

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

AUDIT REPORT

JUNE 30, 2015

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave
El Cajon, CA 92020**

Introductory Section

Cajon Valley Union School District
 Audit Report
 For The Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
FINANCIAL SECTION		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	10	Exhibit A-1
Statement of Activities.....	11	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	12	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	14	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	17	Exhibit A-6
Statement of Net Position - Internal Service Fund.....	19	Exhibit A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Internal Service Fund.....	20	Exhibit A-8
Statement of Cash Flows - Proprietary Funds.....	21	Exhibit A-9
Statement of Fiduciary Net Position - Fiduciary Funds.....	22	Exhibit A-10
Notes to the Financial Statements	23	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	55	Exhibit B-1
Schedule of Funding Progress for Other Post Employment Benefits Plan.....	56	
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California State Teachers Retirement System.....	57	Exhibit B-2
Schedule of District's Contributions - California State Teachers Retirement System.....	58	Exhibit B-3
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California Public Employees Retirement System.....	59	Exhibit B-4
Schedule of District's Contributions - California Public Employees Retirement System...	60	Exhibit B-5
Notes to Required Supplementary Information.....	61	
 <u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	62	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	63	Exhibit C-2

Cajon Valley Union School District
 Audit Report
 For The Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	64	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	65	Exhibit C-4
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	66	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	67	Exhibit C-6
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	68	
Schedule of Average Daily Attendance.....	69	Table D-1
Schedule of Instructional Time.....	70	Table D-2
Schedule of Financial Trends and Analysis.....	71	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	72	Table D-4
Schedule of Charter Schools.....	73	Table D-5
Schedule of Expenditures of Federal Awards	74	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	75	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	78	
Independent Auditor's Report on State Compliance.....	80	
Schedule of Findings and Questioned Costs	82	
Summary Schedule of Prior Audit Findings.....	84	

Financial Section

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, 2015, 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 of 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, 2015, 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.

Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2015, Cajon Valley Union School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. 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, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cajon Valley Union School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-15*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of Cajon Valley Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cajon Valley Union School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 14, 2015

CAJON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015
(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, 2015. 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 2014/2015 are as follows:

- The new State Local Control Funding Formula, which replaced the Revenue Limit Formula beginning in 2013/14, is anticipated to generate additional funding for the next several years. 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 is expected to increase by another 14%. 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 and No. 71 requires new disclosures of future pension costs. Cajon Valley implemented the requirements of this GASB Statement in the 2014-15 year. As a result, a large net pension liability of approximately \$108 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 2014/2015?" 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, 2015, compared with net position as of the end of the previous two fiscal years.

Table 1
Statement of Net Position

	6/30/15	6/30/14	% Change 6/15 - 6/14	6/30/13	% Change 6/13 - 6/14
Assets					
Cash	76,979,126	72,171,053	6.67%	50,383,302	43.24%
Investments	-	-	-	-	-
Receivables	9,772,047	20,097,703	-51.38%	24,772,337	-18.87%
Due from other funds	-	-	-	-	-
Stores	566,715	497,218	13.97%	467,828	6.28%
Prepaid expenses	61,788	30,909	99.9%	1,164,623	-97.35%
Other current assets	-	-	-	-	-
Capital Assets:					
Land	13,517,805	13,517,805	0%	13,517,805	0%
Site improvements	9,604,713	9,092,163	5.64%	8,480,056	7.22%
Buildings and improvements	296,032,761	294,971,174	.36%	293,738,647	0.42%
Equipment	11,145,292	10,133,733	9.98%	8,995,990	12.65%
Work in progress	62,872,545	30,559,100	105.7%	16,082,021	90.02%
Less accumulated depreciation	(113,610,490)	(106,050,869)	7.13%	(98,551,522)	7.61%
Total Assets	366,942,302	345,019,989	6.35%	319,051,087	8.14%
Deferred Outflow of Resources	9,544,536	950,044	904.64%	n/a	n/a

Liabilities					
Accounts payable and other current liabilities	8,997,877	8,264,384	8.88%	9,469,748	-12.73%
Due to other funds	-	-	-	-	-
Unearned revenue	2,855,697	1,986,995	43.72%	2,305,554	-13.82%
Long term liabilities:					
Due within one year	10,542,083	9,413,267	11.99%	6,623,860	42.11%
Due in more than one year	297,040,997	175,059,517	69.68%	142,857,326	22.54%
Total Liabilities	319,436,654	194,724,163	64.05%	161,256,488	20.75%
Deferred Inflows of Resources	28,976,174	-	-	-	-

Net Position					
Invested in capital assets, net of related debt	102,616,696	88,297,943	16.22%	105,374,895	-16.21%
Restricted	52,343,962	58,254,044	(10.15%)	42,629,697	36.65%
Unrestricted	(126,886,648)	4,693,883	(2803.23%)	9,790,007	-52.05%
Total Net Position	28,074,010	151,245,870	(81.44%)	157,794,599	-4.15%

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 2014/2015 year, compared with revenue for the previous three years.

Table 2
Revenue – Governmental Activities

	2014/15	2013/14	2012/13	2011/12
General Revenue	136,188,315	119,639,039	106,290,531	104,453,956
Program Revenue & Fees for Services	35,390,668	37,266,479	38,179,180	39,509,104
Total Revenue	171,578,983	156,905,518	144,469,711	143,963,060

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 2014/2015 year, compared with expenditures for the previous three years.

Table 3
Expenditures – Governmental Activities

	2014/15	2013/14	2012/13	2011/12
Classroom Instruction	105,873,877	100,463,697	93,975,619	93,490,335
Instructional Related Services	15,569,867	13,967,461	13,902,486	13,866,764
Pupil Services	20,359,859	18,905,004	18,279,596	18,159,799
General Administration	8,859,677	6,994,561	7,004,740	6,115,398
Plant Services	13,486,918	13,972,615	11,961,646	11,646,390
Ancillary Services	0	0	0	0
Community Services	185,610	147,234	94,900	86,813
Enterprise Activities	48	-60	-96	0
Interest on Long Term Debt	7,175,057	7,692,570	5,315,577	5,432,944
Other Outgo	483,612	189,826	194,817	263,002
Total Expenditures	171,994,525	162,332,908	150,729,285	149,061,445

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

THE GENERAL FUND OPERATING BUDGET

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

During the course of the 2014/2015 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 2014/2015 fiscal year, the district had \$393,173,116 invested in land, buildings, work-in-progress, and capital equipment. Depreciation totaling \$113,610,490 was charged against the value of those assets for net capital assets of \$279,562,626. Net capital assets at the end of the 2013/2014 were \$252,223,104, at the end of the 2012/2013 year they were \$242,262,997, and at the end of the 2011/2012 year they were \$223,612,761.

