

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

AUDIT REPORT

JUNE 30, 2017

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California**

Introductory Section

Cajon Valley Union School District
 Audit Report
 For The Year Ended June 30, 2017

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cajon Valley Union School District ("the District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cajon Valley Union School District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cajon Valley Union School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of Cajon Valley Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cajon Valley Union School District's internal control over financial reporting and compliance.

Wilkinson-Hadley King + Co LLP

El Cajon, California
December 15, 2017

CAJON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017
(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, 2017. 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 Position 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 and changes for 2016-2017 are as follows:

- The State Local Control Funding Formula is anticipated to generate additional funding for the next few years. In 2013-14, Cajon Valley received 72% of target funding, 79% of target funding in 2014-15, and 89% of target funding in 2015-16. We received 95.23% in 2016-17 and expect to receive 96.24% of LCFF target funding in 2017-18. As we approach full target funding projected in 2020-21, we anticipate a cost-of-living (COLA) funding increase in subsequent years.
- STRS and PERS school employer pension rates are increasing each year until target rates are reached in 2020-21. The STRS employer pension contribution rate was 8.25% in 2013-14, 8.88% in 2014-15, 10.73% in 2015-16, 12.58% in 2016-17 and will be 14.43% in 2017-18. The PERS school employer pension contribution rates were 11.442% in 2013-14, 11.771% in 2014-15, 11.847% in 2015-16, 13.888% in 2016-17, and will be 15.531% in 2017-18.
- State funding for Cajon Valley in 2013-14 was slightly over 5% higher than the amount received in 2012-13. Funding for 2014-15 increased by 13% and funding for 2015-16 increased by 17% and funding for 2016-17 increased by 8.4% and funding for 2017-18 is expected to increase another 4.2%. A portion of these additional funds must be spent for activities that support goals to improve student learning, as outlined in the Local Control & Accountability Plan (LCAP).
- GASB Statement No. 68 requires new disclosures of future pension costs. Cajon Valley implemented the requirements of this GASB Statement in the 2014-15 year. As a result, a large net pension liability of approximately \$157 million is now included in the District's financial report. This has significantly changed the District's statement of net position. Notes and details regarding this change are included in the auditor's notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual audit report consists of several parts: Management's discussion and analysis (this section), the basic financial statements, required supplementary information, combining financial statements, and other 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. The combining financial statements compare balance sheets and revenue and expenditure information across groups of special purpose funds.

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

Statement of Net Position 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 2016-2017?" The Statement of Net Position 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 records all of the current year's earned revenues and expenses regardless of when cash is received or disbursed.

These two statements report the district's net position and changes in net position. This change in net position 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 Position 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 grounds and facilities. The district does not operate any business-type activities, so none are presented here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT INDIVIDUAL FUNDS

Fund Financial Statements

Major Funds: An analysis of the district's 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CAJON VALLEY UNION SCHOOL DISTRICT AS A COMPLETE FINANCIAL ENTITY

The Statement of Net Position provides a perspective of the District as a whole. Table I provides a summary of the district's net position as of June 30, 2017, compared with net position as of the end of the previous two fiscal years.

Table 1
Statement of Net Position

	6/30/17	6/30/16	% Change 6/17 - 6/16	6/30/15	% Change 6/16 - 6/15
Assets					
Cash	112,951,300	88,574,072	27.52%	76,979,127	15.06%
Investments	-	-	-	-	-
Receivables	9,018,352	9,413,557	-4.20%	9,772,047	-3.67%
Due from Other funds	-	-	-	-	-
Stores	456,327	539,982	-15.49%	566,715	-4.72%
Prepaid expenses	26,146	6,181	323.01%	61,788	-90.00%
Other Current Assets	-	-	-	-	-
Capital Assets:					
Land	13,517,805	13,517,805	0.00%	13,517,805	0.00%
Site Improvements	13,158,938	11,433,833	15.09%	9,604,713	19.04%
Buildings and improvements	300,638,208	298,412,522	0.75%	296,032,761	0.80%
Equipment	41,516,930	13,098,199	216.97%	11,145,292	17.52%
Work in Progress	70,443,083	85,138,753	-17.26%	62,872,545	35.41%
Less accumulated depreciation	(132,300,633)	(121,431,659)	8.95%	(113,610,490)	6.88%
Total Assets	429,426,456	398,703,245	7.71%	366,942,302	8.66%
Deferred Outflows of Resources	31,056,508	21,553,078	44.09%	9,544,536	125.82%
Liabilities					
Accounts payable and other current liabilities	10,915,890	10,285,137	6.13%	8,997,877	14.31%
Due to other funds	-	-	-	-	-
Unearned Revenue	1,695,315	2,061,595	-17.77%	2,855,697	-27.81%
Long term liabilities:					
Due within one year	11,022,342	8,977,793	22.77%	10,542,083	-14.84%
Due in more than one year	385,892,739	336,331,094	14.74%	297,040,997	13.23%
Total Liabilities	409,526,286	357,655,619	14.50%	319,436,654	11.96%
Deferred Inflows of Resources	7,520,954	8,527,261	-11.80%	28,976,174	-70.57%
Net Position					
Invested in capital assets, net of related debt	90,218,981	102,708,967	-12.16%	102,616,696	0.09%
Restricted	61,351,120	54,268,037	13.05%	52,343,962	3.68%
Unrestricted	(108,134,377)	(102,903,561)	5.08%	(126,886,648)	-18.90%
Total Net Assets	43,435,724	54,073,443	-19.67%	28,074,010	92.61%

REVENUE AND EXPENDITURES FOR GOVERNMENTAL ACTIVITIES

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.

The primary sources of general revenue are the state Local Control Funding Formula (LCFF) sources 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 2 shows revenue for the 2016-17 year, compared with revenue for the previous three years.

Table 2
Revenue – Governmental Activities

	2016-17	2015-16	2014-15	2013-14
General Revenue	168,609,918	161,677,448	136,188,315	119,639,039
Program Revenue & Fees for Services	60,814,247	40,286,601	35,390,668	37,266,479
Total Revenue	229,424,165	201,964,049	171,578,983	156,905,518

The primary activities that are required to operate our district schools can be summarized into the ten categories, or functions, listed below. Table 3 shows the expenditures for each function for the 2016-17 year, compared with expenditures for the previous three years.

Table 3
Expenditures – Governmental Activities

	2016-17	2015-16	2014-15	2013-14
Classroom Instruction	136,320,164	119,872,798	105,873,877	100,463,697
Instructional Related Services	22,623,534	18,419,271	15,569,867	13,967,461
Pupil Services	26,063,085	24,256,358	20,359,859	18,905,004
General Administration	12,518,334	9,923,116	8,859,677	6,994,561
Plant Services	15,081,418	14,139,963	13,486,918	13,972,615
Ancillary Services	0	0	0	0
Community Services	269,976	188,335	185,610	147,234
Enterprise Activities	18,624,249	68	48	-60
Interest on Long Term Debt	7,845,219	8,355,322	7,175,057	7,692,570
Other Outgo	715,905	602,831	483,612	189,826
Total Expenditures	240,061,884	195,758,062	171,994,525	162,332,908

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 2016-17 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. Budget revisions are presented to the Governing Board for review and approved at regularly scheduled Board meetings. A budgetary comparison schedule, showing the original and final budgets compared with actual income and expenditures, is shown in the "Required Supplementary Information" section of this audit report.

CAPITAL ASSETS

At the end of the 2016-17 fiscal year, the District had \$439,274,964 invested in land, buildings, work-in-progress, and capital equipment. Depreciation totaling \$132,300,633 was charged against the value of those assets for net capital assets of \$306,974,331. Net capital assets at the end of the 2015-16 were \$300,169,453 at the end of the 2014-15 year were \$279,562,626, and at the end of the 2013-14 year they were \$252,223,106.

In November 2000, the El Cajon community approved Proposition X, which authorized the sale of \$75 million in general obligation bonds. Approximately 165 large and small capital improvement projects were completed, using a combination of bond funds and local and State matching funds. Major projects completed during the eight year period were construction of Los Coches Creek Middle School, reconstruction of Cajon Valley Middle school, infrastructure upgrades, library and multipurpose room construction or remodels at several sites, playground and sports field improvements at several sites, modernization of older classroom buildings and relocatable buildings on many campuses, campus safety measures, playground improvements, lunch shade shelters and a variety of other school campus improvements. The District has issued the \$75 million in general obligation bonds that were authorized by the voters in 2000 and has received over \$36 million in state and local matching funds to complete these projects.

In February 2008 the community approved Proposition D, which authorized \$156.5 million in additional general obligation bonds to complete needed capital improvement projects. Three series of these bonds, totaling about \$68.1 million were issued. However, due to stagnant property values the remaining \$88.4 million in bonds authorized under Proposition D could not be issued within the original timelines unless costly Capital Appreciation Bonds were used, which was not a preferable option. Rather than putting the remaining projects on hold for several years or using a costly financing mechanism, the voters were given the option to reauthorize the remaining bonds. This reauthorization, Proposition C, was passed by the voters in November 2012. This allows the district to complete all bond projects without delay and allows the voters who approved Proposition D to benefit from these projects in a timely manner without incurring additional debt. It also minimizes project cost escalation, saves taxpayers a significant amount of interest cost, and it provides local construction jobs when they are needed most.

Five series of Proposition C bonds have been sold; Series A bonds totaling \$31.2 million were sold in August 2013, Series B bonds totaling \$1.8 million in short term (3-year) bonds for technology equipment were sold in October 2013, Series C bonds totaling \$20 million were sold in April 2015, and Series D bonds totaling \$17.88 million were sold in October 2015. In addition, Series E bonds totaling \$17.5 million were sold in October 2017 after the close of the 2016-17 fiscal year.

District improvements funded by both Proposition D and Proposition C bond sales include security camera systems, electrical upgrades, HVAC replacement, new clock systems, waterline replacement at Meridian Elementary, multipurpose room expansion at Flying Hills Elementary,

playground upgrades, security fencing, completion of remodeled buildings at Cajon Valley Middle School, and modernization at Rancho San Diego and Vista Grande elementary schools.

The improvements also include technology infrastructure upgrades, new gymnasium, theater, kitchen, classrooms and administrative offices at Greenfield Middle School. Reconstruction of Lexington Elementary School and renovations at Emerald Middle School, Montgomery Middle School, and Magnolia Elementary School were recently completed.

Details regarding the capital improvement program can be obtained at the Cajon Valley website www.cajonvalley.net by clicking on the "Bond Program" button under "Site Shortcuts" on the home page.

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 operating revenues is a very small percentage of the overall operating budget.

After several very lean years California's economy is slowly recovering. When the economy took a dramatic downturn in mid-2008, the State was facing huge budget deficits and began looking at ways to reduce its budget obligations. The 2008-09 budget contained a revenue limit deficit of 7.8%, which grew to 22.272% in 2011-12. The State also used cash deferrals (postponing the payments of funds due to school districts into the future fiscal year) as a method of balancing the State budget. This has created a strong awareness of the need for adequate reserves, to withstand temporary cash shortfalls that could occur during a lean year.

The November 2012 passage of Proposition 30, the Governor's Tax Initiative, provided some stabilization for public education funding. This initiative provided a temporary boost in state sales tax revenue and an increase in state income taxes for higher tax brackets. Although passage of this measure has provided much needed support in education funding, the provisions of the initiative were temporary. The Proposition 30 state sales tax increase expired on December 2016, yet the November 2016 passage of Proposition 55 extended the Proposition 30 income tax increases for 12 years. The resulting impact will depend largely upon the State economy. The District will need to carefully monitor its multiyear projections to be prepared for any downturn in revenues in the future.

