

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

JUNE 30, 2018

Introductory Section

Cajon Valley Union School District
 Audit Report
 For The Year Ended June 30, 2018

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Financial Section



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

Aubrey W. King, CPA
Kevin A. Sproul, CPA

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, 2018, 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, 2018, 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.

El Cajon Office
218 W. Douglas Avenue El Cajon, CA 92020
Tel. (619) 447-6700 Fax (619) 447-6707

Berkeley Office
2001 Addison Street, 3rd Floor, Berkeley, CA 94704
Tel. (510) 679-6900 Fax (510) 679-6901

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Cajon Valley Union School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of changes in the District's total OPEB liability and related ratios 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, *2017-18 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 January 14, 2019 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 solely 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 the effectiveness of the District's 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
January 14, 2019

CAJON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(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, 2018. 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 2017-2018 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 97% of LCFF target funding in 2017-18. We will receive 100% target in 2018-19 and anticipate cost-of-living (COLA) funding increases in subsequent years.
- STRS and PERS school employer pension rates are increasing each year until target rates are reached in 2024-25. The STRS employer pension contribution rate was 8.25% in 2013-14, 9.5% in 2014-15, 10.73% in 2015-16, 12.58% in 2016-17, 14.43% in 2017-18, and 16.28% in 2018-19. 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, 15.531% in 2017-18, and will be 18.062% in 2018-19.
- 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 increased by 3.8%, and funding for 2018-19 is expected to increase another 6.7%. 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 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 \$187 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.
- GASB Statement No. 75 requires new disclosures of future other post-employment benefit costs. Cajon Valley implemented the requirements of this GASB Statement in the 2017-18 year. As a result, a large benefit liability of approximately \$53.5 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 2017-2018?" 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

Assets	6/30/18	6/30/17	% Change 6/18 - 6/17	6/30/16	% Change 6/17 - 6/16
Cash	119,049,697	112,951,300	5.40%	88,574,072	27.52%
Investments	-	-	-	-	-
Receivables	8,181,092	9,018,352	-9.28%	9,413,557	-4.20%
Due from Other funds	-	-	-	-	-
Stores	425,325	456,327	-6.79%	539,982	-15.49%
Prepaid expenses	487,498	26,146	1764.52%	6,181	323.01%
Other Current Assets	-	-	-	-	-
Capital Assets:					
Land	13,517,805	13,517,805	0.00%	13,517,805	0.00%
Site Improvements	14,924,188	13,158,938	13.41%	11,433,833	15.09%
Buildings and improvements	349,218,311	300,638,208	16.15%	298,412,522	0.75%
Equipment	18,416,662	14,965,449	2.30%	13,098,199	216.97%
Work in Progress	43,977,906	70,443,083	-37.56%	85,138,753	-17.26%
Less accumulated depreciation	(141,665,739)	(132,300,633)	7.07%	(121,431,659)	8.95%
Total Assets	426,532,745	429,426,456	-6.7%	398,703,245	7.71%
Deferred Outflows of Resources	67,415,088	31,056,508	117.07%	21,553,078	44.09%

Liabilities

Accounts payable and other current liabilities	11,051,894	10,915,890	1.24%	10,285,137	6.13%
Due to other funds	-	-	-	-	-
Unearned Revenue	2,726,287	1,695,315	60.81%	2,061,595	-17.77%
Long term liabilities:					
Due within one year	13,708,647	11,022,342	24.37%	8,977,793	22.77%
Due in more than one year	456,848,303	385,892,739	18.39%	336,331,094	14.74%
Total Liabilities	484,335,131	409,526,286	18.26%	357,655,619	14.50%
Deferred Inflows of Resources	21,199,309	7,520,954	181.87%	8,527,261	-11.80%

Net Position

Invested in capital assets, net of related debt	94,846,676	90,218,981	5.13%	102,708,967	0.00%
Restricted	66,867,386	61,351,120	8.99%	54,268,037	13.05%
Unrestricted	(173,300,669)	(108,134,377)	-60.26%	(102,903,561)	5.08%
Total Net Position	(11,586,607)	43,435,724	-126.67%	54,073,443	-19.67%

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 2017-18 year, compared with revenue for the previous three years.

Table 2
Revenue – Governmental Activities

	2017-18	2016-17	2015-16	2014-15
General Revenue	176,799,004	168,609,918	161,677,448	136,188,315
Program Revenue & Fees for Services	64,179,759	60,814,247	40,286,601	35,390,668
Total Revenue	240,978,763	229,424,165	201,964,049	171,578,983

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 2017-18 year, compared with expenditures for the previous three years.

Table 3
Expenditures – Governmental Activities

	2017-18	2016-17	2015-16	2014-15
Classroom Instruction	133,757,552	136,320,164	119,872,798	105,873,877
Instructional Related Services	21,252,540	22,623,534	18,419,271	15,569,867
Pupil Services	26,618,598	26,063,085	24,256,358	20,359,859
General Administration	13,572,441	12,518,334	9,923,116	8,859,677
Plant Services	14,539,829	15,081,418	14,139,963	13,486,918
Ancillary Services	0	0	0	0
Community Services	223,624	269,976	188,335	185,610
Self-Insured Activities	19,817,767	18,624,249	68	48
Interest on Long Term Debt	9,852,361	7,845,219	8,355,322	7,175,057
Other Outgo	1,001,498	715,905	602,831	483,612
Total Expenditures	240,636,210	240,061,884	195,758,062	171,994,525

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 2017-18 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 2017-18 fiscal year, the District had \$440,054,872 invested in land, buildings, work-in-progress, and capital equipment. Depreciation totaling \$141,665,739 was charged against the value of those assets for net capital assets of \$280,422,850. Net capital assets at the end of the 2016-17 were \$306,974,331, at the end of 2015-16 were \$300,169,453, and at the end of the 2014-15 year were \$279,562,626.

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.

In November 2016 the community approved Proposition EE, which authorized the sale of \$20 million short-term (3-year) general obligation bonds. One series of these bonds were issued for \$6 million in March 2017. The short-term nature of these bonds is structured to pay for classroom technology equipment during the useful life of 1 to 1 student computers.

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. Recently completed were a classroom building at Magnolia and a new gymnasium at Montgomery Middle School.

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 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 71% 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 2018 for implementation in the 2018-19 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, 2018

	Governmental Activities
ASSETS	
Cash	\$ 119,049,697
Receivables	8,181,092
Stores	425,325
Prepaid Expenses	487,498
Capital Assets:	
Land	13,517,805
Improvements	14,924,188
Buildings	349,218,311
Equipment	18,416,662
Work in Progress	43,977,906
Less Accumulated Depreciation	(141,665,739)
Total Assets	<u>426,532,745</u>
DEFERRED OUTFLOWS OF RESOURCES	67,415,088
LIABILITIES	
Accounts Payable and Other Current Liabilities	11,051,894
Unearned Revenue	2,726,287
Long-Term Liabilities:	
Due Within One Year	13,708,647
Due in More Than One Year	456,848,303
Total Liabilities	<u>484,335,131</u>
DEFERRED INFLOWS OF RESOURCES	21,199,309
NET POSITION	
Net Investment in Capital Assets	94,846,676
Restricted for:	
Capital Projects	40,610,620
Debt Service	15,006,305
Educational Programs	6,146,158
Other Purposes (Expendable)	4,041,480
Other Purposes (Nonexpendable)	1,062,823
Unrestricted	(173,300,669)
Total Net Position	<u>\$ (11,586,607)</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, 2018

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	\$ 133,757,552	\$ 1,211,873	\$ 18,503,232	\$ 2,992,789	\$ (111,049,658)
Instruction-Related Services:					
Instructional Supervision and Administration	7,742,138	105,717	2,776,588	-	(4,859,833)
Instructional Library, Media and Technology	1,433,619	-	61,448	-	(1,372,171)
School Site Administration	12,076,783	21,694	463,707	-	(11,591,382)
Pupil Services:					
Home-to-School Transportation	4,558,275	-	-	-	(4,558,275)
Food Services	9,281,756	850,047	7,972,778	-	(458,931)
All Other Pupil Services	12,778,567	98,904	3,199,747	-	(9,479,916)
General Administration:					
Centralized Data Processing	3,734,870	-	-	-	(3,734,870)
All Other General Administration	9,837,571	54,437	1,173,332	-	(8,609,802)
Plant Services	14,539,829	1,440,184	2,634,998	-	(10,464,647)
Community Services	223,624	-	-	-	(223,624)
Self Insured Activities	19,817,767	20,122,272	-	-	304,505
Interest on Long-Term Debt	9,852,361	-	-	-	(9,852,361)
Other Outgo - Tuition	996,935	144,855	351,157	-	(500,923)
Other Outgo - Debt Issuance Costs	4,563	-	-	-	(4,563)
Total Expenses	\$ 240,636,210	\$ 24,049,983	\$ 37,136,987	\$ 2,992,789	\$ (176,456,451)
 General Revenues:					
Taxes and Subventions:					
					37,524,990
					15,587,111
					1,401,423
					115,334,501
					1,057,986
					206,169
					5,686,824
					<u>\$ 176,799,004</u>
					Change in Net Position 342,553
					Net Position Beginning - Restated (Note R) (11,929,160)
					<u>\$ (11,586,607)</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Building Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ 49,065,082	\$ 33,696,584
Cash on Hand and in Banks	602,116	80,757
Cash in Revolving Fund	150,000	-
Cash with a Fiscal Agent/Trustee	-	2,546,968
Accounts Receivable	5,397,249	37,128
Due from Other Funds	1,370,278	3,600,000
Stores Inventories	255,372	-
Prepaid Expenditures	487,498	-
Total Assets	<u>57,327,595</u>	<u>39,961,437</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 4,910,602	\$ 657,776
Due to Other Funds	4,084,918	11,506
Unearned Revenue	2,708,296	-
Total Liabilities	<u>11,703,816</u>	<u>669,282</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	150,000	-
Stores Inventories	255,372	-
Prepaid Items	487,498	-
Restricted Fund Balances	8,393,914	39,292,155
Assigned Fund Balances	17,150,558	-
Unassigned:		
Reserve for Economic Uncertainty	5,680,689	-
Other Unassigned	13,505,748	-
Total Fund Balance	<u>45,623,779</u>	<u>39,292,155</u>
Total Liabilities and Fund Balances	<u>\$ 57,327,595</u>	<u>\$ 39,961,437</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ 15,006,305	\$ 11,508,253	\$ 109,276,224
-	1,793,164	2,476,037
-	-	150,000
-	-	2,546,968
-	935,789	6,370,166
-	9,489	4,979,767
-	169,953	425,325
-	-	487,498
<u>15,006,305</u>	<u>14,416,648</u>	<u>126,711,985</u>
\$ -	\$ 496,425	\$ 6,064,803
-	880,764	4,977,188
-	17,991	2,726,287
<u>-</u>	<u>1,395,180</u>	<u>13,768,278</u>
-	-	150,000
-	169,953	425,325
-	-	487,498
15,006,305	3,112,189	65,804,563
-	9,739,326	26,889,884
-	-	5,680,689
-	-	13,505,748
<u>15,006,305</u>	<u>13,021,468</u>	<u>112,943,707</u>
<u>\$ 15,006,305</u>	<u>\$ 14,416,648</u>	<u>\$ 126,711,985</u>