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 Cochese 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 all of 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.

Three 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, and Series C bonds totaling \$20 million were sold in April, 2015. In addition, Series D bonds totaling \$17.88 million were sold in October 2015 after the close of the 2014/2015 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 Montgomery Middle School were recently completed. Renovations at Emerald Middle School and Magnolia Elementary School are currently under construction.

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 provides 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 are temporary, and higher tax rates will begin to expire during the 2016/17 fiscal year. The resulting impact is unknown and will depend largely upon the State economy at that time. The District will need to carefully monitor its multiyear projections to be prepared for any downturn in revenues in the future.

The new Local Control Funding Formula (LCFF) is expected to continue to boost Cajon Valley's state revenues over the next few years. Under this formula all districts receive a base amount per child, which varies by grade span, plus a supplemental allocation based upon the district's percentage of students who qualify for free/reduced price lunches or are English learners. Cajon Valley's districtwide population of students qualifying for supplemental funding is about 72% 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 two years, with the latest version being adopted in June, 2015 for implementation in the 2015/2016 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, 2015

	Governmental Activities
ASSETS	
Cash	\$ 76,979,126
Receivables	9,772,047
Stores	566,715
Prepaid Expenses	61,788
Capital Assets:	
Land	13,517,805
Improvements	9,604,713
Buildings	296,032,761
Equipment	11,145,292
Work in Progress	62,872,545
Less Accumulated Depreciation	(113,610,490)
Total Assets	<u>366,942,302</u>
DEFERRED OUTFLOWS OF RESOURCES	9,544,536
LIABILITIES	
Accounts Payable and Other Current Liabilities	8,997,877
Unearned Revenue	2,855,697
Long-Term Liabilities:	
Due Within One Year	10,542,083
Due in More Than One Year	297,040,997
Total Liabilities	<u>319,436,654</u>
DEFERRED INFLOWS OF RESOURCES	28,976,174
NET POSITION	
Net Investment in Capital Assets	102,616,696
Restricted for:	
Capital Projects	24,153,332
Debt Service	11,067,299
Educational Programs	6,854,317
Other Purposes (Expendable)	5,271,395
Other Purposes (Nonexpendable)	4,997,619
Unrestricted	(126,886,648)
Total Net Position	<u>\$ 28,074,010</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, 2015

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 105,873,877	\$ 1,569,053	\$ 17,328,233	\$ -	\$ (86,976,591)
Instruction-Related Services:					
Instructional Supervision and Administration	4,912,651	93,324	2,544,721	-	(2,274,606)
Instructional Library, Media and Technology	718,391	7,684	111,462	-	(599,245)
School Site Administration	9,938,825	129,033	345,677	-	(9,464,115)
Pupil Services:					
Home-to-School Transportation	3,653,268	-	-	-	(3,653,268)
Food Services	8,649,650	960,971	7,297,596	-	(391,083)
All Other Pupil Services	8,056,941	185,969	3,715,865	-	(4,155,107)
General Administration:					
Centralized Data Processing	2,089,568	-	-	-	(2,089,568)
All Other General Administration	6,770,109	87,811	927,815	-	(5,754,483)
Plant Services	13,486,918	7,665	41,946	-	(13,437,307)
Community Services	185,610	-	-	-	(185,610)
Enterprise Activities	48	-	-	-	(48)
Interest on Long-Term Debt	7,175,057	-	-	-	(7,175,057)
Other Outgo	483,612	2,036	33,807	-	(447,769)
Total Expenses	\$ 171,994,525	\$ 3,043,546	\$ 32,347,122	\$ -	\$ (136,603,857)

General Revenues:

Taxes and Subventions:

Taxes Levied for General Purposes	29,007,409
Taxes Levied for Debt Service	12,521,360
Taxes Levied for Other Specific Purposes	1,223,837
Federal and State Aid Not Restricted to Specific Programs	88,127,732
Interest and Investment Earnings	254,326
Interagency Revenues	117,317
Miscellaneous	4,936,334

Total General Revenues

\$ 136,188,315

Change in Net Position

(415,542)

Net Position Beginning - As Restated (See Note O)

28,489,552

Net Position Ending

\$ 28,074,010

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	General Fund	Building Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ 36,811,947	\$ 22,232,003
Cash on Hand and in Banks	-	-
Cash in Revolving Fund	14,993	-
Accounts Receivable	6,394,276	62,455
Due from Other Funds	956,294	1,712,458
Stores Inventories	338,271	-
Prepaid Expenditures	61,788	-
Total Assets	<u>44,577,569</u>	<u>24,006,916</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 3,671,356	\$ 2,207,896
Due to Other Funds	3,145,860	3,780
Unearned Revenue	2,855,698	-
Total Liabilities	<u>9,672,914</u>	<u>2,211,676</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	14,994	-
Stores Inventories	338,271	-
Prepaid Items	61,788	-
Restricted Fund Balances	6,850,568	-
Committed Fund Balances	-	-
Assigned Fund Balances	13,556,861	21,795,240
Unassigned:		
Reserve for Economic Uncertainty	4,354,323	-
Other Unassigned	9,727,850	-
Total Fund Balance	<u>34,904,655</u>	<u>21,795,240</u>
Total Liabilities and Fund Balances	<u>\$ 44,577,569</u>	<u>\$ 24,006,916</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>
\$ 11,067,299	\$ 3,272,296	\$ 73,383,545
-	152,436	152,436
-	-	14,993
-	1,843,817	8,300,548
-	1,004,131	3,672,883
-	228,444	566,715
-	-	61,788
<u>11,067,299</u>	<u>6,501,124</u>	<u>86,152,908</u>
\$ -	\$ 461,664	\$ 6,340,916
-	522,909	3,672,549
-	-	2,855,698
<u>-</u>	<u>984,573</u>	<u>12,869,163</u>
-	-	14,994
-	228,444	566,715
-	-	61,788
-	998,915	7,849,483
-	966,283	966,283
11,067,299	3,322,909	49,742,309
-	-	4,354,323
-	-	9,727,850
<u>11,067,299</u>	<u>5,516,551</u>	<u>73,283,745</u>
<u>\$ 11,067,299</u>	<u>\$ 6,501,124</u>	<u>\$ 86,152,908</u>