The new Local Control Funding Formula (LCFF) is expected to continue to boost Cajon Valley's state revenues over the next few years. Under this formula all districts receive a base amount per child, which varies by grade span, plus a supplemental allocation based upon the district's percentage of students who qualify for free/reduced price lunches or are English learners. Cajon Valley's districtwide population of students qualifying for supplemental funding is about 73% of total enrollment. The District is required to adopt regulations governing the expenditure of supplemental funds to increase or improve services for eligible students. A Local Control Accountability Plan (LCAP) has been in place for the last three years, with the latest version being adopted in June 2017 for implementation in the 2017-18 year. The LCAP, which is reviewed and updated each year, describes the district's goals to serve eligible students and actions to be taken to achieve those goals.

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 Louise Gibson, Fiscal Services Director (gibson@cajonvalley.net) or Scott Buxbaum, Assistant Superintendent, Business Services (buxbaums@cajonvalley.net).

Basic Financial Statements

CAJON VALLEY UNION SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash	\$ 112,951,300
Receivables	9,018,352
Stores	456,327
Prepaid Expenses	26,146
Capital Assets:	
Land	13,517,805
Improvements	13,158,938
Buildings	300,638,208
Equipment	41,516,930
Work in Progress	70,443,083
Less Accumulated Depreciation	(132,300,633)
Total Assets	<u>429,426,456</u>
DEFERRED OUTFLOWS OF RESOURCES	31,056,508
LIABILITIES	
Accounts Payable and Other Current Liabilities	10,915,890
Unearned Revenue	1,695,315
Long-Term Liabilities:	
Due Within One Year	11,022,342
Due in More Than One Year	385,892,739
Total Liabilities	<u>409,526,286</u>
DEFERRED INFLOWS OF RESOURCES	7,520,954
NET POSITION	
Net Investment in Capital Assets	90,218,981
Restricted for:	
Capital Projects	41,037,512
Debt Service	12,005,949
Educational Programs	5,990,166
Other Purposes (Expendable)	1,685,020
Other Purposes (Nonexpendable)	632,473
Unrestricted	(108,134,377)
Total Net Position	<u>\$ 43,435,724</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 136,320,164	\$ 1,924,190	\$ 21,545,780	\$ -	\$ (112,850,194)
Instruction-Related Services:					
Instructional Supervision and Administration	7,797,954	213,692	3,039,043	-	(4,545,219)
Instructional Library, Media and Technology	1,156,043	-	106,170	-	(1,049,873)
School Site Administration	13,669,537	137,856	608,377	-	(12,923,304)
Pupil Services:					
Home-to-School Transportation	4,816,502	-	160,000	-	(4,656,502)
Food Services	9,539,337	838,419	7,890,017	-	(810,901)
All Other Pupil Services	11,707,246	87,828	2,828,025	-	(8,791,393)
General Administration:					
Centralized Data Processing	3,793,122	-	-	-	(3,793,122)
All Other General Administration	8,725,212	96,551	1,096,008	-	(7,532,653)
Plant Services	15,081,418	6,558	1,019,355	-	(14,055,505)
Community Services	269,976	-	-	-	(269,976)
Enterprise Activities	18,624,249	18,959,804	-	-	335,555
Interest on Long-Term Debt	7,845,219	-	-	-	(7,845,219)
Other Outgo - Tuition	531,603	74,046	182,528	-	(275,029)
Other Outgo - Debt Issuance Costs	184,302	-	-	-	(184,302)
Total Expenses	\$ 240,061,884	\$ 22,338,944	\$ 38,475,303	\$ -	\$ (179,247,637)

General Revenues:

Taxes and Subventions:

Taxes Levied for General Purposes	35,296,786
Taxes Levied for Debt Service	13,225,236
Taxes Levied for Other Specific Purposes	1,340,496
Federal and State Aid Not Restricted to Specific Programs	112,595,309
Interest and Investment Earnings	803,105
Interagency Revenues	196,764
Miscellaneous	5,152,222

Total General Revenues	\$ 168,609,918
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Change in Net Position	(10,637,719)
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Net Position Beginning	54,073,443
Net Position Ending	\$ 43,435,724

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 52,030,416	\$ 15,334,681	\$ 22,851,214	\$ 90,216,311
Cash on Hand and in Banks	-	-	272,018	272,018
Cash in Revolving Fund	150,000	-	-	150,000
Cash with a Fiscal Agent/Trustee	-	18,081,015	-	18,081,015
Accounts Receivable	5,409,479	96,347	1,749,604	7,255,430
Due from Other Funds	1,066,810	5,545,213	709,399	7,321,422
Stores Inventories	254,405	-	201,922	456,327
Prepaid Expenditures	26,146	-	-	26,146
Total Assets	<u>58,937,256</u>	<u>39,057,256</u>	<u>25,784,157</u>	<u>123,778,669</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 5,558,421	\$ 1,024,840	\$ 437,899	\$ 7,021,160
Due to Other Funds	6,692,306	3,147	625,459	7,320,912
Unearned Revenue	1,674,101	-	21,215	1,695,316
Total Liabilities	<u>13,924,828</u>	<u>1,027,987</u>	<u>1,084,573</u>	<u>16,037,388</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	150,000	-	-	150,000
Stores Inventories	254,405	-	201,922	456,327
Prepaid Items	26,146	-	-	26,146
Restricted Fund Balances	8,015,448	38,029,269	14,673,930	60,718,647
Assigned Fund Balances	16,893,647	-	9,823,732	26,717,379
Unassigned:				
Reserve for Economic Uncertainty	5,410,021	-	-	5,410,021
Other Unassigned	14,262,761	-	-	14,262,761
Total Fund Balance	<u>45,012,428</u>	<u>38,029,269</u>	<u>24,699,584</u>	<u>107,741,281</u>
Total Liabilities and Fund Balances	<u>\$ 58,937,256</u>	<u>\$ 39,057,256</u>	<u>\$ 25,784,157</u>	<u>\$ 123,778,669</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances, governmental funds		\$ 107,741,281
<p>Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:</p>		
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets relating to governmental activities, at historical cost:	439,274,964	
Accumulated depreciation	<u>(132,300,633)</u>	
	Net	306,974,331
<p>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 the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was:</p>		
		(3,890,537)
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
General obligation bonds payable	179,491,894	
Net pension liability	157,681,951	
Net OPEB obligation	20,137,110	
Compensated absences payable	1,207,215	
Other general long-term debt	13,585,925	
Capital leases payable	19,646,406	
Certificates of participation payable	<u>4,752,000</u>	
	Total	(396,502,501)
<p>Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was:</p>		
		3,411,870
<p>Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.</p>		
Deferred outflows of resources relating to pensions		27,631,359
Deferred inflows of resources relating to pensions		(7,515,382)
<p>Internal service funds: Internal service funds are used to conduct certain activities for 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 position. Net position for internal service funds are:</p>		
		<u>5,585,303</u>
Total net position, governmental activities		<u>\$ 43,435,724</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 90,457,433	\$ -	\$ -	\$ 90,457,433
Education Protection Account Funds	19,683,067	-	-	19,683,067
Local Sources	31,239,324	-	-	31,239,324
Federal Revenue	11,166,767	-	7,719,619	18,886,386
Other State Revenue	14,968,733	-	2,756,767	17,725,500
Other Local Revenue	15,706,075	2,155,585	14,572,909	32,434,569
Total Revenues	<u>183,221,399</u>	<u>2,155,585</u>	<u>25,049,295</u>	<u>210,426,279</u>
Expenditures:				
Current:				
Instruction	112,466,005	-	1,688,206	114,154,211
Instruction - Related Services	18,595,419	-	264,632	18,860,051
Pupil Services	14,590,373	-	8,376,092	22,966,465
Community Services	230,659	-	-	230,659
General Administration	10,231,255	-	488,266	10,719,521
Plant Services	12,327,469	408,282	507,161	13,242,912
Other Outgo	531,603	184,301	-	715,904
Capital Outlay	4,211,039	12,712,696	523,545	17,447,280
Debt Service:				
Principal	379,268	215,000	6,120,194	6,714,462
Interest	5,927	237,623	7,123,394	7,366,944
Total Expenditures	<u>173,569,017</u>	<u>13,757,902</u>	<u>25,091,490</u>	<u>212,418,409</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,652,382</u>	<u>(11,602,317)</u>	<u>(42,195)</u>	<u>(1,992,130)</u>
Other Financing Sources (Uses):				
Transfers In	437,693	3,518,483	2,808,843	6,765,019
Transfers Out	(6,765,019)	-	-	(6,765,019)
Proceeds From Sale of Bonds	-	6,000,000	-	6,000,000
Other Sources	-	19,636,650	354,412	19,991,062
Total Other Financing Sources (Uses)	<u>(6,327,326)</u>	<u>29,155,133</u>	<u>3,163,255</u>	<u>25,991,062</u>
Net Change in Fund Balance	3,325,056	17,552,816	3,121,060	23,998,932
Fund Balance, July 1	41,687,372	20,476,453	21,578,524	83,742,349
Fund Balance, June 30	<u>\$ 45,012,428</u>	<u>\$ 38,029,269</u>	<u>\$ 24,699,584</u>	<u>\$ 107,741,281</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total change in fund balances, governmental funds \$ 23,998,932

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs 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	17,673,852	
	Depreciation expense	(10,868,974)	
	Net	6,804,878	6,804,878

Debt service: In governmental funds, repayments 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: 6,714,462

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 government-wide statement of activities, it is recognized in the period that 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: (719,246)

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: (81,955)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (3,924,634)

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (25,991,062)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (18,603,472)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or discount it is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is: 240,970

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: 549,768

Internal service funds: Internal services funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:

373,640

Change in net position of governmental activities

\$ (10,637,719)

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

JUNE 30, 2017

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 4,211,957
Cash with a Fiscal Agent/Trustee	20,000
Accounts Receivable	1,762,923
Total Current Assets	<u>5,994,880</u>
Total Assets	<u>5,994,880</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pension Related	13,279
Total Outflows of Resources	<u>\$ 13,279</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 382,854
Due to Other Funds	511
Total Current Liabilities	<u>383,365</u>
Noncurrent Liabilities:	
Net Pension Liability	29,736
Other Postemployment Benefits	4,183
Total Noncurrent Liabilities	<u>33,919</u>
Total Liabilities	<u>417,284</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources - Pension Related	5,572
Total Inflows of Resources	<u>5,572</u>
NET POSITION:	
Unrestricted	5,585,303
Total Net Position	<u>\$ 5,585,303</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 POSITION - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Internal Service Fund
	<u>Self-Insurance Fund</u>
Operating Revenues:	
Local Revenue	\$ 18,997,889
Total Revenues	<u>18,997,889</u>
Operating Expenses:	
Classified Personnel Salaries	29,087
Employee Benefits	12,574
Services and Other Operating Expenses	18,582,588
Total Expenses	<u>18,624,249</u>
Income (Loss) before Contributions and Transfers	373,640
Change in Net Position	<u>373,640</u>
Total Net Position - Beginning	5,211,663
Total Net Position - Ending	<u>\$ 5,585,303</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 18,841,080
Cash Payments to Employees for Services	(40,642)
Cash Payments to Other Suppliers for Goods and Services	(18,595,066)
Net Cash Provided (Used) by Operating Activities	<u>205,372</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	31,858
Net Cash Provided (Used) for Investing Activities	<u>31,858</u>
Net Increase (Decrease) in Cash and Cash Equivalents	237,230
Cash and Cash Equivalents at Beginning of Year	3,994,727
Cash and Cash Equivalents at End of Year	<u>\$ 4,231,957</u>
Reconciliation of Operating & Investment Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 373,640
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(124,952)
Decrease (Increase) in Deferred Outflows of Resources	(5,795)
Increase (Decrease) in Accounts Payable	(11,928)
Increase (Decrease) in Due to Other Funds	(65)
Increase (Decrease) in Net OPEB Obligation	1,079
Increase (Decrease) in Net Pension Liability	6,145
Increase (Decrease) in Deferred Inflows of Resources	(894)
Total Adjustments	<u>(136,410)</u>
Net Cash Provided (Used) by Operating & Investment Activities	<u>\$ 237,230</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2017

Agency Fund
Student Body Fund
\$ 201,652
<u>201,652</u>
\$ 201,652
<u>201,652</u>
\$ -
<u><u>-</u></u>

ASSETS:

Cash on Hand and in Banks
Total Assets

\$ 201,652
201,652

LIABILITIES:

Due to Student Groups
Total Liabilities

\$ 201,652
201,652

NET POSITION:

Total Net Position

\$ -
-

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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 operates under a locally elected Board form of government and provides educational services as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

2. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by GASB Statements 14, 39, and 61.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

In addition, the District reports the following fund types:

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

Capital Projects Funds: These funds account for the acquisition and/or construction of all major governmental general fixed assets.