CAJON VALLEY UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances, governmental funds		\$ 112,943,707
<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:	440,054,872	
Accumulated depreciation	(141,665,739)	
	Net	298,389,133
<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>		
		(4,607,530)
<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	205,183,089	
Net pension liability	187,774,120	
Total OPEB liability	53,560,942	
Compensated absences payable	1,329,625	
Retirement incentive	549,769	
Capital leases payable	19,075,000	
Certificates of participation payable	3,011,000	
	Total	(470,483,545)
<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>		
		3,167,775
<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		62,859,144
Deferred inflows of resources relating to pensions		(21,191,976)
<p>Deferred outflows and inflows of resrouces related to other postemployment benefits (OPEB): in governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.</p>		
Deferred outflows of resources relating to OPEB		1,348,888

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:

5,987,797

Total net position, governmental activities

\$ (11,586,607)

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, 2018

	<u>General Fund</u>	<u>Building Fund</u>
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 92,916,324	\$ -
Education Protection Account Funds	20,988,384	-
Local Sources	32,984,616	-
Federal Revenue	9,120,982	-
Other State Revenue	15,868,582	-
Other Local Revenue	17,313,340	2,776,609
Total Revenues	<u>189,192,228</u>	<u>2,776,609</u>
Expenditures:		
Current:		
Instruction	118,993,708	-
Instruction - Related Services	19,344,818	-
Pupil Services	16,107,675	-
Community Services	202,524	-
General Administration	12,100,828	-
Plant Services	12,668,005	343,674
Other Outgo	996,935	4,563
Capital Outlay	3,218,503	22,880,885
Debt Service:		
Principal	191,407	2,121,000
Interest	1,192	870,143
Total Expenditures	<u>183,825,595</u>	<u>26,220,265</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,366,633</u>	<u>(23,443,656)</u>
Other Financing Sources (Uses):		
Transfers In	775,429	7,201,542
Transfers Out	(5,530,712)	-
Proceeds From Sale of Bonds	-	17,505,000
Other Sources	-	-
Total Other Financing Sources (Uses)	<u>(4,755,283)</u>	<u>24,706,542</u>
Net Change in Fund Balance	611,350	1,262,886
Fund Balance, July 1	45,012,429	38,029,269
Fund Balance, June 30	<u>\$ 45,623,779</u>	<u>\$ 39,292,155</u>

The accompanying notes are an integral part of this statement.

<u>Bond Interest & Redemption</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 92,916,324
-	-	20,988,384
-	-	32,984,616
-	7,850,677	16,971,659
133,646	6,002,444	22,004,672
15,565,502	1,528,731	37,184,182
<u>15,699,148</u>	<u>15,381,852</u>	<u>223,049,837</u>
-	1,866,931	120,860,639
-	282,980	19,627,798
-	8,528,185	24,635,860
-	-	202,524
-	592,185	12,693,013
-	105,486	13,117,165
-	-	1,001,498
-	1,231,993	27,331,381
6,240,882	-	8,553,289
7,545,558	-	8,416,893
<u>13,786,440</u>	<u>12,607,760</u>	<u>236,440,060</u>
<u>1,912,708</u>	<u>2,774,092</u>	<u>(13,390,223)</u>
-	846,530	8,823,501
-	(3,292,789)	(8,823,501)
-	-	17,505,000
1,087,648	-	1,087,648
<u>1,087,648</u>	<u>(2,446,259)</u>	<u>18,592,648</u>
3,000,356	327,833	5,202,425
12,005,949	12,693,635	107,741,282
<u>\$ 15,006,305</u>	<u>\$ 13,021,468</u>	<u>\$ 112,943,707</u>

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, 2018

Total change in fund balances, governmental funds \$ 5,202,425

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	27,331,382	
	Depreciation expense	(9,886,091)	
	Net	17,445,291	17,445,291

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: 8,553,289

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: (18,592,648)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (55,636)

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: (1,121,445)

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: (122,410)

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: (3,582,798)

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: (8,540,978)

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: (313,982)

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:

1,055,040

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:

416,405

Change in net position of governmental activities

\$ 342,553

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

JUNE 30, 2018

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 4,495,956
Cash on Hand and in Banks	84,510
Cash with a Fiscal Agent/Trustee	20,000
Accounts Receivable	1,810,927
Due from Other Funds	300,000
Total Current Assets	<u>6,711,393</u>
Total Assets	<u>6,711,393</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension & OPEB Related	39,281
Total Outflows of Resources	<u>39,281</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	379,560
Due to Other Funds	302,579
Total Current Liabilities	<u>682,139</u>
Noncurrent Liabilities:	
Net Pension Liability	53,475
Other Postemployment Benefits	19,930
Total Noncurrent Liabilities	<u>73,405</u>
Total Liabilities	<u>755,544</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related	7,333
Total Inflows of Resources	<u>7,333</u>
NET POSITION:	
Unrestricted	5,987,797
Total Net Position	<u>\$ 5,987,797</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, 2018

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Interest Income	\$ 40,586
Contributions and Premiums	20,193,626
Total Revenues	<u>20,234,212</u>
Operating Expenses:	
Classified Personnel Salaries	44,701
Employee Benefits	22,726
Services and Other Operating Expenses	19,750,380
Total Expenses	<u>19,817,807</u>
Income (Loss) before Contributions and Transfers	416,405
Interfund Transfers In	300,000
Interfund Transfers Out	(300,000)
Change in Net Position	<u>416,405</u>
Total Net Position - Beginning - Restated (Note R)	5,571,392
Total Net Position - Ending	<u>\$ 5,987,797</u>

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2018

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 19,842,962
Cash Payments to Employees for Services	(67,498)
Cash Payments to Other Suppliers for Goods and Services	(19,450,201)
Net Cash Provided (Used) by Operating Activities	<u>325,263</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	43,246
Net Cash Provided (Used) for Investing Activities	<u>43,246</u>
Net Increase (Decrease) in Cash and Cash Equivalents	368,509
Cash and Cash Equivalents at Beginning of Year	4,231,957
Cash and Cash Equivalents at End of Year	<u>\$ 4,600,466</u>
Reconciliation of Operating & Investment Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 416,405
Adjustment to Beginning Net Position for GASB 75	(13,911)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(48,004)
Decrease (Increase) in Due From Other Funds	(300,000)
Decrease (Increase) in Deferred Outflows of Resources	(26,002)
Increase (Decrease) in Accounts Payable	(3,294)
Increase (Decrease) in Due to Other Funds	302,068
Increase (Decrease) in Total OPEB Liability	15,747
Increase (Decrease) in Net Pension Liability	23,739
Increase (Decrease) in Deferred Inflows of Resources	1,761
Total Adjustments	<u>(47,896)</u>
Net Cash Provided (Used) by Operating & Investment Activities	<u>\$ 368,509</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, 2018

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 168,556
Total Assets	<u>168,556</u>
LIABILITIES:	
Due to Student Groups	168,556
Total Liabilities	<u>168,556</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for 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 funds, each displayed in a separate column. All remaining governmental 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, 2018

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

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

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

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, 2018

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. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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

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

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

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, 2018

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.

CAJON VALLEY UNION SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, 2018. Those newly implemented pronouncements are as follows:

GASB 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 (OPEB). This statement replaces the requirements of GASB 45 and GASB 57. This statement establishes standards for recognizing and measuring OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also 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 for defined benefit OPEB.

The District provides a defined benefit OPEB plan that is not administered through a trust, but meets the criteria specified in GASB 75. As a result, the District has adjusted measurement of OPEB liability, OPEB expense, and related deferred outflows and inflows of resources in compliance with GASB 75. The change in accounting policies resulted in an adjustment to beginning net position in order to accurately reflect current period transactions. Additional note disclosures regarding OPEB liability, OPEB expense, and related deferred inflows and outflows of resources are located in Note O. Additional note disclosures regarding the adjustment to beginning net position resulting from this change in accounting policy are located in Note R.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

GASB 81 - Irrevocable Split-Interest Agreements

The primary 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. This statement requires that a government receiving resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also 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. In addition, this statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The District does not receive resources pursuant to an irrevocable split-interest agreement, nor does the District have any beneficial interests in irrevocable split interest agreements as of June 30, 2018. The District has adopted the accounting policies in the event that the District obtains a beneficial interest in a future split-interest agreement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 81.

GASB 85 - Omnibus 2017

The primary objective of this statement is to address practice issues that were 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). The statement was issued as a clarifying measure to previously issued statements.

The implementation of this statement resulted in a change in how the District recognizes on-behalf payments for the special funding situation for CalSTRS pension. The results of implementing these accounting policies did not have a material effect on the financial statements and did not affect previous periods.

GASB 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 proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial statements for debt that is defeased in substance.

The District does not have any in-substance defeasance of debt as of June 30, 2018. The District has adopted the accounting policies in the event that the District extinguishes debt through use of a legal extinguishment or through an in-substance defeasance in a future period. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 86.