CAJON VALLEY UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances, governmental funds		\$ 73,283,745
<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:	393,173,116	
Accumulated depreciation	(113,610,490)	
	Net	279,562,626
<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>		
		(2,640,983)
<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	169,524,986	
Net pension liability	108,006,702	
Net OPEB obligation	12,011,398	
Compensated absences payable	1,028,114	
Other general long-term debt	9,212,275	
Capital leases payable	945,943	
Certificates of participation payable	6,475,000	
	Total	(307,204,418)
<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>		
		906,531
<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		8,638,005
Deferred inflows of resources relating to pensions		(28,976,174)
<p>Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are:</p>		
		4,504,678
Total net position, governmental activities		\$ <u>28,074,010</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Building Fund</u>
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 66,949,255	\$ -
Education Protection Account Funds	20,845,458	-
Local Sources	25,694,491	-
Federal Revenue	10,761,929	-
Other State Revenue	10,019,550	-
Other Local Revenue	15,124,104	2,019,929
Total Revenues	<u>149,394,787</u>	<u>2,019,929</u>
Expenditures:		
Instruction	98,551,677	-
Instruction - Related Services	13,935,839	-
Pupil Services	12,330,285	-
Community Services	176,107	-
General Administration	7,345,342	-
Plant Services	12,045,195	33,326,415
Other Outgo	97,935	-
Debt Service:		
Principal	184,933	1,485,000
Interest	7,039	318,400
Total Expenditures	<u>144,674,352</u>	<u>35,129,815</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,720,435</u>	<u>(33,109,886)</u>
Other Financing Sources (Uses):		
Transfers In	729,270	1,550,000
Transfers Out	(3,394,270)	-
Proceeds From Sale of Bonds	-	20,000,000
Other Sources	638,820	-
Total Other Financing Sources (Uses)	<u>(2,026,180)</u>	<u>21,550,000</u>
Net Change in Fund Balance	2,694,255	(11,559,886)
Fund Balance, July 1	32,210,400	33,355,126
Fund Balance, June 30	<u>\$ 34,904,655</u>	<u>\$ 21,795,240</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 66,949,255
-	-	20,845,458
-	-	25,694,491
-	7,081,003	17,842,932
131,954	2,385,227	12,536,731
12,415,584	1,732,438	31,292,055
<u>12,547,538</u>	<u>11,198,668</u>	<u>175,160,922</u>
-	1,466,041	100,017,718
-	178,383	14,114,222
-	8,147,375	20,477,660
-	-	176,107
-	444,304	7,789,646
-	926,302	46,297,912
-	-	97,935
5,948,121	-	7,618,054
6,175,529	-	6,500,968
<u>12,123,650</u>	<u>11,162,405</u>	<u>203,090,222</u>
423,888	36,263	(27,929,300)
-	1,415,000	3,694,270
-	(300,000)	(3,694,270)
-	-	20,000,000
193,553	-	832,373
<u>193,553</u>	<u>1,115,000</u>	<u>20,832,373</u>
617,441	1,151,263	(7,096,927)
10,449,858	4,365,288	80,380,672
<u>\$ 11,067,299</u>	<u>\$ 5,516,551</u>	<u>\$ 73,283,745</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, 2015

Total change in fund balances, governmental funds \$ (7,096,927)

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	34,900,796	
	Depreciation expense	<u>(7,559,620)</u>	
	Net		27,341,176

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: 7,618,054

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: (130,732)

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: (69,981)

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: (1,490,553)

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: (20,832,373)

Debt issue costs for prepaid debt insurance: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. The difference between debt issue costs for prepaid insurance incurred in the current period and prepaid insurance costs amortized for the period is:

	Prepaid debt insurance incurred during the period	-	
	Prepaid debt insurance amortized for the period	<u>(378,662)</u>	
	Net		(378,662)

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: (535,299)

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: (5,588,556)

Cost write-off for canceled capital projects. If a planned project is canceled and will not be completed, costs previously capitalized as Work-in-Progress must be written off to expense. Costs written off for capital projects were: 533,644

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: (543,360)

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

Internal service funds: Internal services funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 208,259

Change in net position of governmental activities \$ (415,542)

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

JUNE 30, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 3,408,157
Cash with a Fiscal Agent/Trustee	20,000
Accounts Receivable	1,471,495
Total Current Assets	<u>4,899,652</u>
Total Assets	<u>4,899,652</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 15,978
Due to Other Funds	334
Total Current Liabilities	<u>16,312</u>
Noncurrent Liabilities:	
Other General Long-Term Debt	<u>378,662</u>
Total Noncurrent Liabilities	<u>378,662</u>
Total Liabilities	<u>394,974</u>
NET POSITION:	
Unrestricted	4,504,678
Total Net Position	<u>\$ 4,504,678</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, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 17,629,162
Total Revenues	<u>17,629,162</u>
Operating Expenses:	
Classified Personnel Salaries	17,798
Employee Benefits	7,806
Services and Other Operating Expenses	17,395,300
Total Expenses	<u>17,420,904</u>
Income (Loss)	<u>208,258</u>
Total Net Position - Beginning	4,296,420
Total Net Position - Ending	<u>\$ 4,504,678</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 17,238,680
Cash Payments to Employees for Services	(25,604)
Cash Payments to Other Suppliers for Goods and Services	(17,380,955)
Net Cash Provided (Used) by Operating Activities	<u>(167,879)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	14,169
Net Cash Provided (Used) for Investing Activities	<u>14,169</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(153,710)
Cash and Cash Equivalents at Beginning of Year	3,581,867
Cash and Cash Equivalents at End of Year	<u>\$ 3,428,157</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 208,258
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	46,669
Increase (Decrease) in Accounts Payable	14,345
Increase (Decrease) in Due to Other Funds	(422,982)
Total Adjustments	<u>(361,968)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (153,710)</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, 2015

	Agency Fund
	Student Body Fund
	<u> </u>
	<u> </u>
ASSETS:	
Cash on Hand and in Banks	\$ 207,710
Total Assets	<u>207,710</u>
LIABILITIES:	
Due to Student Groups	\$ 207,710
Total Liabilities	<u>207,710</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, 2015

A. Summary of Significant Accounting Policies

Cajon Valley Union School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

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

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

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net 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 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

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.