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.

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

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

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

4. 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.

5. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

6. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, property taxes, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

CAJON VALLEY UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2017

7. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the 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 during the benefiting period.

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	45-50
Building Improvements	20-25
Vehicles	3-15
Office Equipment	3-15
Computer Equipment	3-15

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

d. Compensated Absences

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

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

e. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

f. Interfund Activity

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

g. Property Taxes

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

i. Minimum Fund Balance

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

8. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

9. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 20 (Special Reserve Fund for Postemployment Benefits) is merged with the General Fund for purposes of presentation in the audit report.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

11. 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.

12. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

13. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50 Pension Disclosures.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution - administered through trusts that meet the following criteria:

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

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2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 77 - Tax Abatement Disclosures

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
2. The gross dollar amount of taxes abated during the period.
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

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GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

CAJON VALLEY UNION SCHOOL DISTRICT
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C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$94,428,268 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$94,428,268. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

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

Cash balances on hand and in banks (\$473,670 as of June 30, 2017) and in the revolving fund (\$150,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

3. Investments:

The District's investments at June 30, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Short Term Cash Investments	<30 Days	\$ 20,000
US Bank Money Market	<30 Days	18,081,015
Total Investments		<u>\$ 18,101,015</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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4. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	%30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

5. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AAf/S1 by Standard & Poors. At year end the District was not exposed to credit risk.

CAJON VALLEY UNION SCHOOL DISTRICT
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b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

As of June 30, 2017, the District's bank balances (including revolving cash) of \$26,209 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

c. Concentration of Credit Risk

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

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

6. Investment Accounting Policy

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

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

D. Accounts Receivable

Accounts receivable as of June 30, 2017 consisted of:

	Major Governmental Funds			Total
	General Fund	Building Fund	Nonmajor Governmental Funds	Governmental Funds
Federal Government:				
Federal programs	\$ 1,906,290	\$ -	\$ 1,395,693	\$ 3,301,983
State Government:				
Lottery	1,480,156	-	-	1,480,156
Special education	375,947	-	-	375,947
Other state programs	13,689	-	163,883	177,572
Local Sources:				
Interest	143,288	45,408	27,574	216,270
Special education	122,931	-	-	122,931
Other local sources	1,367,178	50,939	162,454	1,580,571
Totals	\$ 5,409,479	\$ 96,347	\$ 1,749,604	\$ 7,255,430
		Self Insurance Fund		
Local Sources:				
Interest		\$ 11,915		
Employee benefit premiums		1,751,008		
Totals		\$ 1,762,923		

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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E. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,517,805	\$ -	\$ -	\$ 13,517,805
Work in progress	85,138,753	16,753,335	31,449,005	70,443,083
Total capital assets not being depreciated	<u>98,656,558</u>	<u>16,753,335</u>	<u>31,449,005</u>	<u>83,960,888</u>
Capital assets being depreciated:				
Buildings	298,412,522	2,225,686	-	300,638,208
Improvements	11,433,833	1,725,105	-	13,158,938
Equipment	13,098,199	28,418,731	-	41,516,930
Total capital assets being depreciated	<u>322,944,554</u>	<u>32,369,522</u>	<u>-</u>	<u>355,314,076</u>
Less accumulated depreciation for:				
Buildings	(105,557,407)	(6,745,449)	-	(112,302,856)
Improvements	(6,700,510)	(417,576)	-	(7,118,086)
Equipment	(9,173,742)	(3,705,949)	-	(12,879,691)
Total accumulated depreciation	<u>(121,431,659)</u>	<u>(10,868,974)</u>	<u>-</u>	<u>(132,300,633)</u>
Total capital assets being depreciated, net	<u>201,512,895</u>	<u>21,500,548</u>	<u>-</u>	<u>223,013,443</u>
Governmental activities capital assets, net	<u>\$ 300,169,453</u>	<u>\$ 38,253,883</u>	<u>\$ 31,449,005</u>	<u>\$ 306,974,331</u>

Depreciation was charged to functions as follows:

Instruction	\$ 7,299,481
Instruction-Related Services	1,110,629
Pupil Services	875,412
Community Services	12,253
General Administration	676,694
Plant Services	894,505
	<u>\$ 10,868,974</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Child Development Fund	\$ 174,464	Indirect costs, loan, OPEB
General Fund	Cafeteria Fund	450,995	Indirect costs, OPEB
General Fund	Building Fund	3,147	Reimburse expenses, OPEB
General Fund	Self Insurance Fund	511	OPEB
Building Fund	General Fund	5,545,213	Facility improvement projects
Cafeteria Fund	General Fund	556	Reimburse expenses
Special Reserve Fund	General Fund	437,693	Facility improvement projects
Special Reserve Fund	General Fund	708,843	Transfer OTMC funds
	Total	<u>\$ 7,321,422</u>	

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

CAJON VALLEY UNION SCHOOL DISTRICT
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2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	General Fund	\$ 437,693	Facility improvement projects
General Fund	Building Fund	3,518,483	Facility improvement projects
General Fund	Special Reserve Fund	2,808,843	Contribute to OPEB reserve
	Total	<u>\$ 6,765,019</u>	

G. Accounts Payable

Accounts payable as of June 30, 2017 consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Vendor payables	\$ 3,669,842	\$ 1,021,638	\$ 378,491	\$ 5,069,971
LCFF state aid	565,385	-	-	565,385
Pension liabilities	1,002,245	3,177	4,774	1,010,196
Payroll and related benefits	320,949	25	54,634	375,608
Totals	<u>\$ 5,558,421</u>	<u>\$ 1,024,840</u>	<u>\$ 437,899</u>	<u>\$ 7,021,160</u>

	Self Insurance Fund
Vendor payables	\$ 3,528
IBNR Claims	378,662
Pension liabilities	6
Payroll and related benefits	658
Totals	<u>\$ 382,854</u>

H. Unearned Revenue

Unearned revenue as of June 30, 2017 consisted of:

	Major Fund General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:			
Categorical programs	\$ 421,225	\$ -	\$ 421,225
State Government:			
Other state programs	55,239	2,096	57,335
Local Sources:			
Webster grant	1,008,203	-	1,008,203
Other local sources	189,434	19,119	208,553
Totals	<u>\$ 1,674,101</u>	<u>\$ 21,215</u>	<u>\$ 1,695,316</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

I. 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.

J. Components of Ending Fund Balance

As of June 30, 2017 components of ending fund balance consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Nonspendable Fund Balances				
Revolving Cash	\$ 150,000	\$ -	\$ -	\$ 150,000
Stores Inventory	254,405	-	201,922	456,327
Prepaid Expenses	26,146	-	-	26,146
Restricted Fund Balances				
Capital Projects	1,681,055	38,029,269	1,327,188	41,037,512
Educational Program	5,990,166	-	-	5,990,166
Child Nutrition Program	-	-	1,340,793	1,340,793
Debt Service	-	-	12,005,949	12,005,949
Other Restricted Balances	344,227	-	-	344,227
Assigned Fund Balances				
Educational Programs	11,512,446	-	4	11,512,450
Post Employment Benefits	5,381,201	-	-	5,381,201
Capital Projects	-	-	9,823,728	9,823,728
Unassigned Fund Balances				
Economic Uncertainty	5,410,021	-	-	5,410,021
Other Unassigned	14,262,761	-	-	14,262,761
Total Fund Balance	\$ 45,012,428	\$ 38,029,269	\$ 24,699,584	\$ 107,741,281

K. 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, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 179,612,088	\$ 6,000,000	\$ 6,120,194	\$ 179,491,894	\$ 6,240,883
Bond premiums	10,590,626	531,242	614,865	10,507,003	694,551
Accreted interest	1,822,098	535,949	-	2,358,047	17,519
Certificates of participation	4,865,000	4,752,000	4,865,000	4,752,000	1,741,000
Capital leases	570,674	19,455,000	379,268	19,646,406	571,406
PARS retirement	1,649,305	-	549,768	1,099,537	549,768
Net pension liability	128,479,593	29,232,093	-	157,711,686	-
Compensated absences *	1,125,260	81,955	-	1,207,215	1,207,215
Net OPEB obligation	16,215,580	5,267,002	1,341,289	20,141,293	-
Total governmental activities	\$ 344,930,224	\$ 65,855,241	\$ 13,870,384	\$ 396,915,081	\$ 11,022,342

* Other long-term liabilities

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of bond premium, net pension liability, and net OPEB obligation, as of June 30, 2017 are as follows:

Year Ending June 30,	Governmental Activities			
	Principal	Accreted Interest	Interest	Total
2018	\$ 10,310,272	\$ 17,519	\$ 9,173,636	\$ 19,501,427
2019	11,892,026	102,461	9,034,386	21,028,873
2020	9,848,864	141,482	7,414,831	17,405,177
2021	9,061,319	268,691	7,008,192	16,338,202
2022	7,403,180	391,671	6,591,502	14,386,353
2023-2027	45,791,534	2,869,101	27,497,101	76,157,736
2028-2032	57,714,857	3,959,143	17,097,974	78,771,974
2033-2037	34,470,000	-	7,216,258	41,686,258
2038-2042	19,705,000	-	1,518,837	21,223,837
Totals	\$ 206,197,052	\$ 7,750,068	\$ 92,552,717	\$ 306,499,837

Note: Amounts represented in the repayment schedule for accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have accrued as of June 30, 2017.

Accreted interest is the process of systematically increasing the carrying amount of capital appreciation bonds to their estimated value at the maturity date of the bond. The district imputes the effective interest rate, using the present value, the face value, and the period of the bond and multiplies the effective interest rate by the book value of the debt at the end of the period.