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

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 (\$113,772,180 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$113,772,180. 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 (\$2,729,103 as of June 30, 2018) and in the revolving fund (\$150,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

3. Cash with Fiscal Agent

The District's cash with fiscal agent at June 30, 2018 are shown below.

Account Type	Maturity	Account Balance
Short Term Cash Investments	<30 Days	\$ 20,000
US Bank Money Market	<30 Days	2,546,968
Total Cash with Fiscal Agent		\$ 2,566,968

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 AAAf/S1 by Standard & Poors. At year end the District was not exposed to credit risk.

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

D. Accounts Receivable

Accounts receivable as of June 30, 2018 consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Federal Government:				
Special education	\$ 3,075,438	\$ -	\$ -	\$ 3,075,438
Title III	65,146	-	-	65,146
Child nutrition program	-	-	427,524	427,524
Other federal programs	1,140	-	-	1,140
State Government:				
Lottery	692,975	-	-	692,975
Special education	498,526	-	-	498,526
Child development	-	-	363,796	363,796
Child nutrition program	-	-	30,467	30,467
Other state programs	40,011	-	-	40,011
Local Sources:				
Cox E-Rate	575,329	-	-	575,329
ASES program	173,989	-	-	173,989
Child nutrition program	-	-	105,682	105,682
Other local sources	274,695	37,128	8,320	320,143
Totals	<u>\$ 5,397,249</u>	<u>\$ 37,128</u>	<u>\$ 935,789</u>	<u>\$ 6,370,166</u>
		<u>Self Insurance Fund</u>		
Local Sources:				
Employee benefit premiums		\$ 1,810,927		
Totals		<u>\$ 1,810,927</u>		

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
YEAR ENDED JUNE 30, 2018

E. Capital Assets

Capital asset activity for the year ended June 30, 2018, 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	70,443,083	23,880,175	50,345,352	43,977,906
Total capital assets not being depreciated	<u>83,960,888</u>	<u>23,880,175</u>	<u>50,345,352</u>	<u>57,495,711</u>
Capital assets being depreciated:				
Buildings	300,638,208	48,580,102	-	349,218,310
Improvements	13,158,938	1,765,250	-	14,924,188
Equipment	14,965,449	3,451,207	-	18,416,656
Total capital assets being depreciated	<u>328,762,595</u>	<u>53,796,559</u>	<u>-</u>	<u>382,559,154</u>
Less accumulated depreciation for:				
Buildings	(112,302,856)	(7,863,186)	-	(120,166,042)
Improvements	(7,118,086)	(505,839)	-	(7,623,925)
Equipment	(12,879,691)	(1,517,066)	(520,985)	(13,875,772)
Total accumulated depreciation	<u>(132,300,633)</u>	<u>(9,886,091)</u>	<u>(520,985)</u>	<u>(141,665,739)</u>
Total capital assets being depreciated, net	<u>196,461,962</u>	<u>43,910,468</u>	<u>(520,985)</u>	<u>240,893,415</u>
Governmental activities capital assets, net	<u>\$ 280,422,850</u>	<u>\$ 67,790,643</u>	<u>\$ 49,824,367</u>	<u>\$ 298,389,126</u>

Depreciation was charged to functions as follows:

Instruction	\$ 6,646,268
Instruction-Related Services	494,705
Pupil Services	977,326
Community Services	13,679
General Administration	755,472
Plant Services	998,641
	<u>\$ 9,886,091</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Building Fund	\$ 11,506	Reimbursement of expenses
General Fund	Nonmajor Govt. Funds	360,220	Child development payroll, indirect costs, & OPEB
General Fund	Nonmajor Govt. Funds	520,545	Child nutrition payroll, indirect costs, & OPEB
General Fund	Self Insurance fund	2,578	Reimbursement of expenses
General Fund	General Fund	475,429	Transfer for OPEB reserve
Building Fund	General Fund	3,600,000	Transfer for capital projects
Nonmajor Govt. Funds	General Fund	8,733	Adjustment to indirect charges and payroll
Nonmajor Govt. Funds	General Fund	756	Catering charges
Self Insurance Fund	Self Insurance Fund	300,000	Transfer for insurance
	Total	\$ 5,279,767	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2018, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	General Fund	\$ 475,429	Transfer for OPEB reserve
General Fund	Building Fund	5,055,283	Transfer for capital projects
Nonmajor Govt. Funds	General Fund	300,000	Equipment replacement
Nonmajor Govt. Funds	Building Fund	2,146,259	Transfer for capital projects
Nonmajor Govt. Funds	Nonmajor Govt. Funds	846,530	Transfer for capital projects
Self-Insurance Fund	Self-Insurance Fund	300,000	Transfer for insurance
	Total	\$ 9,123,501	

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

G. Accounts Payable

Accounts payable as of June 30, 2018 consisted of:

	Major Governmental Funds			
	General Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	\$ 2,713,249	\$ 655,174	\$ 443,735	\$ 3,812,158
LCFF state aid	415,019	-	-	415,019
Pension liabilities	324,390	26	733	325,149
Payroll and related benefits	1,457,944	2,576	51,957	1,512,477
Totals	\$ 4,910,602	\$ 657,776	\$ 496,425	\$ 6,064,803
	Self Insurance Fund			
Vendor payables	\$ 305			
IBNR Claims	378,662			
Pension liabilities	6			
Payroll and related benefits	587			
Totals	\$ 379,560			

H. Unearned Revenue

Unearned revenue as of June 30, 2018 consisted of:

	Major Fund		
	General Fund	Nonmajor Funds	Total Governmental Funds
Federal Government:			
Title I	\$ 1,496,289	-	\$ 1,496,289
Title II	118,950	-	118,950
State Government:			
Career & Technical Education	25,008	-	25,008
Local Sources:			
Webster grant	809,141	-	809,141
Neighborhood reinvestment	245,508	-	245,508
Prepaid lunch accounts	-	17,991	17,991
Sage garden grant	13,400	-	13,400
Totals	\$ 2,708,296	\$ 17,991	\$ 2,726,287

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. The District did not enter into any short-term debt agreements during the 2017-18 fiscal year.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

J. Components of Ending Fund Balance

As of June 30, 2018 components of ending fund balance consisted of:

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund	Bond Interest & Redemption Fund		
Nonspendable Fund Balances					
Revolving Cash	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Stores Inventory	255,372	-	-	169,953	425,325
Prepaid Expenses	487,498	-	-	-	487,498
Restricted Fund Balances					
Capital Projects	-	39,292,155	-	1,318,465	40,610,620
Educational Program	6,146,158	-	-	-	6,146,158
Child Nutrition Program	-	-	-	1,665,639	1,665,639
Debt Service	-	-	15,006,305	-	15,006,305
Other Restricted Balances	2,247,756	-	-	128,085	2,375,841
Assigned Fund Balances					
Educational Programs	11,198,395	-	-	-	11,198,395
Post Employment Benefits	5,426,378	-	-	-	5,426,378
Capital Projects	-	-	-	9,739,326	9,739,326
Unassigned Fund Balances					
Economic Uncertainty	5,680,689	-	-	-	5,680,689
Other Unassigned	14,031,533	-	-	-	14,031,533
Total Fund Balance	\$ 45,623,779	\$ 39,292,155	\$ 15,006,305	\$ 13,021,468	\$ 112,943,707

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, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds					
Principal balance	\$ 179,491,894	\$ 17,505,000	\$ 6,240,883	\$ 190,756,011	\$ 8,658,257
Premiums	10,507,003	1,366,234	208,699	11,664,538	384,535
Accreted Interest	2,358,047	422,012	17,519	2,762,540	102,461
Total GO bonds	192,356,944	19,293,246	6,467,101	205,183,089	9,145,253
Certificates of participation	4,752,000	-	1,741,000	3,011,000	1,765,000
Capital leases	19,646,406	-	571,406	19,075,000	919,000
PARS retirement	1,099,537	-	549,768	549,769	549,769
Net pension liability	157,711,686	30,115,909	-	187,827,595	-
Compensated absences *	1,207,215	122,410	-	1,329,625	1,329,625
Total OPEB liability**	50,851,941	2,728,931	-	53,580,872	-
Total governmental activities	\$ 427,625,729	\$ 52,260,496	\$ 9,329,275	\$ 470,556,950	\$ 13,708,647

* Other long-term liabilities

**Beginning balance for total OPEB liability has been adjusted as a result of an accounting policy change for implementation of GASB 75. The funds typically used to liquidate other long-term liabilities in the past are as follows:

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

2. General Obligation Bonds

General obligation bonds at June 30, 2018 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
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 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
2012 Election Series E	09/20/17	2.50 - 5.00%	08/01/38	17,505,000
Total GO Bonds				<u>\$ 246,202,992</u>

	<u>Beginning Balance</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Ending Balance</u>
2008 Election Series A	\$ 2,455,000	\$ -	\$ 1,200,000	\$ 1,255,000
2010 Refunding Bonds	19,570,000	-	950,000	18,620,000
2010 Ref. Premium	705,726	-	34,258	671,468
2008 Election Series B	10,911,962	-	933,402	9,978,560
2012 Refunding Bonds	11,595,000	-	510,000	11,085,000
2012 Ref. Premium	318,696	-	14,018	304,678
2008 Election Series C	19,154,932	-	22,481	19,132,451
2008-C Premium	239,094	-	281	238,813
2008-C Accreted Interest	2,358,047	422,012	17,519	2,762,540
2012 Election Series A	27,215,000	-	1,235,000	25,980,000
2012-A Premium	983,274	-	44,620	938,654
2014 Refunding Bonds	21,885,000	-	745,000	21,140,000
2014 Ref. Premium	2,099,474	-	71,469	2,028,005
2012 Election Series C	19,500,000	-	500,000	19,000,000
2012-C Premium	782,574	-	20,066	762,508
2012 Election Series D	17,880,000	-	-	17,880,000
2012-D Premium	1,014,854	-	-	1,014,854
2016 Refunding Bonds	23,325,000	-	145,000	23,180,000
2016 Ref. Premium	3,858,631	-	23,987	3,834,644
2016 Election Series A	6,000,000	-	-	6,000,000
2016-A Premium	504,680	-	-	504,680
2012 Election Series E	-	17,505,000	-	17,505,000
2012-E Premium	-	1,366,234	-	1,366,234
Total GO Bonds	<u>\$ 192,356,944</u>	<u>\$ 19,293,246</u>	<u>\$ 6,467,101</u>	<u>\$ 205,183,089</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The annual requirements to amortize bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2019	\$ 8,658,257	\$ 102,461	\$ 8,809,191	\$ 17,569,909
2020	8,972,864	141,482	7,208,558	16,322,904
2021	8,432,319	268,691	6,822,851	15,523,861
2022	6,865,179	391,671	6,481,794	13,738,644
2023	7,590,127	239,398	6,172,641	14,002,166
2024-2028	45,584,966	4,241,145	25,321,289	75,147,400
2029-2033	56,032,299	2,347,701	14,928,810	73,308,810
2034-2038	32,075,000	-	6,286,131	38,361,131
2039-2043	16,545,000	-	884,742	17,429,742
Totals	\$ 190,756,011	\$ 7,732,549	\$ 82,916,007	\$ 281,404,567

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, 2018.