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.

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.

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.

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

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

b. Measurement Focus, Basis of Accounting

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

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

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

3. Encumbrances

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

4. 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. Expenditures cannot legally exceed appropriations by major object code.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

5. 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, 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.

6. 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.

CAJON VALLEY UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

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

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.

CAJON VALLEY UNION SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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.

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or 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.

8. 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.

9. 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.

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, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

10. 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.

11. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions -- an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions, a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions, and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

In November, 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Excess of Expenditures Over Appropriations

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Employee benefits	\$ 1,456,611
Principal	82,203
Interest	4,466

General Fund: The district did not initially budget for payments made by the state of California on behalf of district employees for contributions to CalSTRS. In accordance with GASB Statement No. 24 these amounts have been included as both revenue and expenses. In addition, the District underestimated the payments on a new capital lease.

CAJON VALLEY UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

D. 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 (\$76,791,702 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$76,791,702. 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.

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

Cash balances on hand and in banks (\$360,146 as of June 30, 2015) and in the revolving fund (\$14,993) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2015 are shown below.

<u>Investment or Investment Type</u>	<u>Amount Reported</u>
Short Term Cash Investments	\$ <u>20,000</u>

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, 2015

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

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated 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, 2015

As of June 30, 2015, the District's bank balances (including revolving cash) of \$375,139 was not exposed to custodial credit risk.

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, 2015

E. Accounts Receivable

Accounts receivable as of June 30, 2015 consisted of:

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund	Bond Interest Redemption Fund		
Federal Government:					
Federal programs	\$ 3,876,976	\$ -	\$ -	\$ 1,324,291	\$ 5,201,267
State Government:					
Lottery	1,377,662	-	-	-	1,377,662
Special education	242,295	-	-	-	242,295
Other state programs	35,380	-	-	174,346	209,726
Local Sources:					
Interest	34,321	19,113	-	3,386	56,820
Special education	151,615	-	-	-	151,615
Other local sources	676,027	43,342	-	341,794	1,061,163
Totals	\$ 6,394,276	\$ 62,455	\$ -	\$ 1,843,817	\$ 8,300,548
		Self Insurance Fund			
Local Sources:					
Interest		\$ 3,433			
Employee benefit premiums		1,468,062			
Totals		\$ 1,471,495			

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, 2015

F. Capital Assets

Capital asset activity for the year ended June 30, 2015, 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	30,559,099	33,152,203	838,757	62,872,545
Total capital assets not being depreciated	<u>44,076,904</u>	<u>33,152,203</u>	<u>838,757</u>	<u>76,390,350</u>
Capital assets being depreciated:				
Buildings	294,971,174	1,061,587	-	296,032,761
Improvements	9,092,163	512,550	-	9,604,713
Equipment	10,133,733	1,546,858	535,299	11,145,292
Total capital assets being depreciated	<u>314,197,070</u>	<u>3,120,995</u>	<u>535,299</u>	<u>316,782,766</u>
Less accumulated depreciation for:				
Buildings	(92,368,081)	(6,546,897)	-	(98,914,978)
Improvements	(6,104,957)	(263,849)	-	(6,368,806)
Equipment	(7,577,832)	(748,874)	-	(8,326,706)
Total accumulated depreciation	<u>(106,050,870)</u>	<u>(7,559,620)</u>	<u>-</u>	<u>(113,610,490)</u>
Total capital assets being depreciated, net	<u>208,146,200</u>	<u>(4,438,625)</u>	<u>535,299</u>	<u>203,172,276</u>
Governmental activities capital assets, net	<u>\$ 252,223,104</u>	<u>\$ 28,713,578</u>	<u>\$ 1,374,056</u>	<u>\$ 279,562,626</u>

Depreciation was charged to functions as follows:

Instruction	\$ 5,049,826
Instruction-Related Services	721,551
Pupil Services	606,583
Community Services	7,628
General Administration	451,385
Plant Services	722,647
	<u>\$ 7,559,620</u>

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2015, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Child Development Fund	\$ 69,617	Indirect costs
General Fund	Cafeteria Fund	453,292	Indirect costs, OPEB
Child Development Fund	General Fund	1,122	Special education charges
General Fund	Building Fund	3,781	OPEB costs
General Fund	Self Insurance Fund	334	OPEB costs
Cafeteria Fund	General Fund	103,009	Child nutrition expenses
Building Fund	General Fund	1,712,458	Facility improvement projects
Special Reserve Fund	General Fund	900,000	Technology replacement projects
Special Reserve Fund OPEB	Self Insurance Fund	429,270	Support OPEB reserve
	Total	<u>\$ 3,672,883</u>	

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2015, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Building Fund	\$ 1,550,000	Facility improvement projects
General Fund	Deferred Maintenance Fund	415,000	Deferred maintenance projects
General Fund	Special Reserve Fund OPEB	429,270	Contributions to OPEB reserve
Special Reserve Fund	General Fund	300,000	Equipment replacement
General Fund	Special Reserve Fund	1,000,000	Technology replacement
	Total	<u>\$ 3,694,270</u>	

H. 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.

I. Accounts Payable

Accounts payable as of June 30, 2015 consisted of:

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund	Bond Interest Redemption Fund		
Vendor payables	\$ 2,919,076	\$ 2,206,114	\$ -	\$ 429,106	\$ 5,554,296
Pension liabilities	740,167	1,760	-	31,972	773,899
Payroll and related benefits	12,113	22	-	586	12,721
Totals	<u>\$ 3,671,356</u>	<u>\$ 2,207,896</u>	<u>\$ -</u>	<u>\$ 461,664</u>	<u>\$ 6,340,916</u>

J. Unearned Revenue

Unearned revenue as of June 30, 2015 consisted of:

	Major Fund
	General Fund
Federal Government:	
Categorical programs	\$ 386,916
State Government:	
Other state programs	15,616
Local Sources:	
Webster grant	2,158,921
Other local sources	294,245
Totals	<u>\$ 2,855,698</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