3. General Obligation Bonds

General obligation bonds at June 30, 2017 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2008 Election Series A	07/09/08	3.00-5.00%	08/01/32	\$ 35,000,000
2010 Refunding Bonds	02/10/10	3.00-5.00%	08/01/31	24,670,000
2008 Election Series B	05/25/11	4.00%	08/01/25	13,093,060
2012 Refunding Bonds	06/28/12	2.00 - 5.00%	08/01/32	13,690,000
2008 Election Series C	08/01/12	2.00 - 5.00%	08/01/32	19,999,932
2012 Election Series A	08/28/13	4.00 - 5.00%	08/01/37	31,200,000
2014 Refunding Bonds	05/06/14	3.00 - 5.00%	08/01/35	23,565,000
2012 Election Series B	10/17/13	1.45%	08/01/16	1,815,000
2012 Election Series C	04/14/15	3.25 - 5.00%	08/01/40	20,000,000
2012 Election Series D	10/07/15	3.00 - 5.00%	08/01/40	17,880,000
2016 Refunding Bonds	03/31/16	2.00 - 5.00%	08/01/32	23,600,000
2016 Election Series A	03/16/17	5.00%	08/01/20	6,000,000
Total GO Bonds				\$ 230,512,992

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
2008 Election Series A	\$ 3,590,000	\$ -	\$ 1,135,000	\$ 2,455,000
2010 Refunding Bonds	20,485,000	-	915,000	19,570,000
2008 Election Series B	11,617,156	-	705,194	10,911,962
2012 Refunding Bonds	12,090,000	-	495,000	11,595,000
2008 Election Series C	19,269,932	-	115,000	19,154,932
2012 Election Series A	27,885,000	-	670,000	27,215,000
2012 Election Series B	605,000	-	605,000	-
2014 Refunding Bonds	22,590,000	-	705,000	21,885,000
2012 Election Series C	20,000,000	-	500,000	19,500,000
2012 Election Series D	17,880,000	-	-	17,880,000
2016 Refunding Bonds	23,600,000	-	275,000	23,325,000
2016 Election Series A	-	6,000,000	-	6,000,000
Total GO Bonds	<u>\$ 179,612,088</u>	<u>\$ 6,000,000</u>	<u>\$ 6,120,194</u>	<u>\$ 179,491,894</u>

The annual requirements to amortize bonds outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2018	\$ 6,240,883	\$ 17,519	\$ 8,302,302	\$ 14,560,704
2019	8,658,257	102,461	8,213,285	16,974,003
2020	7,672,864	141,482	6,658,626	14,472,972
2021	8,122,319	268,691	6,306,095	14,697,105
2022	6,455,180	391,671	5,928,937	12,775,788
2023-2027	40,916,534	2,869,101	24,790,466	68,576,101
2028-2032	52,605,857	3,959,143	15,436,953	72,001,953
2033-2037	29,115,000	-	6,651,132	35,766,132
2038-2042	19,705,000	-	1,518,837	21,223,837
Totals	<u>\$ 179,491,894</u>	<u>\$ 7,750,068</u>	<u>\$ 83,806,633</u>	<u>\$ 271,048,595</u>

Note: Amounts represented in the repayment schedule for accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have accrued as of June 30, 2017.

Accreted interest is the process of systematically increasing the carrying amount of capital appreciation bonds to their estimated value at the maturity date of the bond. The district imputes the effective interest rate, using the present value, the face value, and the period of the bond and multiplies the effective interest rate by the book value of the debt at the end of the period.

4. 2016 General Obligation Ed-Tech Bonds

In March 2017 the District issued \$6,000,000 2016 Election, Series A, General Obligation Ed-Tech Bonds for the purpose of increasing student computer/technology access and continuing to finance the renovation, construction, and improvement of school facilities. The issue consisted of \$6,000,000 in current interest bonds with an interest rate of 5.00% with annual maturities from August 2018 through August 2020. Principal payments on the bonds are due August 1 of each year beginning August 1, 2018 while interest is payable semi-annually on February 1 and August 1 of each year through maturity beginning August 1, 2017. Net proceeds of \$6,000,000 were deposited into the Building Fund after premium of \$531,242 less issuance costs of \$176,710 while remaining funds of \$354,532 were deposited into the Bond Interest and Redemption Fund to be utilized for subsequent debt service on the bonds.

CAJON VALLEY UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2017

5. Certificates of Participation

Certificates of participation at June 30, 2017 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>
2007 COPS	02/23/07	4.00%	03/01/20	\$ 7,835,000
2017 Refunding COPS	03/31/17	1.60%	03/01/20	4,752,000
Total				<u>\$ 12,587,000</u>

	<u>Beginning Balance</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Ending Balance</u>
2007 COPS	\$ 4,865,000	\$ -	\$ 4,865,000	\$ -
2017 Refunding COPS	-	4,752,000	-	4,752,000
Total	<u>\$ 4,865,000</u>	<u>\$ 4,752,000</u>	<u>\$ 4,865,000</u>	<u>\$ 4,752,000</u>

Future commitments for certificates of participation as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,741,000	\$ 62,939	\$ 1,803,939
2019	1,765,000	41,112	1,806,112
2020	1,246,000	14,952	1,260,952
Totals	<u>\$ 4,752,000</u>	<u>\$ 119,003</u>	<u>\$ 4,871,003</u>

6. 2017 Refunding Certificates of Participation

In March 2017, the District issued \$4,752,000 of 2017 Refunding Certificates of Participation (COPS). The COPS bear a fixed interest rate of 1.60% with annual maturities from March 2018 through March 2020. Interest is payable semiannually on September 1 and March 1 of each year, commencing September 1, 2017. The net proceeds of \$4,752,000 were used to refund \$4,650,000 of the District's outstanding Series 2007 COPS in addition to paying the costs relating to the execution and delivery of the refunding COPS as associated with the refunding plan.

The net proceeds of \$4,666,533 (after issuance costs of \$85,467) was deposited into a separate escrow fund for the refunding of the Series 2007 COPS. The refunding of the Series 2007 COPS occurred on the call date of April 3, 2017.

Refunding COPS Calculation of Gain/Loss on Refunding:

New Debt: 2017 Refunding Certificates of Participation

Refunding: Series 2007 Certificates of Participation

Net Carrying Amount of Debt:

Maturity Value of Old Debt	<u>\$ 4,650,000</u>
Reacquisition Price:	
Face Value of New Debt	<u>\$ 4,752,000</u>
Gain or (Loss) on Refunding	<u>\$ (102,000)</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Refunding COPS Calculation of Economic Gain/Loss:

The refunding decreased the District's total debt service payments by \$139,997.

Decrease in Debt Service Payments:

2017 Refunding Certificates of Participation	\$ 4,871,003
Old Debt – 2007 Certificates of Participation	<u>5,011,000</u>
Decrease in Debt Service Payments	<u>\$ (139,997)</u>

Economic Gain:

Present Value of Old Debt	\$ 4,782,646
Present Value of New Debt	<u>4,666,533</u>
Calculated Economic Gain	<u>\$ 116,113</u>

7. 2011 Qualified School Construction Bonds

On May 25, 2011 the District issued \$18,000,000 of 2011 Qualified School Construction Bonds (QSCB). The QSCB are structured as direct interest subsidy bonds which entitles the issuer to receive semi-annual interest subsidy payments directly from the United States Treasury. Proceeds of the QSCB were used to purchase the District's General Obligation Bonds, Election 2008, Series B in the amount of \$13,093,060. Additional proceeds, net of cost of issuance, were issued as California Qualified School Joint Powers Authority Bonds in an amount equal to \$4,551,940. The QSCB are structured as a single term bond with mandatory sinking fund redemptions to occur each September 1, commencing on September 1, 2013, and through September 2025 with an interest subsidy rate of 5.02%. The General Obligation Bonds are current interest bonds, which bear a fixed interest rate of 4.00%, and mature August 1, 2025. The remaining Authority Bonds are current interest bonds and represent an additional contribution towards the financing for qualified purposes. The General Obligation Bonds shall be secured by the District's property tax levy and shall provide sufficient revenues, together with available interest subsidy payments, to pay the principal and interest when due on the QSCB. The proceeds of the QSCB will be used to finance the construction, rehabilitation or repair of public school facilities.

8. Early Retirement Incentive

On March 11, 2014 the district offered an early retirement incentive through the Public Agency Retirement Services (PARS) for which eligible employees received a retirement incentive program supplementing STRS/PERS in exchange for early retirement. The incentive was utilized for fifty three employees. The district elected to defer payments on the service credits over a five year period with no interest. Total principal incurred for the service credits was \$2,748,841.

Early retirement incentive at June 30, 2017 is summarized as follows:

	Date of Issue	Interest Rate	Maturity Date	Issue Amount
2014 PARS	03/11/14	0%	06/30/19	\$ 2,748,841
	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
2014 PARS	\$ 1,649,305	\$ -	\$ 549,768	\$ 1,099,537

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Future commitments for early retirement incentives as of June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 549,768	\$ -	\$ 549,768
2019	549,769	-	549,769
Totals	\$ 1,099,537	\$ -	\$ 1,099,537

9. Bond Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premiums are amortized over the life of the bond using the effective interest rate method.

The following bonds were issued at a premium resulting in effective interest as follows:

	2010 Refunding Bonds	2012 Refunding Bonds	2008 Series C Bonds	2012 Series D Bonds	
Total Interest	\$ 14,946,702	\$ 5,873,465	\$ 14,679,779	\$ 13,166,792	
Less Bond Premium	(1,085,735)	(418,286)	(315,532)	(1,091,241)	
Net Interest	\$ 13,860,967	\$ 5,455,179	\$ 14,364,247	\$ 12,075,551	
Par Amount of Bonds	\$ 24,670,000	\$ 13,690,000	\$ 19,999,932	\$ 17,880,000	
Periods	22	21	20	25	
Effective Interest Rate	2.55%	1.90%	3.59%	2.70%	
	2012 Series A Bonds	2014 Refunding Bonds	2015 Series C Bonds	2016 Refunding Bonds	2016 Series A Bonds
Total Interest	\$ 22,117,998	\$ 13,552,500	\$ 13,711,649	\$ 9,425,470	\$ 710,833
Less Bond Premium	(1,170,175)	(2,452,485)	(853,717)	(4,185,634)	(531,242)
Net Interest	\$ 20,947,823	\$ 11,100,015	\$ 12,857,932	\$ 5,239,836	\$ 179,591
Par Amount of Bonds	\$ 31,200,000	\$ 23,565,000	\$ 20,000,000	\$ 23,600,000	\$ 6,000,000
Periods	24	22	26	16	3
Effective Interest Rate	2.80%	2.14%	2.47%	1.39%	1.00%

10. Capital Leases

In December 2014, the District entered into a capital master lease-purchase agreement with PNC Equipment Finance, LLC to finance the cost of eight school busses. The total amount to be financed is \$1,130,823 and shall be for a period of three years at a fixed interest rate of 2.5% per year with semi-annual payments of principal and interest due June 11 and December 11 of each year, with the first payment due June 11, 2015.

Commitments under the capitalized agreement for the vehicles provide for minimum lease payments as of June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 191,406	\$ 1,191	\$ 192,597
Totals	\$ 191,406	\$ 1,191	\$ 192,597

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

On January 1, 2017 the Cajon Valley Union School District (District) entered into a lease agreement with Public Property Financing Corporation of California (Corporation) in the amount of \$19,455,000 to fund energy projects at various school sites. The District received approval from the Internal Revenue Service under Section 54C of the Internal Revenue Code of 1986 with respect to renewable energy projects at the various school sites listed in the lease agreement. In order to provide financing for the renewable energy projects at the designated school sites, the District agreed to lease the real property comprising Lexington Elementary School to the Corporation by entering into a site lease as of January 1, 2017 whereby the Corporation has agreed to assist the District with such financing by entering into this lease, pursuant to which the Corporation will sublease the leased property back to the District and the District will be obligated to make lease payments to the Corporation.

The term of the lease agreement commenced January 1, 2017 and ends August 1, 2036 with an interest rate of 4.19% per annum. Principal payments are due August 1 of each year beginning August 1, 2017 with interest payments due February 1 and August 1 of each year during the lease term.