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.

2012 Election Series E General Obligation Bonds

In September 2017 the District issued \$17,505,000 2012 Election, Series E, General Obligation 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 \$17,505,000 in current interest bonds with an interest rate ranging from 2.50% to 5.00% with annual maturities from August 2019 through August 2038. Principal payments on the bonds are due August 1 of each year beginning August 1, 2019 while interest is payable semi-annually on February 1 and August 1 of each year through maturity beginning August 1, 2019. Net proceeds of \$17,505,000 were deposited into the Building Fund and \$1,066,422 were deposited into the debt service fund after \$299,812 of issuance costs were deducted from the total proceeds of \$18,871,234 (proceeds include a premium of \$1,366,234).

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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	2012 Series E Bonds
Total Interest	\$ 14,946,702	\$ 5,873,465	\$ 14,679,779	\$ 13,166,792	\$ 8,074,681
Less Bond Premium	(1,085,735)	(418,286)	(315,532)	(1,091,241)	(1,366,234)
Net Interest	\$ 13,860,967	\$ 5,455,179	\$ 14,364,247	\$ 12,075,551	\$ 6,708,447
Par Amount of Bonds	\$ 24,670,000	\$ 13,690,000	\$ 19,999,932	\$ 17,880,000	\$ 17,505,000
Periods	22	21	20	25	20
Effective Interest Rate	2.55%	1.90%	3.59%	2.70%	1.92%

	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%

3 Certificates of Participation

Certificates of participation at June 30, 2018 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Original Issue Amount
2017 Refunding COPS	03/31/17	1.60%	03/01/20	\$ 4,752,000
Total				\$ 4,752,000

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
2017 Refunding COPS	\$ 4,752,000	\$ -	\$ 1,741,000	\$ 3,011,000
Total	\$ 4,752,000	\$ -	\$ 1,741,000	\$ 3,011,000

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,765,000	\$ 41,112	\$ 1,806,112
2020	1,246,000	14,952	1,260,952
Totals	\$ 3,011,000	\$ 56,064	\$ 3,067,064

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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. The bonds were refunded in 2016-17 to lock in a lower interest rate of 1.60%.

4. 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, 2018 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	\$ 1,099,537	\$ -	\$ 549,768	\$ 549,769

Future commitments for early retirement incentives as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 549,769	\$ -	\$ 549,769
Totals	\$ 549,769	\$ -	\$ 549,769

5. 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. The lease was fully repaid as of June 30, 2018.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, 2018 as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 919,000	\$ 779,959	\$ 1,698,959
2020	930,000	741,253	1,671,253
2021	939,000	702,098	1,641,098
2022	948,000	662,565	1,610,565
2023	957,000	622,655	1,579,655
2024-2028	4,921,000	2,501,408	7,422,408
2029-2033	5,157,000	1,445,949	6,602,949
2034-2038	4,304,000	362,769	4,666,769
Totals	\$ 19,075,000	\$ 7,818,656	\$ 26,893,656

6. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$1,329,625. This amount is included as part of long-term liabilities in the government-wide financial statements.

7. Net Pension Liability

The District's beginning net pension liability was \$50,851,941 and increased by \$30,115,909 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$187,827,595. See Note P for additional information regarding the net pension liability.

8. Total OPEB Liability

The District's beginning OPEB liability was \$50,851,941 and increased during the year ended June 30, 2018 by \$2,728,931. The ending OPEB liability at June 30, 2018 was \$53,580,872. See Note Q for additional information regarding the total OPEB liability.

L. Joint Ventures (Joint Powers Agreements)

The District participates in three joint powers agreements (JPA) entities, the San Diego County Schools Risk Management (SDCSR) 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, 2018 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, 2018 is as follows:

	Workers Compensation	Property & Liability	Miscellaneous Property	Total SDCSRM
Total Assets & Deferred Outflows	\$ 1,793,794	\$ 310,639	\$ 30,156	\$ 2,134,589
Total Liabilities & Deferred Inflows	426,537	16,134	-	442,671
Total Net Position	<u>\$ 1,367,257</u>	<u>\$ 294,505</u>	<u>\$ 30,156</u>	<u>\$ 1,691,918</u>
Total Cash Receipts	\$ 337,747	\$ 5,120	\$ 451	\$ 343,318
Total Cash Disbursements	325,064	70,554	-	395,618
Net Change in Net Position	<u>\$ 12,683</u>	<u>\$ (65,434)</u>	<u>\$ 451</u>	<u>\$ (52,300)</u>

M. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has 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, 2018 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 2017-18	<u>\$ 378,662</u>	<u>\$ 19,750,380</u>	<u>\$ 19,750,380</u>	<u>\$ 378,662</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

N. 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 Paid

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, 2018 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
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, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	6.994%	6.994%

*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.

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
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%	1.1-2.5%*
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. 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 ending June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid in 6.00%, and the employer contribution rate was 13.888% of covered payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

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, 2017 (measurement date) the State contributed 6.994%% of salaries creditable to CalSTRS. In accordance with GASB 85 the District recorded these contributions as revenue and expense in the fund financial statements based on contributions made for the measurement period (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). 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. Contributions reported each fiscal year are based on the District's proportionate share of the States contribution for the measurement period.

Contributions made by the State on behalf of the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.490%	\$ 3,146,375
2017	5.640%	4,298,271
2018	6.994%	5,693,991

CAJON VALLEY UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

The State's pension expense associated with District employees for the past three fiscal years are as follows:

Year Ended June 30,	On Behalf Pension Expense
2016	\$ 6,009,844
2017	10,608,036
2018	3,460,056

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 9,588,442	\$ 4,073,121	\$ 13,661,563
Contributions - State On Behalf Payments	5,693,992	-	5,693,992
Total Contributions	<u>\$ 15,282,434</u>	<u>\$ 4,073,121</u>	<u>\$ 19,355,555</u>

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

As of June 30, 2018 the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	CalSTRS	CalPERS	Total
Proportionate Share of Net Pension Liability - Governmental	<u>\$ 133,314,900</u>	<u>\$ 54,512,695</u>	<u>\$ 187,827,595</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, 2017. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to measurement date June 30, 2017 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, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	District's Proportionate Share	CalSTRS State's Proportionate Share	Total For District Employees
Proportion June 30, 2017	0.1409%	0.0806%	0.2215%
Proportion June 30, 2018	0.1442%	0.0856%	0.2298%
Change in Proportion	<u>0.0033%</u>	<u>0.0050%</u>	<u>0.0083%</u>
	<u>CalPERS</u>		
	District's Proportionate Share		
Proportion June 30, 2017	0.2213%		
Proportion June 30, 2018	0.2283%		
Change in Proportion	<u>0.0070%</u>		

CAJON VALLEY UNION SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2018

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 19,317,354	\$ 10,798,554	\$ 30,115,908
State On Behalf Pension Expense	3,460,056	-	3,460,056
Employer Contributions to Pension Expense	11,748,593	4,907,239	16,655,832
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(2,213,462)	(833,693)	(3,047,155)
Differences between actual and expected experiences	(460,142)	(309,777)	(769,919)
Changes in assumptions	(23,050,961)	(8,493,265)	(31,544,226)
Changes in proportionate share	(2,077,403)	(888,855)	(2,966,258)
Net difference between projected and actual earnings	9,261	3,065,010	3,074,271
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(13,711)	-	(13,711)
Changes in assumptions	-	(521,098)	(521,098)
Changes in proportionate share	(415,664)	(23,303)	(438,967)
Net difference between projected and actual earnings	12,617,599	2,034,533	14,652,132
Total Pension Expense	<u>\$ 18,921,520</u>	<u>\$ 9,735,345</u>	<u>\$ 28,656,865</u>

b. Deferred Outflows and Inflows of Resources

At June 30, 2018, 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	\$ 11,748,593	\$ 4,907,239	\$ 16,655,832
Differences between actual and expected experience	460,142	2,472,345	2,932,487
Changes in assumptions	23,050,961	8,493,265	31,544,226
Changes in employer's proportionate share	2,077,403	1,764,571	3,841,974
Net difference between projected and actual earnings	23,073	7,900,331	7,923,404
Total Deferred Outflows of Resources	<u>\$ 37,360,172</u>	<u>\$ 25,537,751</u>	<u>\$ 62,897,923</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (23,020)	\$ -	\$ (23,020)
Changes in assumptions	-	(1,042,194)	(1,042,194)
Changes in employer's proportionate share	(1,242,983)	(46,884)	(1,289,867)
Net difference between projected and actual earnings	(12,617,599)	(6,226,629)	(18,844,228)
Total Deferred Inflows of Resources	<u>\$ (13,883,602)</u>	<u>\$ (7,315,707)</u>	<u>\$ (21,199,309)</u>

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. 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:

CAJON VALLEY UNION SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2018

Year Ended June 30,	Governmental Activities					
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses	
	CalSTRS	CalPERS	CalSTRS	CalPERS		
2019	\$ 18,154,981	\$ 11,496,159	\$ (3,583,773)	\$ (3,673,094)	\$ 22,394,273	
2020	6,406,387	6,588,916	(3,578,605)	(1,577,042)	7,839,656	
2021	6,401,679	4,809,518	(3,566,825)	(1,032,925)	6,611,447	
2022	6,397,125	2,643,158	(3,154,399)	(1,032,646)	4,853,238	
Total	\$ 37,360,172	\$ 25,537,751	\$ (13,883,602)	\$ (7,315,707)	\$ 41,698,614	

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, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.75%
Wage Growth	3.50%	3.00%
Projected Salary Increase	0.5% - 6.4% (1)	3.10% - 9.00% (1)
Investment Rate of Return	7.10% (2)	7.50% (2)
Mortality	0.073%-22.86% (3)	0.466%-32.536% (3)

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

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

(3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% 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 CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 valuation 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.