K. Deferred Outflows of Resources

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

A summary of the deferred outflows of resources as of June 30, 2015 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2014	Additions	Current Year Amortization	Balance June 30, 2015
Refunded Bonds	05/06/2014	22 Years	\$ 950,044	\$ -	\$ 43,513	\$ 906,531
Pension related	06/30/2015	1 Year	-	8,638,005	-	8,638,005
Total Deferred Outflows of Resources			<u>\$ 950,044</u>	<u>\$ 8,638,005</u>	<u>\$ 43,513</u>	<u>\$ 9,544,536</u>

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Refunding Bonds	Pension Related	Total
2016	\$ 43,513	\$ 8,638,005	\$ 8,681,518
2017	43,513	-	43,513
2018	43,513	-	43,513
2019	43,513	-	43,513
2020	43,513	-	43,513
2021-2025	217,565	-	217,565
2026-2030	217,565	-	217,565
2031-2035	217,565	-	217,565
2036-2040	36,271	-	36,271
Total	<u>\$ 906,531</u>	<u>\$ 8,638,005</u>	<u>\$ 9,544,536</u>

L. 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, 2015 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2014	Additions	Current Year Amortization	Balance June 30, 2015
Pension related	06/30/2015	1 Year	\$ -	28,976,174	-	28,976,174
Total Deferred Inflows of Resources			<u>\$ -</u>	<u>\$ 28,976,174</u>	<u>\$ -</u>	<u>\$ 28,976,174</u>

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2016	\$ 28,976,174
Total	<u>\$ 28,976,174</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

M. 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, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 155,473,107	\$ 20,000,000	\$ 5,948,121	\$ 169,524,986	\$ 6,317,898
Bond premiums	5,096,912	853,717	255,689	5,694,940	283,051
Accreted interest	844,228	474,034	-	1,318,262	-
Certificates of participation	7,960,000	-	1,485,000	6,475,000	1,610,000
Capital leases	492,056	1,130,876	676,989	945,943	374,590
IBNR liability	378,662	1,983,543	1,983,543	378,662	378,662
PARS retirement	2,748,841	-	549,768	2,199,073	549,768
Net pension liability	135,413,011	-	27,406,309	108,006,702	-
Compensated absences *	958,133	69,981	-	1,028,114	1,028,114
Net OPEB obligation	10,520,845	2,974,650	1,484,097	12,011,398	-
Total governmental activities	<u>\$ 319,885,795</u>	<u>\$ 27,486,801</u>	<u>\$ 39,789,516</u>	<u>\$ 307,583,080</u>	<u>\$ 10,542,083</u>

* Other long-term liabilities

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

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

2. Debt Service Requirements

Debt service requirements on long-term debt, net of bond premium, net pension liability, and net OPEB obligation, as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>Principal</u>	<u>Accreted</u>		<u>Total</u>
	Interest	Interest		
2016	\$ 10,259,032	\$ -	\$ 7,000,429	\$ 17,259,461
2017	6,989,230	-	6,893,748	13,882,978
2018	8,457,735	17,519	6,644,329	15,119,583
2019	8,848,026	102,461	6,294,054	15,244,541
2020	6,747,864	141,482	5,948,128	12,837,474
2021-2025	33,681,516	1,597,135	25,573,356	60,852,007
2026-2030	45,079,460	5,380,386	17,769,168	68,229,014
2031-2035	40,993,915	511,085	7,633,594	49,138,594
2036-2040	16,610,000	-	2,049,722	18,659,722
2041-2045	2,885,000	-	52,290	2,937,290
Totals	<u>\$ 180,551,778</u>	<u>\$ 7,750,068</u>	<u>\$ 85,858,818</u>	<u>\$ 274,160,664</u>

Note: Amounts represented in the repayment schedule for accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have accrued as of June 30, 2015.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

3. General Obligation Bonds

General obligation bonds at June 30, 2015 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2000 Election Series D	07/20/05	3.50-6.50%	08/01/34	\$ 15,000,000
2000 Election Series E	06/08/06	4.00-6.00%	08/01/35	15,000,000
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
2012 Election Series B	10/17/13	1.45%	08/01/16	1,815,000
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
Total GO Bonds				\$ 213,032,992

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
2000 Election Series D	\$ 370,000	\$ -	\$ 370,000	\$ -
2000 Election Series E	360,000	-	360,000	-
2008 Election Series A	30,750,000	-	1,005,000	29,745,000
2010 Refunding Bonds	22,210,000	-	845,000	21,365,000
2008 Election Series B	12,758,175	-	458,121	12,300,054
2012 Refunding Bonds	13,015,000	-	455,000	12,560,000
2008 Election Series C	19,429,932	-	160,000	19,269,932
2012 Election Series A	31,200,000	-	1,400,000	29,800,000
2012 Election Series B	1,815,000	-	605,000	1,210,000
2014 Refunding Bonds	23,565,000	-	290,000	23,275,000
2012 Election Series C	-	20,000,000	-	20,000,000
Total GO Bonds	\$ 155,473,107	\$ 20,000,000	\$ 5,948,121	\$ 169,524,986

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The annual requirements to amortize bonds outstanding at June 30, 2015 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2016	\$ 6,317,898	\$ -	\$ 6,730,823	\$ 13,048,721
2017	5,845,194	-	6,693,220	12,538,414
2018	6,095,882	17,519	6,457,138	12,570,539
2019	6,613,257	102,461	6,172,854	12,888,572
2020	5,402,864	141,482	5,894,328	11,438,674
2021-2025	33,681,516	1,597,135	25,573,356	60,852,007
2026-2030	45,079,460	5,380,386	17,769,168	68,229,014
2031-2035	40,993,915	511,085	7,633,594	49,138,594
2036-2040	16,610,000	-	2,049,722	18,659,722
2041-2045	2,885,000	-	52,290	2,937,290
Totals	<u>\$ 169,524,986</u>	<u>\$ 7,750,068</u>	<u>\$ 85,026,493</u>	<u>\$ 262,301,547</u>

4. 2015 General Obligation Bonds

In April 2015 the District issued \$20,000,000 2012 Election, Series C, General Obligation Reauthorization Bonds in order to finance the repair and renovation of school facilities, increase student access to technology, improve energy efficiency, and reduce overall borrowing costs for the District. The issue consisted of a) \$17,785,000 in Serial Bonds with interest rates ranging from 3.25% to 5.00% with annual maturities from August 2016 through August 2040, b) \$1,020,000 in Term Bonds with a stated interest rate of 5.00% due August 1, 2028, and c) \$1,195,000 in Term Bonds with a stated interest rate of 5.00% due August 1, 2030. Principal payments on the bonds are due August 1 of each year beginning August 1, 2016 while interest is payable semi-annually on February 1 and August 1 of each year through maturity. Net proceeds of \$20,000,000 were deposited into the Building Fund after premium and issuance costs while remaining funds of \$181,461 were deposited into the Bond Interest and Redemption Fund to be utilized for subsequent debt service on the bonds.