Commitments under the capitalized agreement for the renewable energy lease provides for minimum lease payments as of June 30, 2017 as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 380,000	\$ 807,204	\$ 1,187,204
2019	919,000	779,989	1,698,989
2020	930,000	741,253	1,671,253
2021	939,000	702,097	1,641,097
2022	948,000	662,565	1,610,565
2023-2027	4,875,000	2,706,635	7,581,635
2028-2032	5,109,000	1,661,021	6,770,021
2033-2037	5,355,000	565,126	5,920,126
Totals	<u>\$ 19,455,000</u>	<u>\$ 8,625,890</u>	<u>\$ 28,080,890</u>

11. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to \$1,207,215. This amount is included as part of long-term liabilities in the government-wide financial statements.

12. Net Pension Liability

The District's beginning net pension liability was \$128,479,593 and increased by \$29,232,093 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was \$157,711,686. See Note P for additional information regarding the net pension liability.

13. Net OPEB Liability

The District's beginning net OPEB obligation was \$16,215,580 and increased during the year ended June 30, 2017 by \$3,925,713. The ending net OPEB liability at June 30, 2017 was \$20,141,293. See Note Q for additional information regarding the net OPEB liability.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

L. Deferred Outflows of Resources

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the net pension liability measurement date are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2017 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2016	Additions	Current Year Amortization	Balance June 30, 2017
Refunding Loss	05/06/2014	22 Years	\$ 863,018	\$ -	\$ 43,513	\$ 819,505
Refunding Loss	03/31/2016	16 Years	2,668,280	-	169,415	2,498,865
Refunding Loss	03/31/2017	3 Years	-	102,000	8,500	93,500
Pension Related	Varies	Varies	18,021,778	24,463,212	14,840,352	27,644,638
Total Deferred Outflows of Resources			<u>\$ 21,553,076</u>	<u>\$ 24,565,212</u>	<u>\$ 15,061,780</u>	<u>\$ 31,056,508</u>

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Refunding Loss	Refunding Loss	Refunding Loss	Pension Related	Total
2018	\$ 43,513	\$ 169,415	\$ 34,000	\$ 17,563,695	\$ 17,810,623
2019	43,513	169,415	34,000	3,955,018	4,201,946
2020	43,513	169,415	25,500	3,955,021	4,193,449
2021	43,513	169,415	-	2,170,904	2,383,832
2022	43,513	169,415	-	-	212,928
2023-2027	217,565	847,075	-	-	1,064,640
2028-2032	217,565	804,715	-	-	1,022,280
2033-2037	166,810	-	-	-	166,810
Total	<u>\$ 819,505</u>	<u>\$ 2,498,865</u>	<u>\$ 93,500</u>	<u>\$ 27,644,638</u>	<u>\$ 31,056,508</u>

M. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, payments received subsequent to the net pension liability measurement date are recorded as deferred inflows of resources.

A summary of the deferred inflows of resources as of June 30, 2017 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2016	Additions	Current Year Amortization	Balance June 30, 2017
Pension related	Varies	Varies	\$ 8,527,261	2,063,518	3,069,825	7,520,954
Total Deferred Inflows of Resources			<u>\$ 8,527,261</u>	<u>\$ 2,063,518</u>	<u>\$ 3,069,825</u>	<u>\$ 7,520,954</u>

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2018	\$ 3,069,824
2019	3,069,824
2020	968,606
2021	412,700
Total	<u>\$ 7,520,954</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

N. Joint Ventures (Joint Powers Agreements)

The District participates in three joint powers agreements (JPA) entities, the San Diego County Schools Risk Management (SDCSRM) the Protected Insurance Program for Schools (PIPS) and the Southern California Relief Property and Liability Insurance (SCR). The relationship between the District and the JPA's is such that the JPA's are not component units of the District.

The JPA's arrange for and provide for various types of insurances for its member districts as requested. The JPA's are governed by a board consisting of a representative from each member district. The board controls the operations of the JPA's, 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's

Combined condensed unaudited financial information of the District's share of the Southern California Relief Property and Liability Insurance JPA and the Protected Insurance Program for Schools (PIPS) for the year ended June 30, 2017 can be obtained by contacting Keenan & Associates located at P.O. Box 4328, Torrance, California 90510.

Combined condensed unaudited financial information of the District's share of the San Diego County Schools Risk Management JPA for the year ended June 30, 2017 is as follows:

	Workers Compensation	Property & Liability	Miscellaneous Property	Total SDCSRM
Total Assets & Deferred Outflows	\$ 1,915,459	\$ 376,613	\$ 29,705	\$ 2,321,777
Total Liabilities & Deferred Inflows	560,885	16,674	-	577,559
Total Net Position	<u>\$ 1,354,574</u>	<u>\$ 359,939</u>	<u>\$ 29,705</u>	<u>\$ 1,744,218</u>
Total Cash Receipts	\$ 523,131	\$ 34,955	\$ 299	\$ 558,385
Total Cash Disbursements	395,139	77,600	-	472,739
Net Change in Net Position	<u>\$ 127,992</u>	<u>\$ (42,645)</u>	<u>\$ 299</u>	<u>\$ 85,646</u>

O. Risk Management

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

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 \$378,662 is included in 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, 2017 are indicated below:

Internal Service Fund:	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments and Adjustments	Ending Fiscal Year Liability
Year 2016-17	<u>\$ 378,662</u>	<u>\$ 1,932,100</u>	<u>\$ 1,932,100</u>	<u>\$ 378,662</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

P. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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 California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	<u>CalSTRS</u>	
	<u>Before</u>	<u>On or After</u>
	<u>Jan. 1, 2013</u>	<u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2017)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	7.050%	7.050%

*Amounts are limited to 120% of Social Security Wage Base.

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	<u>CalPERS</u>	
	<u>Before</u>	<u>On or After</u>
	<u>Jan. 1, 2013</u>	<u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

*Amounts are limited to 120% of Social Security Wage Base.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2016 (measurement date), fiscal year ended June 30, 2017, the State contributed 7.050% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2015	5.679%	3,499,762
2016	7.126%	4,535,031
2017	7.050%	4,277,479

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

d. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	\$ 7,513,812	\$ 3,175,368	\$ 10,689,180
Contributions - State On Behalf Payments (Fiscal Year)	4,277,479	-	4,277,479
Total Contributions	<u>\$ 11,791,291</u>	<u>\$ 3,175,368</u>	<u>\$ 14,966,659</u>

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 113,997,545
CalPERS	43,714,141
Total Net Pension Liability	<u>\$ 157,711,686</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 and June 30, 2017 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	
Proportion June 30, 2016	0.1440%	0.0853%	0.2293%	0.2140%
Proportion June 30, 2017	0.1409%	0.0851%	0.2260%	0.2214%
Change in Proportion	<u>-0.0031%</u>	<u>-0.0002%</u>	<u>-0.0033%</u>	<u>0.0074%</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 17,049,958	\$ 12,182,135	\$ 29,232,093
Contributions - State On Behalf Payments	4,277,479	-	4,277,479
Increase/(Decrease) resulting from changes in Deferred Outflows and Deferred Inflows of Resources for:			
Contributions - Employer made subsequent to measurement date	(1,844,267)	(879,076)	(2,723,343)
Difference Between Actual & Expected Experience	(9,878)	(223,757)	(233,635)
Change in Assumptions	-	(521,098)	(521,098)
Change in Proportionate Shares	1,642,624	(897,622)	745,002
Net Difference Between Projected & Actual Earnings	(13,497)	(7,882,594)	(7,896,091)
Total Pension Expense	<u>\$ 21,102,419</u>	<u>\$ 1,777,988</u>	<u>\$ 22,880,407</u>

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 9,535,131	\$ 4,073,548	\$ 13,608,679
Differences between actual and expected experience	-	2,162,568	2,162,568
Change in employer's proportion share	-	875,716	875,716
Net difference between projected and actual earnings	32,334	10,965,341	10,997,675
Total Deferred Outflows of Resources	<u>\$ 9,567,465</u>	<u>\$ 18,077,173</u>	<u>\$ 27,644,638</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (36,732)	\$ -	\$ (36,732)
Changes in assumptions	-	(1,563,292)	(1,563,292)
Change in employer's proportionate share	(1,658,647)	(70,187)	(1,728,834)
Net difference between projected and actual earnings	-	(4,192,096)	(4,192,096)
Total Deferred Inflows of Resources	<u>\$ (1,695,379)</u>	<u>\$ (5,825,575)</u>	<u>\$ (7,520,954)</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2018	\$ 9,544,392	\$ 8,019,303	\$ (429,375)	\$ (2,640,449)	\$ 14,493,871
2019	9,261	3,945,757	(429,375)	(2,640,449)	885,194
2020	9,262	3,945,759	(424,207)	(544,399)	2,986,415
2021	4,552	2,166,352	(412,422)	(278)	1,758,204
Total	<u>\$ 9,567,467</u>	<u>\$ 18,077,171</u>	<u>\$ (1,695,379)</u>	<u>\$ (5,825,575)</u>	<u>\$ 20,123,684</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.60% (2)	7.65% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) Industry standard published by the Society of Actuaries

d. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CAJON VALLEY UNION SCHOOL DISTRICT
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In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalSTRS		
Asset Class	Assumed Allocation 06/30/2016	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year geometric average used for long term expected real rate of return

CalPERS			
Asset Class	Assumed Allocation 06/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 164,068,177	\$ 65,221,743
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 113,997,545	\$ 43,714,141
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 72,411,788	\$ 25,804,831

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS

	<u>Increase (Decrease)</u>				
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>	<u>State's Share of Net Pension Liability (c)</u>	<u>District's Share of Net Pension Liability (a) - (b) - (c)</u>
Balance at June 30, 2016 (Previously Reported)	\$ 594,226,788	\$ 439,851,904	\$ 154,374,884	\$ 57,427,297	\$ 96,947,587
Changes for the year:					
Change in Proportionate share	(8,441,147)	(6,248,212)	(2,192,935)	(134,648)	(2,058,287)
Service Cost	13,277,849	-	13,277,849	4,998,774	8,279,075
Interest	43,698,908	-	43,698,908	16,451,532	27,247,376
Differences between expected and actual experience	(2,732,877)	-	(2,732,877)	(1,028,859)	(1,704,018)
Contributions:					
Employer	-	7,665,493	(7,665,493)	(2,885,864)	(4,779,629)
Employee	-	6,685,203	(6,685,203)	(2,516,810)	(4,168,393)
State On Behalf Payments	-	4,385,040	(4,385,040)	(1,650,856)	(2,734,184)
Net Investment Income	-	5,210,229	(5,210,229)	(1,961,519)	(3,248,710)
Other Income	-	93,851	(93,851)	(35,333)	(58,518)
Benefit Payments, including refunds of employee contributions	(29,721,582)	(29,721,582)	-	-	-
Administrative expenses	-	(407,007)	407,007	153,228	253,779
Other Expenses	-	(34,429)	34,429	12,962	21,467
Net Changes	16,081,151	(12,371,414)	28,452,565	11,402,607	17,049,958
Balance at June 30, 2017	<u>\$ 610,307,939</u>	<u>\$ 427,480,490</u>	<u>\$ 182,827,449</u>	<u>\$ 68,829,904</u>	<u>\$ 113,997,545</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)	\$ 153,276,106	\$ 121,744,100	\$ 31,532,006
Changes for the year:			
Adjustment for Change in Proportionate Share	5,314,241	4,220,994	1,093,247
Service Cost	3,799,637	-	3,799,637
Interest	12,044,964	-	12,044,964
Differences between expected and actual experience	885,575	-	885,575
Changes in Assumptions	-	-	-
Contributions - Employer	-	3,175,368	(3,175,368)
Contributions - Employee	-	1,883,871	(1,883,871)
Net Plan to Plan Resource Movement	-	23	(23)
Net Investment Income	-	658,507	(658,507)
Benefit Payments, including refunds of employee contributions	(7,850,452)	(7,850,452)	-
Administrative expenses	-	(76,481)	76,481
Net Changes	<u>14,193,965</u>	<u>2,011,830</u>	<u>12,182,135</u>
Balance at June 30, 2017	<u>\$ 167,470,071</u>	<u>\$ 123,755,930</u>	<u>\$ 43,714,141</u>

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

Q. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Cajon Valley School District (District) administers a single-employer healthcare plan (Plan). The plan provides medical benefits to eligible retirees to age 65. Some employees are eligible for a \$50 per month reimbursement for post-65 coverage. An employee must have at least 10 years of District service at retirement and retire on or after age 55 to be eligible for retiree health benefits. In general, the District's contribution for retiree health coverage is equivalent to a similarly situated active employee.