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 reflects 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 06/30/2017	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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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CalPERS			
Asset Class	Assumed Allocation 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

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

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

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:

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 195,748,597	\$ 80,205,643
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 133,314,900	\$ 54,512,695
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 82,645,724	\$ 33,198,243

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	\$ 598,231,076	\$ 419,021,444	\$ 179,209,632	\$ 65,212,088	\$ 113,997,544
Changes for the year:					
Change in proportionate share	22,108,725	15,485,703	6,623,022	4,026,267	2,596,755
Service cost	13,932,646	-	13,932,646	5,191,087	8,741,559
Interest	46,473,555	-	46,473,555	17,315,323	29,158,232
Differences between expected and actual experience	916,742	-	916,742	341,564	575,178
Change in assumptions	45,924,429	-	45,924,429	17,110,727	28,813,702
Contributions:					
Employer	-	9,588,424	(9,588,424)	(3,572,498)	(6,015,926)
Employee	-	7,905,773	(7,905,773)	(2,945,568)	(4,960,205)
State On Behalf	-	5,693,980	(5,693,980)	(2,121,488)	(3,572,492)
Net investment income	-	57,819,518	(57,819,518)	(21,542,652)	(36,276,866)
Other income	-	165,439	(165,439)	(61,640)	(103,799)
Benefit payments, including refunds of employee contributions	(31,942,485)	(31,942,485)	-	-	-
Administrative expenses	-	(419,006)	419,006	156,115	262,891
Borrowing costs	-	(133,164)	133,164	49,615	83,549
Other expenses	-	(23,553)	23,553	8,775	14,778
Net Changes	97,413,612	64,140,629	33,272,983	13,955,627	19,317,356
Balance at June 30, 2018	\$ 695,644,688	\$ 483,162,073	\$ 212,482,615	\$ 79,167,715	\$ 133,314,900

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	\$ 167,470,067	\$ 123,755,927	\$ 43,714,140
Changes for the year:			
Adjustment for change in proportionate share	5,304,941	3,920,210	1,384,731
Service cost	4,639,834	-	4,639,834
Interest	13,061,128	-	13,061,128
Differences between expected and actual experience	1,214,495	-	1,214,495
Changes in assumptions	10,616,582	-	10,616,582
Contributions - Employer	-	4,073,126	(4,073,126)
Contributions - Employee	-	2,049,282	(2,049,282)
Net plan to plan resource movement	-	(309)	309
Net investment income	-	14,184,478	(14,184,478)
Benefit payments, including refunds of employee contributions	(8,505,757)	(8,505,757)	-
Administrative expenses	-	(188,362)	188,362
Net Changes	<u>26,331,223</u>	<u>15,532,668</u>	<u>10,798,555</u>
Balance at June 30, 2018	<u>\$ 193,801,290</u>	<u>\$ 139,288,595</u>	<u>\$ 54,512,695</u>

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

O. Postemployment Benefits Other Than Pension Benefits

1. General Information About the OPEB Plan

Plan Description

The District's defined benefit OPEB plan, CVESD Retiree Health Care Plan (the Plan) provides OPEB for retirees and their eligible dependents that meet eligibility requirements until age 65. Retirees and their eligible dependents in the plan are eligible for the same medical plans as active employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

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 and dental 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 can be covered by the retiree on a self-pay basis to retiree's age 65.

CAJON VALLEY UNION SCHOOL DISTRICT
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The District does not provide any retiree medical or dental benefits beyond age 65 except for certain management employees and supervisors who may continue on the Kaiser Senior Advantage Plan and receive a maximum District contribution equal to \$50 per month.

Employees who retired prior to December 1, 2006 are eligible for \$1,200 annual amount 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 retires 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.

Board members are not eligible for retiree health benefits.

The District participates in the Southern California Schools VEBA for its health plan coverage. 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, United Healthcare HMO plans with varying networks, United Healthcare PPO Plans for out-of-network retirees and SIMSA. The District also offers a self-insured Delta Dental Plan and a fully insured Met Life Dental DMO Plan. Current premiums range from \$565 per month for health care coverage to \$3,513 per month for health care coverage depending on which plan the employee is enrolled in. Dental plans range in premiums from \$14.24 per month to \$163.40 per month.

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	203
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	1,582
Total number of participants	<u>1,785</u>

2. Total OPEB Liability

The District's total OPEB liability of \$53,580,872 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% per annum
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.40% per annum
Healthcare Cost Trend Rates	6.50% decreasing to 5.00%
Retiree's Share of Costs	0.00%

The discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO 20 Year Bond Index.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations. The CalPERS mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. The CalSTRS mortality table was developed based on CalSTRS specific data. The table includes mortality improvements set at 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 50,851,941
Changes for the year:	
Service cost	3,135,428
Interest	1,798,093
Benefit payments	<u>(2,204,590)</u>
Net changes	<u>2,728,931</u>
Balance at June 30, 2018	\$ <u>53,580,872</u>

There were no changes in benefit terms or assumptions and other inputs for the fiscal year ended June 30, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.40%) or 1-percentage-point-higher (4.40%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	(2.40%)	(3.40%)	(4.40%)
Total OPEB Liability	\$ 57,926,347	\$ 53,580,872	\$ 49,571,472

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower (5.50% decreasing to 4.00% per year) or 1-percentage-point higher (7.50% decreasing to 6.00% per year) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
	5.50%	6.50%	7.50%
	decreasing to 4.00%	decreasing to 5.00%	decreasing to 6.00%
Total OPEB Liability	\$ 48,325,692	\$ 53,580,872	\$ 59,696,427

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018 the District recognized OPEB expense of \$4,933,521. At June 30, 2018 the District reported deferred outflows of resources related to the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to measurement date	\$ <u>1,349,390</u>

At June 30, 2018 the District did not report any deferred inflows of resources relating to OPEB.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2019.

P. Deferred Outflows of Resources

The District has issued two sets of refunding bonds and one set of refunding COPs which have resulted in refunding losses which have been recorded as deferred outflows of resources and are amortized against interest expense over the life of the refunding bonds.

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.

In accordance with GASB Statement No. 75, payments made subsequent to the total OPEB liability measurement date, and other items are recorded as deferred outflows of resources.

Description	Issue Date	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Refunding Loss	05/06/2014	22 Years	\$ 819,505	\$ -	\$ 43,513	\$ 775,992
Refunding Loss	03/31/2016	16 Years	2,498,865	-	169,415	2,329,450
Refunding Loss	03/31/2017	3 Years	93,500	-	31,167	62,333
OPEB Related	06/30/2018	1 Year	2,204,590	1,349,390	2,204,590	1,349,390
Pension Related	Varies	Varies	27,644,636	61,857,271	26,603,984	62,897,923
Total Deferred Outflows of Resources			\$ <u>33,261,096</u>	\$ <u>63,206,661</u>	\$ <u>29,052,669</u>	\$ <u>67,415,088</u>

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	2014 Refunding Loss	2016 Refunding Loss	2017 Refunding Loss	Total Refunding Losses
2019	\$ 43,513	\$ 169,415	\$ 31,167	\$ 244,095
2020	43,513	169,415	31,166	244,094
2021	43,513	169,415	-	212,928
2022	43,513	169,415	-	212,928
2023	43,513	169,415	-	212,928
2024-2028	217,565	847,075	-	1,064,640
2029-2033	217,565	635,300	-	852,865
2034-2038	123,297	-	-	123,297
Total	\$ <u>775,992</u>	\$ <u>2,329,450</u>	\$ <u>62,333</u>	\$ <u>3,167,775</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Year Ending June 30	Refunding Losses	OPEB Related	Pension Related	Total Deferred Outflows
2019	\$ 244,095	\$ 1,349,390	\$ 29,651,140	\$ 31,244,625
2020	244,094	-	12,995,303	13,239,397
2021	212,928	-	11,211,197	11,424,125
2022	212,928	-	9,040,283	9,253,211
2023	212,928	-	-	212,928
2024-2028	1,064,640	-	-	1,064,640
2029-2033	852,865	-	-	852,865
2034-2038	123,297	-	-	123,297
Total	\$ 3,167,775	\$ 1,349,390	\$ 62,897,923	\$ 67,415,088

Q. 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, 2018 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Pension related	Varies	Varies	\$ 7,520,953	20,935,225	7,256,869	21,199,309
Total Deferred Inflows of Resources			\$ 7,520,953	\$ 20,935,225	\$ 7,256,869	\$ 21,199,309

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2019	\$ 7,256,867
2020	5,155,647
2021	4,599,750
2022	4,187,045
Total	\$ 21,199,309

R. Adjustment to Beginning Balance

During the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. The result of applying the change in accounting policy is an adjustment to beginning net position on the government wide financial statements and in the self-insurance fund. In addition, a correction was made to the self-insurance fund to include IBNR liability in government-wide financial statements. Also, an error was found in the depreciation schedule relating to a prior year. An adjustment to correct the schedule of fixed assets was made.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A summary of adjustments to beginning balance are as follows:

