2001.

Internal Control Over Compliance

The management of the 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.

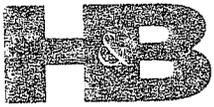


Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively 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 consider 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.

Harlan & Boettger, LLP

October 15, 2001



James C. Harlan III
 William C. Boettger
 P. Robert Wilkinson
 Marshall J. Varano

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

AUDITOR'S REPORT ON STATE COMPLIANCE

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, 2001 and have issued our report thereon dated October 15, 2001. That report was qualified because of the omission of the general fixed assets account group from the financial statements. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

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

<u>Description</u>	<u>Procedures In Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	3	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes
Independent study	13	Yes
Continuation education	12	Not applicable
Adult education	8	Not applicable
Regional occupational center/programs	5	Not applicable
County Office of Education programs	9	Not applicable
Incentive for longer instructional day:		
School districts	3	Yes
County offices of education	3	Not applicable



<u>Description</u>	<u>Procedures In Controller's Audit Guide</u>	<u>Procedures Performed</u>
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
State instructional materials fund (K-8)	8	Yes
Schiff-Bustamante standards-based instructional materials	4	Yes
Digital high school education technology grant program	5	Not applicable
California Public Schools Act of 1998	4	Yes
Computer usage	2	Yes
Office of Criminal Justice Planning	--	Not applicable

We did not perform testing for community day schools because the 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.

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.

October 15, 2001

Findings and Recommendations Section

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes 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 No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.298	Title II
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? Yes No

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

3. State Awards

Internal control over state 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
state programs:

Unqualified

B. Financial Statement Findings

NONE

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, 2001

D. State Award Findings and Questioned Costs

Finding 2001-1 (40000)
Schiff-Bustamante Standards-Based Instructional Materials

Criteria or Specific Requirement

All expenditures for instructional materials out of these funds must be for instructional material that have been adopted by the State Board of Education and on the approved list.

Condition

We noted, in our testing of expenditures for this program, \$117,936 was expended for instructional materials that were not included on the IMF 7155 approved listing. As a result, these items should not have been charged to the Schiff Bustamante Standards-Based Instructional Materials fund, but should have been charged to the State Instructional Materials Fund.

Questioned Costs

Expenditures of \$117,936.

Recommendation

We recommend the district transfers the unallowable costs of \$118,936 from the Schiff Bustamante Standards-Based Instructional Materials Fund to the State Instructional Materials Fund and increase the restricted carryover balance in the Schiff Bustamante account by \$117,936.

LEA's Response

The items in question, totalling \$117,936, were eligible for funding under the State Instructional Materials Fund guidelines, but not for funding from the Schiff Bustamante Standards-Based Materials Fund. An expenditure adjustment for \$117,936 has been made in the current year (2001-02), to charge the State Instructional Materials Fund for these items, and to increase the restricted carryover in the Schiff Bustamante Standards-Based Materials Fund. Careful review will be made in the future to ensure that all materials purchased with these funds meet program guidelines.

CAJON VALLEY UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 YEAR ENDED JUNE 30, 2001

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Finding 2000-1 Student Body Funds	Implemented	
Invoices after payment were not being properly defaced and bank reconciliations were not be completed in a timely manner at the middle schools.		
Implement procedures to require all paid invoices to be properly defaced and have all bank reconciliation performed each month as of month end,		