Benefit Plan Provisions

The District provides retiree medical (including prescription drug benefits) and dental benefits to eligible retirees and their eligible dependents until the retiree turns age 65. An eligible retiree is only eligible for the level of coverage (retiree only, retiree plus spouse, or retiree plus family) they are receiving at retirement. Retired employees pay the same cost for coverage as an active employee. This cost varies based on the plans and level of coverage enrolled in. Classified part-time employees are only eligible for District-paid retiree only medical coverage but may elect and pay for dependent coverage. Employees in the management, supervisory, and classified non-management units who are hired after July 1, 2015 will be eligible for retiree health/dental benefits for the retiring employee only. Family members will not be covered. The District does not provide for any retiree medical or dental benefits beyond age 65; except, certain management employees and supervisors may continue on the Kaiser Senior Advantage Plan and receive a maximum District contribution equal to \$50 per month.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Employees who retired prior to December 1, 2006 are eligible for a monthly amount (\$100) if they have waived medical benefits. No new retirees may elect this benefit in the future except an active employee who had waived coverage at December 1, 2006 and retirees with this same coverage in place.

Eligibility for retiree health coverage requires retirement on or after age 55 with at least 10 years of District service. A surviving spouse can continue coverage upon the death of the retiree until they attain age 65 for the same rate the retiree would pay for single coverage. The District currently provides health benefits to approximately 223 retired employees and 1,460 active employees.

Premium Rates

The District joined the Southern California Schools VEBA as of December 1, 2006. The VEBA is considered a community-rated plan. Premium rates may vary by plans selected, coverage tier, and Medicare eligibility. The District currently offers a Kaiser HMO, four United Healthcare HMO plans, a United Healthcare PPO Plan, and a SIMNSA health plan based in Mexico. The District also offers a self insured Delta Dental Plan and a fully insured MetLife Prepaid Dental Plan.

Funding Policy

Beginning in the 2007-08 fiscal year, the District began to accrue the retiree health benefits in accordance with GASB Statement No. 45. The expense is generally accrued over the working career of employees. Under accrual accounting in accordance with GASB Statement No. 45 the District's expense for the fiscal year ended June 30, 2017 was \$1,341,289.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefits (OPEB) cost (expense) is based on the annual required contribution of the employer (ARC). The District's expense is comprised of the present value of benefits accruing in the current year (normal cost) plus a 30 year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 6,303,500
Interest on Net OPEB obligation	166,048
Adjustment to ARC	<u>(1,202,546)</u>
Annual OPEB cost	5,267,002
Employer contributions	<u>(1,341,289)</u>
Increase in Net OPEB obligation	3,925,713
Net OPEB obligations-beginning of year	16,215,580
Net OPEB obligations-end of year	<u>\$ 20,141,293</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2015, 2016, and June 30, 2017 are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 2,974,650	49.89%	\$ 12,011,398
2016	5,354,303	21.48%	16,215,580
2017	5,267,002	26.15%	20,141,293

CAJON VALLEY UNION SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

The following assumptions were made:

Retirement eligibility age: The earliest retirement age assumed for employees is age 55.

Participation rate: 95% of future active employees are assumed to elect retiree health coverage at retirement. Of those electing coverage, approximately 60% are assumed to elect coverage for their spouse. Spouses are assumed to be the same age as the retiree. 20% of eligible (for reimbursement) retirees are assumed to continue on the Kaiser Senior Advantage Plan upon reaching age 65.

Claim cost development: The valuation was based on the medical premiums furnished by the District. The District participates in the Southern California Schools VEBA which was considered a community-rated plan. It was assumed that withdrawal for the District from VEBA would not materially change the premiums charged to the participating employers of the VEBA. The average annual premium costs used in the valuation for an under 65 retiree is \$8,522

Medical trend rates: The expected rate of increase in healthcare insurance premiums ranged from a rate of 7.0 percent initially, reduced to a rate of 5.0 percent after five years, was used.

Actuarial Cost Method: The actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the year. All employees eligible as of the measurement date in accordance with the provisions of the plan listed in the data provided by the District were included in the valuation.

Actuarial value of assets: Any assets of the plan will be valued on a market value basis.

R. 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

S. Construction Commitments

As of June 30, 2017 the District had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>
Construction in Process:		
Security Cameras	\$ 15,000	September 2017
New Gym Greenfield Middle School	26,928	September 2017
Modernization Vista Grand Elementary	1,147,222	September 2017
Modernization Rancho San Diego Elementary	1,098,874	September 2017
New Gym Emerald Middle School	212,759	September 2017
New Gym Montgomery Middle School	8,658	July 2017
New Classroom Magnolia Elementary	407,345	September 2017

*Expected date of final completion subject to change

T. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts --- or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements --- in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

As of the date this audit report is issued, the District does not have any split-interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
2. Reporting amounts previously reported as goodwill and "negative" goodwill.
3. Classifying real estate held by insurance entities.
4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
8. Classifying employer-paid member contributions for OPEB.
9. Simplifying certain aspects of the alternative measurement method for OPEB.
10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

GASB Statement No. 86 - Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes financial statements for debt that is defeased in substance.

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.

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
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 87,591,324	\$ 87,738,643	\$ 90,457,433	\$ 2,718,790
Education Protection Account Funds	19,530,179	19,683,067	19,683,067	-
Local Sources	31,091,698	33,602,089	31,239,324	(2,362,765)
Federal Revenue	9,920,382	12,921,448	11,166,767	(1,754,681)
Other State Revenue	6,176,721	17,267,858	14,968,733	(2,299,125)
Other Local Revenue	12,241,081	16,011,710	15,663,160	(348,550)
Total Revenues	<u>166,551,385</u>	<u>187,224,815</u>	<u>183,178,484</u>	<u>(4,046,331)</u>
Expenditures:				
Current:				
Certificated Salaries	74,943,096	79,151,472	77,120,129	2,031,343
Classified Salaries	29,842,312	29,738,673	29,884,456	(145,783)
Employee Benefits	34,479,470	41,439,159	37,270,594	4,168,565
Books And Supplies	7,317,659	19,176,784	7,264,872	11,911,912
Services And Other Operating Expenditures	15,954,749	26,041,562	17,389,394	8,652,168
Other Outgo	495,555	343,573	531,603	(188,030)
Direct Support/Indirect Costs	(508,522)	(511,590)	(488,265)	(23,325)
Capital Outlay	3,298,141	6,954,591	4,211,039	2,743,552
Debt Service:				
Principal	379,268	379,268	379,268	-
Interest	5,928	5,928	5,927	1
Total Expenditures	<u>166,207,656</u>	<u>202,719,420</u>	<u>173,569,017</u>	<u>29,150,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>343,729</u>	<u>(15,494,605)</u>	<u>9,609,467</u>	<u>25,104,072</u>
Other Financing Sources (Uses):				
Transfers In	300,000	-	-	-
Transfers Out	(642,840)	(2,406,218)	(6,765,019)	(4,358,801)
Total Other Financing Sources (Uses)	<u>(342,840)</u>	<u>(2,406,218)</u>	<u>(6,765,019)</u>	<u>(4,358,801)</u>
Net Change in Fund Balance	889	(17,900,823)	2,844,448	20,745,271
Fund Balance, July 1	<u>37,267,387</u>	<u>37,267,387</u>	<u>37,267,387</u>	-
Fund Balance, June 30	<u>\$ 37,268,276</u>	<u>\$ 19,366,564</u>	<u>\$ 40,111,835</u>	<u>\$ 20,745,271</u>

See Accompanying Notes to Required Supplementary Information.

CAJON VALLEY UNION SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS-OPEB PLAN
 YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/07	\$ -	31,438,536	31,438,536	-	62,478,000	50.3%
01/01/09	-	30,257,643	30,257,643	-	69,420,000	43.6%
01/01/11	-	26,647,546	26,647,546	-	75,548,000	35.3%
01/01/13	-	26,984,990	26,984,990	-	78,061,000	34.6%
01/01/15	-	45,036,561	45,036,561	-	82,855,000	54.4%

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.1409%	0.1440%	0.1436%	N/A						
District's proportionate share of the net pension liability (asset)	\$ 113,997,545	\$ 96,947,587	\$ 83,930,352	\$ N/A						
State's proportionate share of the net pension liability (asset) associated with the District	68,829,904	57,427,297	53,411,261	N/A						
Total	\$ 182,827,449	\$ 154,374,884	\$ 137,341,613	\$ N/A						
District's covered-employee payroll	\$ 75,795,954	\$ 70,026,207	\$ 66,545,835	\$ N/A						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	150.40%	138.44%	126.12%	N/A						
Plan fiduciary net position as a percentage of the total pension liability	70.04%	74.02%	76.52%	N/A						

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 was the first implementation year and as such no information is being presented for years prior to implementation.

See Accompanying Notes to Required Supplementary Information.

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 9,535,131	\$ 7,513,812	\$ 5,909,270	\$ N/A						
Contributions in relation to the contractually required contribution	(9,535,131)	(7,513,812)	(5,909,270)	N/A						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ N/A						
District's covered-employee payroll	\$ 75,795,954	\$ 70,026,207	\$ 66,545,835	\$ N/A						
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%	N/A						

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 was the first year of implementation and as such information is not being presented for years prior to implementation.

See Accompanying Notes to Required Supplementary Information.

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.2214%	0.2140%	0.2150%	N/A						
District's proportionate share of the net pension liability (asset)	\$ 43,714,141	\$ 31,532,006	\$ 24,400,237	\$	\$	\$	\$	\$	\$	\$
District's covered-employee payroll	\$ 29,331,408	\$ 26,803,140	\$ 23,789,294	\$	\$	\$	\$	\$	\$	\$
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	149.04%	117.64%	102.57%	N/A						
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.43%	83.38%	N/A						

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 was the first year of implementation and as such years previous to implementation are not presented in this schedule.

See Accompanying Notes to Required Supplementary Information

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 4,073,546	\$ 3,175,368	\$ 2,800,238	\$ N/A						
Contributions in relation to contractually required contribution	(4,073,546)	(3,175,368)	(2,800,238)	N/A						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ N/A						
District's covered-employee payroll	\$ 29,331,408	\$ 26,803,140	\$ 23,789,294	\$ N/A						
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	N/A						

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 fiscal year was the first year of implementation and as such years previous to implementation are not presented in this schedule.

See Accompanying Notes to Required Supplementary Information.

CAJON VALLEY UNION SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2017

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Post Employment Benefits (Fund 20) was included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$	45,012,428
Less Fund 20 Fund Balance		(4,900,593)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	\$	<u>40,111,835</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$	3,325,056
Change in Fund Balance attributed to Fund 20		(480,608)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	\$	<u>2,844,448</u>

Excess of Expenditures Over Appropriations

As of June 30, 2017, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>		<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:			
Classified Salaries	\$	145,783	District underestimated classified support salaries
Other Outgo		188,030	District underestimated costs of tuition

Schedule of District's Proportionate Share - California State Teachers Retirement System

- 1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits
- 2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions

Schedule of District's Contributions - California State Teachers Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

<u>Valuation Date</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Experience Study	07/01/06 - 06/30/10	07/01/07 - 06/30/11	07/01/08 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its RP2000 series tables adjusted to fit CalSTRS experience. RP 2000 series tables are an industry standard of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010, July 1, 2007 - June 30, 2011 and July 1, 2008 - June 30, 2012 Experience Analysis for more information.