5. Certificates of Participation

Certificates of participation at June 30, 2015 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Original Issue Amount
2003 COPS	09/17/03	2.50-4.00%	05/01/16	\$ 10,180,000
2007 COPS	02/23/07	4.00%	03/01/20	7,835,000
Total				<u>\$ 18,015,000</u>

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
2003 COPS	\$ 2,695,000	\$ -	\$ 1,290,000	\$ 1,405,000
2007 COPS	5,265,000	-	195,000	5,070,000
Total	<u>\$ 7,960,000</u>	<u>\$ -</u>	<u>\$ 1,485,000</u>	<u>\$ 6,475,000</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Future commitments for certificates of participation as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,610,000	\$ 259,000	\$ 1,869,000
2017	215,000	194,600	409,600
2018	1,620,000	186,000	1,806,000
2019	1,685,000	121,200	1,806,200
2020	1,345,000	53,800	1,398,800
Totals	<u>\$ 6,475,000</u>	<u>\$ 814,600</u>	<u>\$ 7,289,600</u>

6. 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.

7. 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, 2015 is summarized as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issue Amount</u>
2014 PARS	03/11/14	0%	06/30/19	\$ 2,748,841
	<u>Beginning Balance</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Ending Balance</u>
2014 PARS	\$ 2,748,841	\$ -	\$ 549,768	\$ 2,199,073

Future commitments for early retirement incentives as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 549,768	\$ -	\$ 549,768
2017	549,768	-	549,768
2018	549,768	-	549,768
2019	549,769	-	549,769
Totals	<u>\$ 2,199,073</u>	<u>\$ -</u>	<u>\$ 2,199,073</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

8. Bond Premium

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

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

	2010 Refunding Bonds	2012 Refunding Bonds	2008 Series C Bonds
Total Interest	\$ 14,946,702	\$ 5,873,465	\$ 14,679,779
Less Bond Premium	(1,085,735)	(418,286)	(315,532)
Net Interest	<u>\$ 13,860,967</u>	<u>\$ 5,455,179</u>	<u>\$ 14,364,247</u>
Par Amount of Bonds	\$ 24,670,000	\$ 13,690,000	\$ 19,999,932
Periods	22	21	20
Effective Interest Rate	2.55%	1.90%	3.59%

	2012 Series A Bonds	2014 Refunding Bonds	2015 Series C Bonds
Total Interest	\$ 22,117,998	\$ 13,552,500	\$ 13,711,649
Less Bond Premium	(1,170,175)	(2,452,485)	(853,717)
Net Interest	<u>\$ 20,947,823</u>	<u>\$ 11,100,015</u>	<u>\$ 12,857,932</u>
Par Amount of Bonds	\$ 31,200,000	\$ 23,565,000	\$ 20,000,000
Periods	24	22	26
Effective Interest Rate	2.80%	2.14%	2.47%

9. Capital Leases

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

Commitments under the capitalized agreement for the vehicles provide for minimum lease payments as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 374,590	\$ 10,606	\$ 385,196
2017	379,268	5,928	385,196
2018	192,085	1,191	193,276
Totals	<u>\$ 945,943</u>	<u>\$ 17,725</u>	<u>\$ 492,056</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

N. Components of Ending Fund Balance

As of June 30, 2015 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	\$ 14,993	\$ -	\$ -	\$ -	\$ 14,993
Stores Inventory	338,271	-	-	228,444	566,715
Prepaid Expenses	61,788	-	-	-	61,788
Restricted Fund Balances					
Educational Programs	6,850,567	-	-	-	6,850,567
Child Nutrition Program	-	-	-	995,161	995,161
Child Development Program	-	-	-	3,749	3,749
Committed Fund Balances					
Deferred Maintenance	-	-	-	966,283	966,283
Assigned Fund Balances					
Educational Programs	9,596,855	-	-	-	9,596,855
Post Employment Benefits	3,960,006	-	-	-	3,960,006
Capital Projects	-	21,795,240	-	3,322,909	25,118,149
Debt Service	-	-	11,067,299	-	11,067,299
Unassigned Fund Balances					
Economic Uncertainty	4,354,323	-	-	-	4,354,323
Other Unassigned	9,727,852	-	-	-	9,727,852
Total Fund Balance	\$ 34,904,655	\$ 21,795,240	\$ 11,067,299	\$ 5,516,546	\$ 73,283,740

O. Adjustment to Beginning Net Position

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted in accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability, any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources. The change due to accounting policies resulted in an adjustment to beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 151,245,867
Adjustments for:	
Change in Accounting Policy - Net Pension Liability	(135,413,011)
Change in Accounting Policy - Deferred Outflows Pension Related	12,656,696
Net Position, Beginning (As Restated)	<u>\$ 28,489,552</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

P. Joint Ventures (Joint Powers Agreements)

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

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

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2014 is as follows:

Total Assets	\$	3,011,768
Total Liabilities		1,775,670
Total Fund Balance		1,236,098
Total Cash Receipts		72,742
Total Cash Disbursements		329,839
Net Change in Fund Balance		(257,097)

Financial information on the District's share of the JPA for the year ended June 30, 2015 was not available at the time this report was issued. The information can be obtained by contacting the JPA directly.