	Government Wide Financial Statements	Self Insurance Fund
Beginning Net Position - Originally Stated	\$ 43,435,724	\$ 5,585,303
Adjustments for Accounting Policy Change:		
Total OPEB Liability	(30,710,648)	(14,731)
Deferred Outflows of Resources	2,204,590	820
Adjustments for Correction of an Error		
Inclusion of IBNR liability	(378,661)	-
Fixed assets	(26,480,165)	-
Total Adjustments	<u>(55,364,884)</u>	<u>(13,911)</u>
Beginning Net Position - As Restated	\$ <u>(11,929,160)</u>	\$ <u>5,571,392</u>

S. 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 review 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.

T. Construction Commitments

As of June 30, 2018 the District had the following commitments with respect to unfinished capital projects:

	Commitment	*Expected Date of Final Completion
Construction in Process:		
Magnolia Storm Water Retention/Classroom	\$ 417,016	09/30/18
Anza New Classroom Buildings	507,500	09/30/18
Johnson New Classroom Buildings	641,000	01/31/20
Naranja New Classroom Buildings	742,000	01/31/21

*Expected date of final completion subject to change

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

U. 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, 2019. Those newly implemented pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 96,753,105	\$ 96,492,146	\$ 92,916,324	\$ (3,575,822)
Education Protection Account Funds	18,842,662	19,277,506	20,988,384	1,710,878
Local Sources	29,661,194	31,220,783	32,984,616	1,763,833
Federal Revenue	9,708,735	12,788,761	9,120,982	(3,667,779)
Other State Revenue	12,348,457	15,601,177	15,868,582	267,405
Other Local Revenue	13,364,308	16,325,874	17,262,984	937,110
Total Revenues	<u>180,678,461</u>	<u>191,706,247</u>	<u>189,141,872</u>	<u>(2,564,375)</u>
Expenditures:				
Current:				
Certificated Salaries	77,716,751	80,897,806	82,356,750	(1,458,944)
Classified Salaries	30,339,437	30,955,012	32,378,903	(1,423,891)
Employee Benefits	45,041,418	45,905,590	43,039,770	2,865,820
Books And Supplies	7,674,280	19,357,791	4,827,074	14,530,717
Services And Other Operating Expenditures	16,550,904	25,051,992	17,397,496	7,654,496
Other Outgo	343,573	343,573	996,935	(653,362)
Direct Support/Indirect Costs	(593,698)	(593,698)	(582,435)	(11,263)
Capital Outlay	2,004,294	5,379,225	3,218,503	2,160,722
Debt Service:				
Principal	379,268	379,268	191,407	187,861
Interest	6,000	6,000	1,192	4,808
Total Expenditures	<u>179,462,227</u>	<u>207,682,559</u>	<u>183,825,595</u>	<u>23,856,964</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,216,234</u>	<u>(15,976,312)</u>	<u>5,316,277</u>	<u>21,292,589</u>
Other Financing Sources (Uses):				
Transfers In	300,000	300,000	300,000	-
Transfers Out	(762,635)	(762,635)	(5,530,712)	(4,768,077)
Total Other Financing Sources (Uses)	<u>(462,635)</u>	<u>(462,635)</u>	<u>(5,230,712)</u>	<u>(4,768,077)</u>
Net Change in Fund Balance	753,599	(16,438,947)	85,565	16,524,512
Fund Balance, July 1	40,111,836	40,111,836	40,111,836	-
Fund Balance, June 30	<u>\$ 40,865,435</u>	<u>\$ 23,672,889</u>	<u>\$ 40,197,401</u>	<u>\$ 16,524,512</u>

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 STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.1442%	0.1409%	0.1440%	0.1436%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 133,314,900	\$ 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	79,167,786	65,212,213	51,619,490	51,103,201	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ 212,482,686	\$ 179,209,758	\$ 148,567,077	\$ 135,033,553	\$ N/A					
District's covered-employee payroll	\$ 76,219,730	\$ 70,026,207	\$ 66,545,835	\$ 63,641,612	\$ N/A					
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 11,748,593	\$ 9,588,442	\$ 7,513,812	\$ 5,909,270	\$ N/A					
Contributions in relation to contractually required contribution	(11,748,593)	(9,588,442)	(7,513,812)	(5,909,270)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ N/A					
District's covered-employee payroll	\$ 81,417,831	\$ 76,219,730	\$ 70,026,207	\$ 66,545,835	\$ N/A					
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A

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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 *

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.2281%	0.2214%	0.2140%	0.2150%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 54,512,695	\$ 43,714,141	\$ 31,532,006	\$ 24,400,237	\$ N/A					
District's covered-employee payroll	\$ 29,328,348	\$ 26,803,139	\$ 23,789,294	\$ 22,599,266	\$ N/A					
District's proportionate share of pension liability (asset) as a percentage of its covered-employee payroll	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A

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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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 4,907,239	\$ 4,073,121	\$ 3,175,368	\$ 2,800,238	\$ N/A					
Contributions in relation to the contractually required contribution	(4,907,239)	(4,073,121)	(3,175,368)	(2,800,238)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ N/A					
District's covered-employee payroll	\$ 31,596,413	\$ 29,328,348	\$ 26,803,139	\$ 23,789,294	\$ N/A					
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	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
 SCHEDULE OF CHANGES IN THE DISTRICT'S
 TOTAL OPEB LIABILITY AND RELATED RATIOS
 CVUSD RETIREE HEALTHCARE PLAN
 LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	\$ 3,135,428	\$ N/A								
Interest	1,798,093	N/A								
Changes of benefit terms	-	N/A								
Differences between expected and actual experience	-	N/A								
Changes of assumptions or other inputs	-	N/A								
Benefit payments	(2,204,590)	N/A								
Net change in total OPEB liability	2,728,931	N/A								
Total OPEB liability - beginning	50,851,941	N/A								
Total OPEB liability - ending	\$ 53,580,872	\$ N/A								
Covered-employee payroll	\$ 113,000,000	\$ N/A								
Total OPEB liability as a percentage of covered-employee payroll	47.42%	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.

See Accompanying Notes to Required Supplementary Information

CAJON VALLEY UNION SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018

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 Postemployment 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	\$	45,623,779
Less Fund 20 Fund Balance		(5,426,378)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	\$	<u>40,197,401</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$	611,350
Change in Fund Balance attributed to Fund 20		(525,785)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	\$	<u>85,565</u>

Excess of Expenditures Over Appropriations

As of June 30, 2018, 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:		
Certificated Salaries	\$ 1,458,944	The District underestimated growth in salaries resulting from bargaining negotiations.
Classified Salaries	1,423,891	The District underestimated growth in salaries resulting from bargaining negotiations.
Other Outgo	653,362	The District underestimated the cost for tuition to the county office of education for special education students.

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

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

- 1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits
- 2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions. In 2018 there was a change in discount rate from 7.60% to 7.10%.

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

The total pension liability for California State Teachers Retirement System was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015 & 2016 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016 & 2017 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
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

<u>Reporting Period</u>	<u>June 30, 2018</u>
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.50%
Post-retirement Benefit Increases	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

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

1) Benefit Changes: In 2015, 2016, 2017 & 2018 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%. In 2018 the discount rate was changed from 7.65% to 7.15%.

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, 2013, 2014, 2015, & 2016 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016 & 2017 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%
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

<u>Reporting Period</u>	<u>June 30, 2018</u>
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.00%
Post-retirement Benefit Increases	2.00% Simple

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

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

- 1) Benefit Changes: In 2018 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions.
- 3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 Paragraph 4.
- 4) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.40%

Combining Statements 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, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 269,945	\$ 11,238,308	\$ 11,508,253
Cash on Hand and in Banks	1,545,415	247,749	1,793,164
Accounts Receivable	927,469	8,320	935,789
Due from Other Funds	9,489	-	9,489
Stores Inventories	169,953	-	169,953
Total Assets	<u>2,922,271</u>	<u>11,494,377</u>	<u>14,416,648</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 59,839	\$ 436,586	\$ 496,425
Due to Other Funds	880,764	-	880,764
Unearned Revenue	17,991	-	17,991
Total Liabilities	<u>958,594</u>	<u>436,586</u>	<u>1,395,180</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	169,953	-	169,953
Restricted Fund Balances	1,793,724	1,318,465	3,112,189
Assigned Fund Balances	-	9,739,326	9,739,326
Total Fund Balance	<u>1,963,677</u>	<u>11,057,791</u>	<u>13,021,468</u>
Total Liabilities and Fund Balances	<u>\$ 2,922,271</u>	<u>\$ 11,494,377</u>	<u>\$ 14,416,648</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, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 7,850,677	\$ -	\$ 7,850,677
Other State Revenue	3,009,655	2,992,789	6,002,444
Other Local Revenue	913,570	615,161	1,528,731
Total Revenues	<u>11,773,902</u>	<u>3,607,950</u>	<u>15,381,852</u>
Expenditures:			
Current:			
Instruction	1,866,931	-	1,866,931
Instruction - Related Services	282,980	-	282,980
Pupil Services	8,528,185	-	8,528,185
General Administration	582,435	9,750	592,185
Plant Services	64,049	41,437	105,486
Capital Outlay	28,363	1,203,630	1,231,993
Total Expenditures	<u>11,352,943</u>	<u>1,254,817</u>	<u>12,607,760</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>420,959</u>	<u>2,353,133</u>	<u>2,774,092</u>
Other Financing Sources (Uses):			
Transfers In	-	846,530	846,530
Transfers Out	-	(3,292,789)	(3,292,789)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,446,259)</u>	<u>(2,446,259)</u>
Net Change in Fund Balance	420,959	(93,126)	327,833
Fund Balance, July 1	1,542,718	11,150,917	12,693,635
Fund Balance, June 30	<u>\$ 1,963,677</u>	<u>\$ 11,057,791</u>	<u>\$ 13,021,468</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 135,328	\$ 134,617	\$ 269,945
Cash on Hand and in Banks	-	1,545,415	1,545,415
Accounts Receivable	363,796	563,673	927,469
Due from Other Funds	8,733	756	9,489
Stores Inventories	-	169,953	169,953
Total Assets	<u>507,857</u>	<u>2,414,414</u>	<u>2,922,271</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 19,553	\$ 40,286	\$ 59,839
Due to Other Funds	360,219	520,545	880,764
Unearned Revenue	-	17,991	17,991
Total Liabilities	<u>379,772</u>	<u>578,822</u>	<u>958,594</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	169,953	169,953
Restricted Fund Balances	128,085	1,665,639	1,793,724
Total Fund Balance	<u>128,085</u>	<u>1,835,592</u>	<u>1,963,677</u>
Total Liabilities and Fund Balances	<u>\$ 507,857</u>	<u>\$ 2,414,414</u>	<u>\$ 2,922,271</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, 2018