Schedule of District's Proportionate Share - California Public Employees Retirement System

1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/96 - 06/30/10	07/01/97 - 06/30/11	07/01/98 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.50%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, please refer to the April 2013 experience study (based on demographic data from 1996 through 2010), the April 2014 experience study (based on demographic data from 1997 to 2011) and the April 2015 experience study (based on demographic data from 1998 to 2012) available on the CalPERS website.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 458,438	\$ 12,005,949	\$ 10,386,827	\$ 22,851,214
Cash on Hand and in Banks	272,018	-	-	272,018
Accounts Receivable	1,689,379	-	60,225	1,749,604
Due from Other Funds	556	-	708,843	709,399
Stores Inventories	201,922	-	-	201,922
Total Assets	<u>2,622,313</u>	<u>12,005,949</u>	<u>11,155,895</u>	<u>25,784,157</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 432,920	\$ -	\$ 4,979	\$ 437,899
Due to Other Funds	625,459	-	-	625,459
Unearned Revenue	21,215	-	-	21,215
Total Liabilities	<u>1,079,594</u>	<u>-</u>	<u>4,979</u>	<u>1,084,573</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	201,922	-	-	201,922
Restricted Fund Balances	1,340,793	12,005,949	1,327,188	14,673,930
Assigned Fund Balances	4	-	9,823,728	9,823,732
Total Fund Balance	<u>1,542,719</u>	<u>12,005,949</u>	<u>11,150,916</u>	<u>24,699,584</u>
Total Liabilities and Fund Balances	<u>\$ 2,622,313</u>	<u>\$ 12,005,949</u>	<u>\$ 11,155,895</u>	<u>\$ 25,784,157</u>

CAJON VALLEY UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 7,719,619	\$ -	\$ -	\$ 7,719,619
Other State Revenue	2,636,426	120,341	-	2,756,767
Other Local Revenue	895,536	13,165,818	511,555	14,572,909
Total Revenues	<u>11,251,581</u>	<u>13,286,159</u>	<u>511,555</u>	<u>25,049,295</u>
Expenditures:				
Current:				
Instruction	1,688,206	-	-	1,688,206
Instruction - Related Services	264,632	-	-	264,632
Pupil Services	8,376,092	-	-	8,376,092
General Administration	488,266	-	-	488,266
Plant Services	65,871	-	441,290	507,161
Capital Outlay	514,231	-	9,314	523,545
Debt Service:				
Principal	-	6,120,194	-	6,120,194
Interest	-	7,123,394	-	7,123,394
Total Expenditures	<u>11,397,298</u>	<u>13,243,588</u>	<u>450,604</u>	<u>25,091,490</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(145,717)</u>	<u>42,571</u>	<u>60,951</u>	<u>(42,195)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	2,808,843	2,808,843
Other Sources	-	354,412	-	354,412
Total Other Financing Sources (Uses)	<u>-</u>	<u>354,412</u>	<u>2,808,843</u>	<u>3,163,255</u>
Net Change in Fund Balance	(145,717)	396,983	2,869,794	3,121,060
Fund Balance, July 1	1,688,436	11,608,966	8,281,122	21,578,524
Fund Balance, June 30	<u>\$ 1,542,719</u>	<u>\$ 12,005,949</u>	<u>\$ 11,150,916</u>	<u>\$ 24,699,584</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 73,723	\$ 384,715	\$ -	\$ 458,438
Cash on Hand and in Banks	-	272,018	-	272,018
Accounts Receivable	121,834	1,567,545	-	1,689,379
Due from Other Funds	-	556	-	556
Stores Inventories	-	201,922	-	201,922
Total Assets	<u>195,557</u>	<u>2,426,756</u>	<u>-</u>	<u>2,622,313</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 18,993	\$ 413,927	\$ -	\$ 432,920
Due to Other Funds	174,464	450,995	-	625,459
Unearned Revenue	2,096	19,119	-	21,215
Total Liabilities	<u>195,553</u>	<u>884,041</u>	<u>-</u>	<u>1,079,594</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	-	201,922	-	201,922
Restricted Fund Balances	-	1,340,793	-	1,340,793
Assigned Fund Balances	4	-	-	4
Total Fund Balance	<u>4</u>	<u>1,542,715</u>	<u>-</u>	<u>1,542,719</u>
Total Liabilities and Fund Balances	<u>\$ 195,557</u>	<u>\$ 2,426,756</u>	<u>\$ -</u>	<u>\$ 2,622,313</u>

CAJON VALLEY UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ -	\$ 7,719,619	\$ -	\$ 7,719,619
Other State Revenue	2,039,815	596,611	-	2,636,426
Other Local Revenue	2,865	891,719	952	895,536
Total Revenues	<u>2,042,680</u>	<u>9,207,949</u>	<u>952</u>	<u>11,251,581</u>
Expenditures:				
Current:				
Instruction	1,688,206	-	-	1,688,206
Instruction - Related Services	264,632	-	-	264,632
Pupil Services	-	8,376,092	-	8,376,092
General Administration	89,838	398,428	-	488,266
Plant Services	-	65,871	-	65,871
Capital Outlay	-	76,388	437,843	514,231
Total Expenditures	<u>2,042,676</u>	<u>8,916,779</u>	<u>437,843</u>	<u>11,397,298</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4</u>	<u>291,170</u>	<u>(436,891)</u>	<u>(145,717)</u>
Net Change in Fund Balance	4	291,170	(436,891)	(145,717)
Fund Balance, July 1	-	1,251,545	436,891	1,688,436
Fund Balance, June 30	<u>\$ 4</u>	<u>\$ 1,542,715</u>	<u>\$ -</u>	<u>\$ 1,542,719</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 1,293,811	\$ 9,093,016	\$ 10,386,827
Accounts Receivable	38,356	21,869	60,225
Due from Other Funds	-	708,843	708,843
Total Assets	<u>1,332,167</u>	<u>9,823,728</u>	<u>11,155,895</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 4,979	\$ -	\$ 4,979
Total Liabilities	<u>4,979</u>	<u>-</u>	<u>4,979</u>
Fund Balance:			
Restricted Fund Balances	1,327,188	-	1,327,188
Assigned Fund Balances	-	9,823,728	9,823,728
Total Fund Balance	<u>1,327,188</u>	<u>9,823,728</u>	<u>11,150,916</u>
Total Liabilities and Fund Balances	<u>\$ 1,332,167</u>	<u>\$ 9,823,728</u>	<u>\$ 11,155,895</u>

CAJON VALLEY UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 438,605	\$ 72,950	\$ 511,555
Total Revenues	<u>438,605</u>	<u>72,950</u>	<u>511,555</u>
Expenditures:			
Current:			
Plant Services	441,290	-	441,290
Capital Outlay	9,314	-	9,314
Total Expenditures	<u>450,604</u>	<u>-</u>	<u>450,604</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,999)</u>	<u>72,950</u>	<u>60,951</u>
Other Financing Sources (Uses):			
Transfers In	-	2,808,843	2,808,843
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,808,843</u>	<u>2,808,843</u>
Net Change in Fund Balance	(11,999)	2,881,793	2,869,794
Fund Balance, July 1	1,339,187	6,941,935	8,281,122
Fund Balance, June 30	<u>\$ 1,327,188</u>	<u>\$ 9,823,728</u>	<u>\$ 11,150,916</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

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2017

The Cajon Valley Union School District is located in eastern San Diego County and serves kindergarten through eighth grade students in the City of El Cajon and communities of Crest, Mount Helix, and Rancho San Diego. The district covers an area of approximately 66.3 square miles and had no change in its boundaries during the year. The district operates nineteen elementary schools, six middle schools, one early childhood school, one home school, one community day school, and twelve state preschools.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Jo Alegria	President	Four Year Term Expires December 2018
Tamara Otero	Vice President	Four Year Term Expires December 2018
Jill D. Barto	Clerk	Four Year Term Expires December 2018
Karen Clark-Mejia	Member	Four Year Term Expires December 2020
James P. Miller Jr.	Member	Four Year Term Expires December 2020

Administration

David Miyashiro, Ed.D
Superintendent

Kari Hull
Assistant Superintendent
Educational Services

Michelle Hayes
Assistant Superintendent
Personnel Services

Scott Buxbaum
Assistant Superintendent
Business Services

Jonathon Guertin
Chief Technology Officer
Technology Services

CAJON VALLEY UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2017

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	6,939.77	N/A	6,983.06	N/A
Extended Year Special Education	11.23	N/A	11.23	N/A
Nonpublic, Nonsectarian Schools	3.30	N/A	3.30	N/A
Extended Year - Nonpublic	0.59	N/A	0.59	N/A
TK/K-3 Totals	<u>6,954.89</u>	<u>N/A</u>	<u>6,998.18</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	5,280.27	N/A	5,292.01	N/A
Extended Year Special Education	7.57	N/A	7.57	N/A
Nonpublic, Nonsectarian Schools	6.76	N/A	6.76	N/A
Extended Year - Nonpublic	1.42	N/A	1.42	N/A
Community Day School	5.05	N/A	4.43	N/A
Grades 4-6 Totals	<u>5,301.07</u>	<u>N/A</u>	<u>5,312.19</u>	<u>N/A</u>
Grades 7 and 8:				
Regular ADA	3,400.30	N/A	3,399.64	N/A
Extended Year Special Education	2.81	N/A	2.81	N/A
Nonpublic, Nonsectarian Schools	6.52	N/A	6.52	N/A
Extended Year - Nonpublic	0.71	N/A	0.71	N/A
Community Day School	9.63	N/A	10.26	N/A
Grades 7 and 8 Totals	<u>3,419.97</u>	<u>N/A</u>	<u>3,419.94</u>	<u>N/A</u>
ADA Totals	<u>15,675.93</u>	<u>N/A</u>	<u>15,730.31</u>	<u>N/A</u>

N/A - There were no audit findings which resulted in necessary revisions to attendance.

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

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2017

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	2016-17 Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	52,440	180	-	Complied
Kindergarten	36,000	52,440	180	-	Complied
Grade 1	50,400	52,240	180	-	Complied
Grade 2	50,400	52,240	180	-	Complied
Grade 3	50,400	52,440	180	-	Complied
Grade 4	54,000	54,240	180	-	Complied
Grade 5	54,000	54,240	180	-	Complied
Grade 6	54,000	61,890	180	-	Complied
Grade 7	54,000	61,890	180	-	Complied
Grade 8	54,000	61,890	180	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District neither met nor exceeded its target funding.

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2017

TABLE D-3

General Fund	Budget 2018 (See Note 1)	2017	2016	2015
Revenues and other financial sources	\$ 180,978,461	\$ 183,178,484	\$ 179,260,032	\$ 146,859,949
Expenditures, other uses and transfers out	180,224,861	180,334,036	172,937,295	144,608,810
Change in fund balance (deficit)	753,600	2,844,448	6,322,737	2,251,139
Ending fund balance	\$ 40,865,435	\$ 40,111,835	\$ 37,267,387	\$ 30,944,650
Available reserves (See Note 2)	\$ 32,419,287	\$ 31,665,836	\$ 28,252,993	\$ 23,679,030
Available reserves as a percentage of total outgo (See Note 3)	18.0%	17.6%	16.8%	16.4%
Total long-term debt	\$ 385,892,739	\$ 396,915,081	\$ 345,308,887	\$ 307,583,080
Average daily attendance at P-2	15,676	15,676	15,401	15,408

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 fund balance of the general fund has increased by \$11,418,325 over the past three years. The fiscal year 2017-18 budget projects an increase of \$753,600. For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$88,332,001 over the past two years.