Q. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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

b. Benefits Provided

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The Plans' provisions and benefits in effect as of June 30, 2014 (measurement date) are summarized as follows:

	CalSTRS		CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date				
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	8.000%	8.000%	6.974.%	6.974.%
Required employer contribution rates	8.250%	8.250%	11.442%	11.442%

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

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

d. Contributions - CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8% 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 8.25% of creditable compensation. 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.

e. 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, 2014 (measurement date) the State contributed 5.204002% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

f. Contributions Recognized and Pension Expense

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each plan were as follows:

	CalSTRS	CalPERS
Contributions - Employer	\$ 3,237,520	\$ 2,590,212
Contributions - Employee (paid by employer)	3,248,960	1,602,314
Contributions - State On Behalf Payments	1,977,690	-
Total Pension Expense	<u>\$ 8,464,170</u>	<u>4,192,526</u>

Pension expense for each plan were as follows:

	CalSTRS	CalPERS
Change in Net Pension Liability	\$ (18,590,000)	\$ (8,816,310)
Net difference between projected and actual earnings on plan investments	20,577,900	8,398,475
Total Employer and State Contributions	8,464,170	4,192,526
Total Pension Expense	<u>\$ 10,452,070</u>	<u>\$ 3,774,691</u>

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 83,564,910
CalPERS	24,441,792
Total Net Pension Liability	<u>\$ 108,006,702</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, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2013	<u>0.1430%</u>	<u>0.2153%</u>
Proportion - June 30, 2014	<u>0.1430%</u>	<u>0.2153%</u>
Change - Increase (Decrease)	<u>-</u>	<u>-</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$14,226,761. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,638,005	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	-	(28,976,174)
Total	\$ 8,638,005	\$ (28,976,174)

\$8,638,005 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (7,244,044)
2017	(7,244,044)
2018	(7,244,043)
2019	(7,244,043)
Total	<u>\$ (28,976,174)</u>

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	CalSTRS	CalPERS
	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.6%	7.5%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.6% (2)	7.5% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Depending on age, gender, and type of job

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.50% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

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

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

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

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 table 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.

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

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

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

c. 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	6.60%	6.50%
Net Pension Liability	\$ 146,591,928	\$ 42,876,483
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 83,564,910	\$ 24,441,792
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 30,899,483	\$ 6,002,778

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

CalSTRS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 340,033,980	\$ 237,879,070	\$ 102,154,910
Changes for the year:			
Service cost	7,633,340	-	7,633,340
Interest	25,485,460	-	25,485,460
Differences between expected and actual experience	-	-	
Contributions - Employer	-	3,237,520	(3,237,520)
Contributions - Employee	-	3,248,960	(3,248,960)
Contributions - State On Behalf	-	1,977,690	(1,977,690)
Net investment income	-	43,474,860	(43,474,860)
Other income	-	2,860	(2,860)
Benefit payments, including refunds of employee contributions	(17,210,050)	(17,210,050)	-
Administrative expenses	-	(220,220)	220,220
Other expenses	-	(12,870)	12,870
Net Changes	15,908,750	34,498,750	(18,590,000)
Balance at June 30, 2015	<u>\$ 355,942,730</u>	<u>\$ 272,377,820</u>	<u>\$ 83,564,910</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 140,022,803	\$ 106,764,701	\$ 33,258,102
Changes for the year:			
Service cost	3,393,184	-	3,393,184
Interest	10,375,561	-	10,375,561
Differences between expected and actual experience	-	-	
Contributions - Employer	-	2,590,212	(2,590,212)
Contributions - Employee	-	1,602,314	(1,602,314)
Net investment income	-	18,392,529	(18,392,529)
Benefit payments, including refunds of employee contributions	(6,757,151)	(6,757,151)	-
Administrative expenses	-	-	-
Other expenses	-	-	-
Net Changes	<u>7,011,594</u>	<u>15,827,904</u>	<u>(8,816,310)</u>
Balance at June 30, 2015	<u>\$ 147,034,397</u>	<u>\$ 122,592,605</u>	<u>\$ 24,441,792</u>

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

R. Postemployment Benefits Other Than Pension Benefits

Plan Description

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

Benefit Plan Provisions

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

Employees who retire prior to December 1, 2006 are eligible for a monthly amount (\$120) if they have waived medical benefits. No new retirees may elect this benefit in the future except an active employee who had waived coverage at December 1, 2006 and retirees with this same coverage in place.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Eligibility for retiree health coverage requires retirement on or after age 55 with at least 10 years of District service. A surviving spouse can continue coverage upon the death of the retiree until they attain age 65 for the same rate the retiree would pay for single coverage. The District currently provides health benefits to approximately 257 retired employees and 1,363 active employees.

Premium Rates

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

Funding Policy

Beginning in the 2007-08 fiscal year, the District began to accrue the retiree health benefits in accordance with GASB Statement No. 45. The expense is generally accrued over the working career of employees. Under accrual accounting in accordance with GASB Statement No. 45 the District's expense for the fiscal year ended June 30, 2015 was \$1,484,097.

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 3,713,430
Interest on Net OPEB obligation	42,504
Adjustment to ARC	(781,284)
Annual OPEB cost	<u>2,974,650</u>
Employer contributions	(1,484,097)
Increase in Net OPEB obligation	<u>1,490,553</u>
Net OPEB obligations-beginning of year	10,520,845
Net OPEB obligations-end of year	<u>\$ 12,011,398</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2013, 2014, and June 30, 2015 are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	2,902,435	54.61%	\$ 8922703
2014	3,000,202	46.73%	10520845
2015	2,974,650	49.89%	12,011,398

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

The following assumptions were made:

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

Participation rate: 95% of future active employees are assumed to elect retiree health coverage at retirement. Of those electing coverage, approximately 70% are assumed to elect coverage for their spouse. Spouses are assumed to be the same age as the retiree. 20% of eligible (for reimbursement) retirees are assumed to continue on the Kaiser Senior Advantage Plan upon reaching age 65.

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

Medical trend rates: The expected rate of increase in healthcare insurance premiums ranged from a rate of 7.5 percent initially, reduced to a rate of 5.0 percent after six years, was used.