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ -	\$ 7,850,677	\$ 7,850,677
Other State Revenue	2,404,722	604,933	3,009,655
Other Local Revenue	5,043	908,527	913,570
Total Revenues	<u>2,409,765</u>	<u>9,364,137</u>	<u>11,773,902</u>
Expenditures:			
Current:			
Instruction	1,866,931	-	1,866,931
Instruction - Related Services	282,980	-	282,980
Pupil Services	408	8,527,777	8,528,185
General Administration	131,364	451,071	582,435
Plant Services	-	64,049	64,049
Capital Outlay	-	28,363	28,363
Total Expenditures	<u>2,281,683</u>	<u>9,071,260</u>	<u>11,352,943</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>128,082</u>	<u>292,877</u>	<u>420,959</u>
Net Change in Fund Balance	128,082	292,877	420,959
Fund Balance, July 1	3	1,542,715	1,542,718
Fund Balance, June 30	<u>\$ 128,085</u>	<u>\$ 1,835,592</u>	<u>\$ 1,963,677</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	Capital Facilities Fund	County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 1,062,396	\$ -	\$ 10,175,912	\$ 11,238,308
Cash on Hand and in Banks	247,749	-	-	247,749
Accounts Receivable	8,320	-	-	8,320
Total Assets	<u>1,318,465</u>	<u>-</u>	<u>10,175,912</u>	<u>11,494,377</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 436,586	\$ 436,586
Total Liabilities	<u>-</u>	<u>-</u>	<u>436,586</u>	<u>436,586</u>
Fund Balance:				
Restricted Fund Balances	1,318,465	-	-	1,318,465
Assigned Fund Balances	-	-	9,739,326	9,739,326
Total Fund Balance	<u>1,318,465</u>	<u>-</u>	<u>9,739,326</u>	<u>11,057,791</u>
Total Liabilities and Fund Balances	<u>\$ 1,318,465</u>	<u>\$ -</u>	<u>\$ 10,175,912</u>	<u>\$ 11,494,377</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, 2018

	Capital Facilities Fund	County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other State Revenue	\$ -	\$ 2,992,789	\$ -	\$ 2,992,789
Other Local Revenue	516,570	-	98,591	615,161
Total Revenues	<u>516,570</u>	<u>2,992,789</u>	<u>98,591</u>	<u>3,607,950</u>
Expenditures:				
Current:				
General Administration	9,750	-	-	9,750
Plant Services	41,437	-	-	41,437
Capital Outlay	474,107	-	729,523	1,203,630
Total Expenditures	<u>525,294</u>	<u>-</u>	<u>729,523</u>	<u>1,254,817</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,724)</u>	<u>2,992,789</u>	<u>(630,932)</u>	<u>2,353,133</u>
Other Financing Sources (Uses):				
Transfers In	-	-	846,530	846,530
Transfers Out	-	(2,992,789)	(300,000)	(3,292,789)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,992,789)</u>	<u>546,530</u>	<u>(2,446,259)</u>
Net Change in Fund Balance	(8,724)	-	(84,402)	(93,126)
Fund Balance, July 1	1,327,189	-	9,823,728	11,150,917
Fund Balance, June 30	<u>\$ 1,318,465</u>	<u>\$ -</u>	<u>\$ 9,739,326</u>	<u>\$ 11,057,791</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, 2018

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
James P. Miller Jr.	Vice President	Four Year Term Expires December 2020
Karen Clark-Mejia	Clerk	Four Year Term Expires December 2020
Tamara Otero	Member	Four Year Term Expires December 2018
Jill D. Barto	Member	Four Year Term Expires December 2018

Administration

David Miyashiro, Ed.D
Superintendent

Karen Minshew
Assistant Superintendent
Educational Services

Michelle Hayes
Assistant Superintendent
Personnel Services

Scott Buxbaum
Assistant Superintendent
Business Services

Jonathon Guertin
Chief Technology Officer
Technology Services

Ed Hidalgo
Chief of Innovation &
Engagement

CAJON VALLEY UNION SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

	Second Period Report Certificate #63872B5D		Annual Report Certificate #A5EF2EE9	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	7,100.66	N/A	7,130.92	N/A
Extended Year Special Education	12.25	N/A	12.25	N/A
Nonpublic, Nonsectarian Schools	2.49	N/A	2.80	N/A
Extended Year - Nonpublic	0.28	N/A	0.28	N/A
TK/K-3 Totals	<u>7,115.68</u>	<u>N/A</u>	<u>7,146.25</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	5,313.03	N/A	5,310.63	N/A
Extended Year Special Education	6.36	N/A	6.36	N/A
Nonpublic, Nonsectarian Schools	9.51	N/A	10.22	N/A
Extended Year - Nonpublic	1.06	N/A	1.07	N/A
Grades 4-6 Totals	<u>5,329.96</u>	<u>N/A</u>	<u>5,328.28</u>	<u>N/A</u>
Grades 7 and 8:				
Regular ADA	3,431.49	N/A	3,430.76	N/A
Extended Year Special Education	3.53	N/A	3.53	N/A
Nonpublic, Nonsectarian Schools	5.94	N/A	5.69	N/A
Extended Year - Nonpublic	1.01	N/A	1.01	N/A
Grades 7 and 8 Totals	<u>3,441.97</u>	<u>N/A</u>	<u>3,440.99</u>	<u>N/A</u>
ADA Totals	<u>15,887.61</u>	<u>N/A</u>	<u>15,915.52</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, 2018

TABLE D-2

Grade Level	Ed. Code 46201 Minutes Requirement	2017-18 Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	52,560	180	-	Complied
Kindergarten	36,000	52,560	180	-	Complied
Grade 1	50,400	52,560	180	-	Complied
Grade 2	50,400	52,560	180	-	Complied
Grade 3	50,400	52,560	180	-	Complied
Grade 4	54,000	54,360	180	-	Complied
Grade 5	54,000	54,360	180	-	Complied
Grade 6	54,000	61,740	180	-	Complied
Grade 7	54,000	61,740	180	-	Complied
Grade 8	54,000	61,740	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, 2018

TABLE D-3

General Fund	Budget 2019 (See Note 1)	2018	2017	2016
Revenues and other financial sources	\$ 198,475,926	\$ 189,441,872	\$ 183,178,484	\$ 179,260,032
Expenditures, other uses and transfers out	196,138,878	189,356,307	180,334,036	172,937,295
Change in fund balance (deficit)	2,337,048	85,565	2,844,448	6,322,737
Ending fund balance	\$ 42,534,449	\$ 40,197,401	\$ 40,111,836	\$ 37,267,388
Available reserves (See Note 2)	\$ 41,898,402	\$ 36,336,995	\$ 31,665,836	\$ 28,252,993
Available reserves as a percentage of total outgo (See Note 3)	21.4%	19.8%	17.6%	16.8%
Total long-term debt	\$ 220,093,811	\$ 227,818,858	\$ 216,755,350	\$ 197,460,480
Average daily attendance at P-2	15,888	15,888	15,676	15,401

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 \$2,930,013 (8%) over the past two years. The fiscal year 2018-19 budget projects an increase of \$2,337,048 (6%). 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 \$29,808,609 over the past two years.

Average daily attendance (ADA) has increased by 487 over the past two years.

Notes:

- 1 Budget 2019 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 \$5,625,507, \$4,277,479, and \$4,577,080, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2018, 2017, and 2016.
- 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, 2018

TABLE D-4

	General Fund	Special Reserve Fund for Other Post Employment Benefits	Self Insurance Fund
June 30, 2018, annual financial and budget report fund balances/net position	\$ 40,197,401	\$ 5,426,378	\$ 6,381,497
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB #54 Fund Presentation	5,426,378	(5,426,378)	-
Prior Year Adjustments for GASB #45 & GASB #68	-	-	(4,183)
Adjustment to beginning balance for implementation of GASB #75	-	-	(13,911)
Total OPEB Liability Activity for Current Year (GASB 75)	-	-	(1,240)
Accounts Payable Understatement	-	-	(378,662)
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources Corrections for Current Year (GASB 68)	-	-	4,296
Net adjustments and reclassifications	5,426,378	(5,426,378)	(393,700)
June 30, 2018, audited financial statement fund balances/net position	\$ 45,623,779	\$ -	\$ 5,987,797

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.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

TABLE D-5

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

<u>Charter Schools</u>	<u>Charter Number</u>	<u>Included In Audit?</u>
EJE Elementary Academy Charter School	0683	No
EJE Middle Academy Charter School	1063	No

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

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	13525	\$ -	\$ 1,864,212
National School Lunch Program	10.555	13396	-	5,832,173
National School Lunch Program Noncash Commodities	10.555	13396	-	551,264
National School Lunch Program Meal Supplement	10.555	23165	-	157,045
Total Passed Through California Department of Education			-	8,404,694
Total U. S. Department of Agriculture			-	8,404,694
Total Child Nutrition Cluster			-	8,404,694
FISH AND WILDLIFE CLUSTER:				
<u>U. S. Department of the Interior</u>				
Direct Program:				
Wild Life Restoration	15.611	-	-	8,273
Total U. S. Department of the Interior			-	8,273
Total Fish and Wildlife Cluster			-	8,273
MEDICAID CLUSTER:				
<u>U. S. Department of Health and Human Services</u>				
Direct Programs:				
Medi-Cal Billing Option	93.778	-	-	463,430
Medi-Cal MAA	93.778	-	-	561,200
Total Direct Programs			-	1,024,630
Total U. S. Department of Health and Human Services			-	1,024,630
Total Medicaid Cluster			-	1,024,630
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through California Department of Education:				
IDEA Basic	84.027	13379	-	2,458,748
IDEA Preschool Local	84.027	13682	-	574,452
IDEA Mental Health	84.027	14468	-	106,292
IDEA Preschool	84.173	13430	-	217,851
IDEA Preschool Staff Development	84.173	13431	-	1,628
Total Passed Through California Department of Education			-	3,358,971
Total U. S. Department of Education			-	3,358,971
Total Special Education (IDEA) Cluster			-	3,358,971

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through California Department of Education:				
Title I Part A	84.010	14416	-	3,830,478
Early Intervention	84.181	23761	-	26,375
Title III	84.365	15146	-	429,218
Title II Supporting Effective Instruction	84.367	14341	28,323	497,091
Total Passed Through California Department of Education			<u>28,323</u>	<u>4,783,162</u>
Total U. S. Department of Education			<u>28,323</u>	<u>4,783,162</u>
<u>Department of Homeland Security - FEMA</u>				
Direct Program:				
Fire Management Assistance Grant	97.046	-	-	3,943
Total Department of Homeland Security - FEMA			-	3,943
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 28,323</u>	<u>\$ 17,583,673</u>

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, 2018

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 6.31% 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	84.365	2.00%
Child Nutrition Cluster	10.553, 10.555	5.25%

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, 2018, 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 January 14, 2019.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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) 2018-001, 2018-002, and 2018-003.