Average daily attendance (ADA) has increased by 268 over the past two years.

Notes:

- 1 Budget 2018 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all assigned fund balances, all unassigned fund balances, and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$4,277,479, \$4,577,080, and \$3,459,812, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2017, 2016, and 2015.
- 4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Postemployment Benefits (Fund 20) is included with the General Fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the General Fund.

CAJON VALLEY UNION SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2017

TABLE D-4

	General Fund	Special Reserve Fund for Other Post Employment Benefits	Self Insurance Fund
	<u> </u>	<u> </u>	<u> </u>
June 30, 2017, annual financial and budget report fund balances/net position	\$ 40,111,835	\$ 4,900,593	\$ 5,611,515
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB #54 Fund Presentation	4,900,593	(4,900,593)	-
Prior Year Adjustments for GASB #45 & GASB #68			(25,677)
Net OPEB Obligation Activity for Current Year (GASB 45)	-	-	(1,079)
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources Activity for Current Year (GASB 68)	<u>-</u>	<u>-</u>	<u>544</u>
Net adjustments and reclassifications	<u>4,900,593</u>	<u>(4,900,593)</u>	<u>(26,212)</u>
June 30, 2017, audited financial statement fund balances/net position	<u>\$ 45,012,428</u>	<u>\$ -</u>	<u>\$ 5,585,303</u>
	<u>Schedule of Long-Term Liabilities</u>		
June 30, 2017, annual financial and budget report total liabilities	<u>\$ 386,536,357</u>		
Adjustments and reclassifications:			
Increase (decrease) in total liabilities:			
Net pension liability understatement	9,509,050		
Net OPEB obligation understatement	1,301,566		
Bond premium understatement	281,220		
IBNR reclassification to accounts payable	(378,662)		
Compensated absences overstatement	<u>(334,450)</u>		
Net adjustments and reclassifications	<u>10,378,724</u>		
June 30, 2017, audited financial statement total liabilities	<u>\$ 396,915,081</u>		

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.

The following charter schools are chartered by Cajon Valley Union School District:

<u>Charter Schools</u>	<u>Included In Audit?</u>
EJE Elementary Academy Charter School	No
EJE Middle Academy Charter School	No

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

TABLE D-6
 Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through California Department of Education:				
School Breakfast Program	10.553	13526	\$ -	\$ 1,909,559
National School Lunch Program Section 4	10.555	13391	-	757,811
National School Lunch Program Noncash Commodities	10.555	13396	-	99,335
National School Lunch Program Section 11	10.555	13396	-	4,877,814
National School Lunch Program Meal Supplement	10.555	23165	-	143,064
Total Passed Through California Department of Education			-	7,787,583
Total U. S. Department of Agriculture			-	7,787,583
Total Child Nutrition Cluster			-	7,787,583
FISH AND WILDLIFE CLUSTER:				
<u>U. S. Department of the Interior</u>				
Direct Program:				
Wild Life Restoration	15.611	-	-	7,443
Total U. S. Department of the Interior			-	7,443
Total Fish and Wildlife Cluster			-	7,443
MEDICAID CLUSTER:				
<u>U. S. Department of Health and Human Services</u>				
Direct Programs:				
Medi-Cal Billing Option	93.778	-	-	948,947
Medi-Cal MAA	93.778	-	-	150,864
Total Direct Programs			-	1,099,811
Total U. S. Department of Health and Human Services			-	1,099,811
Total Medicaid Cluster			-	1,099,811
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through California Department of Education:				
IDEA Basic	84.027	13379	-	2,529,445
IDEA Preschool Local	84.027	13682	-	633,981
IDEA Mental Health	84.027	14468	-	105,373
IDEA Preschool	84.173	13430	-	239,533
IDEA Preschool Staff Development	84.173	13431	-	1,718
Total Passed Through California Department of Education			-	3,510,050
Total U. S. Department of Education			-	3,510,050
Total Special Education (IDEA) Cluster			-	3,510,050
OTHER PROGRAMS:				
<u>U. S. Environmental Protection Agency</u>				
Direct Program:				
State Clean Diesel Grant Program	66.040	-	-	160,000
Total U. S. Environmental Protection Agency			\$ -	\$ 160,000

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

TABLE D-6
 Page 2 of 2

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U. S. Department of Education</u>				
Direct Program:				
Supportive Schools - Successful Students	84.215	-	\$ -	\$ 133,021
Passed Through California Department of Education:				
Title I Part A	84.010	14416	-	5,217,998
Early Intervention	84.181	23761	-	27,147
Title III Limited English Proficiency	84.365	14346	-	853,192
Title III Immigrant Education	84.365	15146	-	259,639
Title II Teacher Quality	84.367	14341	38,829	556,561
Total Passed Through California Department of Education			38,829	6,914,537
Total U. S. Department of Education			38,829	7,047,558
<u>U. S. Department of Agriculture</u>				
Passed Through California Department of Education:				
Child Nutrition Equipment Assistance	10.579	14906	-	31,370
Total U. S. Department of Agriculture			-	31,370
<u>Department of Homeland Security - FEMA</u>				
Direct Program:				
Fire Management Assistance Grant	97.046	-	-	2,368
Total Department of Homeland Security - FEMA			-	2,368
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 38,829	\$ 19,646,183

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, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Cajon Valley Union School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 4.72% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
Title III Limited English Proficiency	84.365	2.00%
IDEA Preschool Staff Development	84.027	4.70%
Supportive Schools	84.215	4.25%

Schoolwide Program

The District operates "schoolwide programs" at eleven school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide program:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I Part A	84.010	\$2,689,121

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cajon Valley Union School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Cajon Valley Union School District's basic financial statements and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cajon Valley Union School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cajon Valley Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cajon Valley Union School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2017-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cajon Valley Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2017-001 and 2017-002.

Cajon Valley Union School District's Response to Findings

Cajon Valley Union School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cajon Valley Union School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson-Hadley King + Co LLP

El Cajon, California
December 15, 2017

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Cajon Valley Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cajon Valley Union School District's major federal programs for the year ended June 30, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cajon Valley Union School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Cajon Valley Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Cajon Valley Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Cajon Valley Union School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cajon Valley Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cajon Valley Union School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wilkinson-Hadley King + Co LLP

El Cajon, California
December 15, 2017

Independent Auditor's Report on State Compliance

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

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2017.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Immunizations	Yes
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for Independent Study. The procedure was not required to be performed because the ADA was below that which requires testing.

Opinion on State Compliance

In our opinion, Cajon Valley Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002.

Cajon Valley Union School District's Response to Findings

Cajon Valley Union School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cajon Valley Union School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 15, 2017

Findings and Recommendations Section

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
93.778	Medi-Cal Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? X Yes No

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

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

B. Financial Statement Findings

Finding 2017-001 (30000)
Student Body Activities

Criteria or Specific Requirement

Determine if internal controls are in place over the student body funds that will ensure all student body cash tally sheets, receipts, and deposits are properly calculated and reconcile to supporting deposits and balances to ensure the safeguard of assets of the student body accounts. In addition, bank reconciliations should be completed for each student body account on a monthly basis.

Condition

In our review of the receipts and deposits in the student activities account for Montgomery Middle School, we noted five out of five deposits tested had cash tally sheets that were not signed by an individual verifying the receipts collected. Cash tally sheets were only being signed by the preparer of the form and the cash count deposited was not being verified by another individual at the school site. In addition, the cash tally sheets were routed to the district office; however, we could not determine if the forms were being reviewed, monitored, and approved by district personnel as an oversight control over cash receipts collected. Also, in our review of the middle school bank accounts, we noted that bank reconciliations were not being completed on a monthly basis as five out of six accounts had not been reviewed or reconciled for over seven months.

Questioned Costs

None

Context

In order to detect errors and deter fraud, proper internal controls must be established over deposits, receipts, bank reconciliations, and cash tally sheets for the middle school student activities accounts.

Cause

Insufficient proper training administered to site clerks and limited accounting monitoring and oversight by District personnel caused inadequate internal controls over the cash tally sheets of the Montgomery Middle School student activities account. In addition, internal controls and proper oversight had not been implemented over the middle school bank reconciliations.

Effect

The student body deposits, receipts, bank reconciliations, and cash tally sheets of the student activities accounts for Montgomery Middle School are exposed to significant risk of error and/or fraud which may not be detected by procedures being performed.

Recommendation

Provide inservice training to the school site individuals involved in daily student body account operations, including clerks and advisors. Ensure all cash tally sheets are properly completed, mathematically accurate, and are verified by a second individual when conducting cash counts at the school site. In addition, implement procedures that require district management personnel to verify the cash collected to the subsequent deposit and approve the forms upon receipt from the school site. Also, implement procedures to ensure all middle school bank accounts are being reconciled and reviewed on a monthly basis.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

LEA's Response/Corrective Action Plan

Cash handling procedures and the FCMAT ASB manual are provided at the beginning of each year to office staff, student body bookkeepers, and advisors. The District will schedule a cash handling/ASB workshop conducted by the auditors and presented to clerks, bookkeepers, advisors, and site administrators. Training will include the importance of proper documentation, cash count verification by two staff members, and timely submission for Fiscal Services review. The District will provide additional training to accounting staff assigned to reconcile middle school student body accounts. Additionally, newly hired accounting staff has been trained regarding cash receipt documentation requirements, such as tally sheets, and second signatures to verify receipts collected.

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2017-002 (10000)
Attendance

Criteria or Specific Requirement

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

Condition

In review of the class rosters at Lexington Elementary School for the seventh month of attendance, we noted that the class rosters were not being printed and verified on a timely basis. The teachers were signing and dating the class rosters immediately after printing; however, the class rosters were not being printed within one week after the end of the attendance period. In other cases, the teachers were signing and backdating the class rosters prior to the actual print date and some class rosters were being printed, signed, and dated in excess of two months after the end of the weekly attendance period.

Questioned Costs

None. The District has established procedures that the teachers enter attendance on a daily basis and although the verification of class rosters was not completed within state guidelines, the attendance was entered timely by individuals with first hand knowledge. Based upon our review, we determined there are no questioned costs or loss of attendance to be identified or justified as all class rosters had a valid teacher signature and were subsequently approved prior to the end of the fiscal year.

Context

California Education Code Sections 46000 and 46303 require that weekly attendance be signed, dated and verified by the teachers within one week after the end of each attendance period.

Cause

School site personnel did not understand the purpose and requirement that teachers verify attendance weekly.

Effect

The school sites were not consistent with the state requirement that attendance must be approved and verified by the teachers within one week after the end of each attendance period.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Recommendation

Implement procedures to ensure class rosters are printed timely and are being signed, dated, and verified by the teachers within one week after the end of each attendance period. Require all class rosters to be printed no later than one week after the end of the weekly attendance period and ensure no backdating of teacher signatures and verification dates is allowed. Retain all original class rosters printed and verified by the teachers even if changes or corrections have been made as proper support that weekly attendance is being validated on a timely basis.

LEA's Response/Corrective Action Plan

The District will continue to provide annual attendance training at the beginning of each school year. The training will emphasize the requirement to print class rosters in a timely manner and obtain teacher signatures within one week after the end of the weekly attendance period. Fiscal Services staff will increase oversight by conducting site visits to review attendance paperwork and verify established procedures are being followed.

CAJON VALLEY UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings reported in the prior year audit report.		