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
January 14, 2019



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

Aubrey W. King, CPA
Kevin A. Sproul, CPA

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, 2018. 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, 2018.

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 a 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
January 14, 2019

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 *2017-18 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, 2018.

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, *2017-18 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, *2017-18 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	N/A
Apprenticeship: Related and Supplemental Instruction.....	N/A
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
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 because the ADA was below the level which required 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2017-18 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 are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001, 2018-002, and 2018-003.

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 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 *2017-18 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
January 14, 2019

Findings and Recommendations Section

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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? Yes X None Reported

Noncompliance material to financial statements noted? X Yes 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>
84.027, 84.173 84.365	Special Education Cluster Title III

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, 2018

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding Number: 2018-001
Repeat Finding: Yes
Program Name: Attendance Reporting
Questioned Costs: None
Type of Finding: State Compliance - Attendance (10000)

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 under Education Code Sections 46000 and 46303.

Condition

In review of the class rosters at Lexington Elementary School and Rancho San Diego Elementary School, teacher verification rosters were printed and signed four weeks after the attendance period for four out of five teachers tested at Lexington Elementary School and four out of four teachers tested at Rancho San Diego Elementary School.

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.

Cause

Teachers were not returning signed rosters timely and would report that they had misplaced the printed roster. Attendance clerks then re-printed the rosters to obtain teacher verification signatures. It appears, that there is not a consistent system in place to ensure the rosters are signed and returned within one week.

Effect

Two school sites were out of compliance with approved attendance procedures, which require that attendance reports be printed and verified by teachers within one week of the attendance week.

Context

We tested attendance at six school sites with no exceptions noted at four out of six school sites tested.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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. Retain all original 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. Provide training to all school sites to District established policies and procedures surrounding documentation of attendance. Implement monitoring procedures at school sites to ensure procedures are being followed.

Views of Responsible Officials

See Corrective Action Plan

Finding Number: 2018-002
Repeat Finding: No
Program Name: Unduplicated Pupil Counts
Questioned Costs: \$467,112 reduction in supplemental and concentration grant funding
Type of Finding: State Compliance (40000)

Criteria or Specific Requirement

Verify that students reported as free or reduced priced meal eligible on the Form "1.18 - FRPM/English Learner/Foster Youth - Student List" is supported by documentation that indicated the student was eligible for the designation such as a Free and Reduced Price Meal (FRPM) eligibility application under a federal nutrition program, an alternative household income data collections form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or COE that matches enrolled students against those children/households receiving CalFresh (or CALWORKS) benefits.

Condition

In our review of eligibility of students reported for unduplicated pupil counts under FRPM, we identified eighteen out of sixty tested that did not meet the eligibility requirements. The students in question had FRPM forms or income verification forms that were collected after October 31, 2017 and therefore did not qualify to be counted on snapshot date of October 2, 2017. The students in question would have qualified to be counted if the forms had been collected between July 1, 2017 and October 31, 2017.

Cause

The District misunderstood the requirement and counted all students who turned in forms prior to the recertification date in December 2018.

Effect

Unduplicated pupil counts was overstated for students that did not meet eligibility requirements in the FRPM category. This resulted in overfunding of supplemental and concentration grants in the local control funding formula.

Audit adjustments are based on an extrapolation of the error rate as follows:

Errors Noted	18
Sample Size	60
Error Rate	30%
FRPM Population	2,077
Extrapolated Errors	623

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Audit adjustments to the count are as follows:

	Funded Under LCFF	Audit Adjustments	Adjusted Counts
Total Enrollment	16,581	-	16,581
Free/Reduced Meal Program (FRPM)	2,077	(623)	1,454
English Learner (ELAS)	627	-	627
Both FRPM & ELAS	1,411	-	1,411
Other Funded (Direct Certification)	7,421	-	7,421
Total Unduplicated Pupil Count	11,536	(623)	10,913

Context

Supplemental and concentration grant amounts (as part of the LCFF funding) are calculated based on the percentage of "unduplicated pupil" enrolled in the LEA on Census Day (first Wednesday in October) The percentage equals:

- 1) Unduplicated count of pupils who (1) are English Learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).
- 2) Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42338.02(b)(5)).

All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

We audited a total of one hundred eighty students across the district eligible as English Learners (EL), FRPM, or eligible under both categories. We found no errors in EL documentation which accounted for one hundred twenty students in our sample. We found eighteen errors out of the remaining sixty students tested in the FRPM category eligibility.

Recommendation

Establish a procedure to ensure that the CalPADS reporting of unduplicated pupil counts is based on data collected between July 1 and October 31 each fiscal year. Evaluate processes and work to eliminate timing differences in reporting.

Views of Responsible Officials

See Corrective Action Plan

Finding Number: 2018-003
Repeat Finding: No
Program Name: After School Education and Safety Program
Questioned Costs: None
Type of Finding: State Compliance (40000)

Criteria or Specific Requirement

Determine whether the District has a process or procedure that gives first priority for enrollment to pupils who are identified by the program as homeless youth or in foster care at the time they apply for enrollment; and for each middle or junior high school in the sample, second priority for enrollment to pupils who attend daily.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Condition

In our review of the district's policies and procedures for the after school education and safety program, written procedures state that students who attend daily will be given priority enrollment in the program.

Cause

The District established written policies and procedures prior to legislature passing Assembly Bill (AB) 1567. The District did not update policies for the 2017-18 fiscal year, which is the first fiscal year the regulations are effective.

Effect

The District is out of compliance with Education Code Sections 8483(c)(1)(A) and 8483(d)(1)(A).

Context

AB 1567, which passed on September 21, 2016 with an effective date of July 1, 2017, revised Education Code Section 8483 to require priority enrollment be provided to students who are identified as homeless youth or in foster care at the time they apply for enrollment in the program.

Recommendation

Update written policies and procedures to provide priority enrollment to students who are identified as homeless youth or foster students. Establish procedures to ensure all departments are made aware of law changes which require revisions to policies and procedures.

Views of Responsible Officials

See Corrective Action Plan

Louise Gibson

Director, Fiscal Services

Phone: (619) 588-3071
Fax: (619) 588-3245
gibson@cajonvalley.net



Office Address:
710 E. Main Street, El Cajon, CA 92020
Mailing Address:
PO Box 1007, El Cajon, CA 92022-1007
www.cajonvalley.net

December 17, 2018

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting published by the Education Audit Appeals Panel. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

A handwritten signature in cursive script that reads "Louise Gibson".

Louise Gibson
Director, Fiscal Services

CAJON VALLEY UNION SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

Findings and Questioned Costs Related to State Awards

Finding Number: 2018-001
Program Name: Attendance Reporting
Contact Person: Louise Gibson
Anticipated Completion Date: January 11, 2019
Planned Corrective Action: We will continue annual training on District established student attendance policies and procedures. We will begin weekly email reminders of requirement to print student attendance reports on Friday and require email responses confirming reports are printed. Fiscal Services staff will monitor the responses and contact non-responsive sites the on Mondays.

Finding Number: 2018-002
Program Name: Unduplicated Pupil Counts
Contact Person: Scott Buxbaum
Anticipated Completion Date: Completed October 2018
Planned Corrective Action: The District has only included Free and Reduced Priced Meal Forms (FRPM Forms) received July 1 through October 31 within the District's unduplicated pupil count for the 2018-19 fiscal year. During the 2017-18 fiscal year, the District had included all eligible FRPM Forms received by the December 2017 recertification date. The District was then informed by the auditors that only forms received from July 1 through October 31 of the fiscal year should be accepted. The auditor's finding was based on the LCFF Questions and Answers posted on the California Department of Education website. All forms were collected accurately and coded appropriately except for the date discrepancy. Until flagged by the auditor, the District was unaware of this timing requirement. The timing requirement does not appear in the Audit Guide, nor has the District received any written requirement from the California Department of Education. Moving forward, the District will abide by the stated timeline for the base fiscal year, which is to include FRPM Forms received July 1 through October 31 of the base collection year. The three subsequent fiscal years will include forms received from July 1 of the base year through October 31 of that year.

Finding Number: 2018-003
Program Name: After School Education and Safety Program
Contact Person: Louise Gibson
Anticipated Completion Date: Completed July 2018
Planned Corrective Action: The District implemented priority enrollment procedures for homeless youth and foster students during 2017-18 and did not update procedure documentation until the 2018-19 year began. The current documentation and training reflect legislative changes.

CAJON VALLEY UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2017-001 (30000) Student Body Activities</p> <p>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.</p> <p>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.</p>	<p>Implemented</p>	

CAJON VALLEY UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2017-002 (10000) Attendance</p> <p>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.</p> <p>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.</p>	<p>Being Implemented</p>	<p>See Finding 2018-001</p>