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

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

S. 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 the liabilities under general long-term debt and is reported in accordance with Financial Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claim liability in the fiscal year ended June 30, 2015 are indicated below:

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Internal Service Fund:	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments and Adjustments	Ending Fiscal Year Liability
Year 2014-15	\$ 378,662	\$ 1,983,543	\$ 1,983,543	\$ 378,662

T. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

U. Construction Commitments

As of June 30, 2015 the District had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>
Construction in Process:		
HVAC	\$ 172,450	September 2016
Vista Grande Modernization	104,000	September 2015
Rancho San Diego Modernization	92,845	September 2015
Technology Infrastructure	139,676	September 2016
Lexington Elementary Rebuild	6,346,269	October 2015
Emerald Gym/MPR/Kitchen and Administration	10,999,732	August 2016
Montgomery Gym/MPB and Renovations	2,818,775	October 2015
Fencing	25,975	August 2015

* Expected date of final completion subject to change

V. Subsequent Events

New Accounting Pronouncements

GASB Statement No. 72

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

GASB Statement No. 76

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles For State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

2015 General Obligation Bonds

In October 2015 the District issued \$17,880,000 2012 Election, Series D, General Obligation Reauthorization Bonds in order to finance the repair and renovation of school facilities, increase student access to technology, improve energy efficiency, and reduce overall borrowing costs for the District. The issue consisted of \$17,880,000 in Serial Bonds with interest rates ranging from 3.00% to 5.00% with annual maturities from August 2019 through August 2040. 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. Net proceeds of \$17,880,000 were deposited into the Building Fund after premium and issuance costs while remaining funds of \$709,503 were deposited into the Bond Interest and Redemption Fund to be utilized for subsequent debt service on the bonds.

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 72,358,309	\$ 72,358,309	\$ 66,949,255	\$ (5,409,054)
Education Protection Account Funds	14,132,742	14,132,742	20,845,458	6,712,716
Local Sources	24,333,539	24,333,539	25,694,491	1,360,952
Federal Revenue	9,939,543	12,814,971	10,761,929	(2,053,042)
Other State Revenue	4,824,867	6,519,313	10,019,550	3,500,237
Other Local Revenue	11,326,608	17,187,977	15,110,258	(2,077,719)
Total Revenues	<u>136,915,608</u>	<u>147,346,851</u>	<u>149,380,941</u>	<u>2,034,090</u>
Expenditures:				
Current:				
Certificated Salaries	63,312,525	66,520,579	66,041,020	479,559
Classified Salaries	23,461,588	24,091,765	23,364,983	726,782
Employee Benefits	26,517,406	27,012,084	28,468,695	(1,456,611)
Books And Supplies	5,890,740	23,695,478	9,949,405	13,746,073
Services And Other Operating Expenditures	15,537,629	20,879,329	15,842,854	5,036,475
Other Outgo	184,418	184,418	97,935	86,483
Direct Support/Indirect Costs	(85,858)	(96,181)	(444,304)	348,123
Capital Outlay	132,594	1,323,996	1,161,792	162,204
Debt Service:				
Principal	-	102,730	184,933	(82,203)
Interest	-	2,573	7,039	(4,466)
Total Expenditures	<u>134,951,042</u>	<u>163,716,771</u>	<u>144,674,352</u>	<u>19,042,419</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,964,566</u>	<u>(16,369,920)</u>	<u>4,706,589</u>	<u>21,076,509</u>
Other Financing Sources (Uses):				
Transfers In	300,000	290,114	300,000	9,886
Transfers Out	(557,840)	(657,840)	(3,394,270)	(2,736,430)
Other Sources	-	-	638,820	638,820
Total Other Financing Sources (Uses)	<u>(257,840)</u>	<u>(367,726)</u>	<u>(2,455,450)</u>	<u>(2,087,724)</u>
Net Change in Fund Balance	<u>1,706,726</u>	<u>(16,737,646)</u>	<u>2,251,139</u>	<u>18,988,785</u>
Fund Balance, July 1	<u>28,693,510</u>	<u>28,693,510</u>	<u>28,693,510</u>	-
Fund Balance, June 30	<u>\$ 30,400,236</u>	<u>\$ 11,955,864</u>	<u>\$ 30,944,649</u>	<u>\$ 18,988,785</u>

The accompanying notes to required supplementary information are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICTREQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS-OPEB PLAN
YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/08	\$ -	31,438,536	31,438,536	-	94,900,471	33.1%
6/30/09	-	30,257,643	30,257,643	-	92,433,145	33.3%
6/30/10	-	30,737,037	30,737,037	-	81,842,000	37.6%
6/30/11	-	26,647,546	26,647,546	-	82,662,852	32.2%
6/30/12	-	26,647,546	26,647,546	-	72,201,000	36.9%
6/30/13	-	26,647,546	26,647,546	-	75,548,000	35.2%
6/30/14	-	26,984,990	26,984,990	-	78,061,000	34.6%
6/30/15	-	26,984,990	26,984,990	-	93,088,072	28.7%

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.1430%	N/A								
District's proportionate share of the net pension liability (asset)	\$ 83,564,910	N/A								
District's covered-employee payroll	\$ 39,304,980	N/A								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.61%	N/A								
Plan fiduciary net position as a percentage of the total pension liability	76.52%	N/A								

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

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

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 6,486,480	N/A								
Contributions in relation to the contractually required contribution	(6,486,480)	N/A								
Contribution deficiency (excess)	\$ -	N/A								
District's covered-employee payroll	\$ 39,304,980	N/A								
Contributions as a percentage of covered-employee payroll	16.50%	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.

Notes to Schedule:

Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

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. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.2153%	N/A								
District's proportionate share of the net pension liability (asset)	\$ 24,441,792	N/A								
District's covered-employee payroll	\$ 22,677,612	N/A								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	107.78%	N/A								
Plan fiduciary net position as a percentage of the total pension liability	83.38%	N/A								

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

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

Notes to Schedule:

- 1) Benefit changes: In 2015 there were no changes to the benefits.
- 2) Changes in assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 4,192,526	N/A								
Contributions in relation to the contractually required contribution	(4,192,526)	N/A								
Contribution deficiency (excess)	\$ -	N/A								
District's covered-employee payroll	\$ 22,677,612	N/A								
Contributions as a percentage of covered-employee payroll	18.48%	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.

Notes to Schedule

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS Membership Data for all funds
Post Retirement Increase	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

CAJON VALLEY UNION SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 34,904,655
Less Fund 20 Fund Balance	<u>(3,960,006)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 30,944,649</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$ 2,694,256
Change in Fund Balance attributed to Fund 20	<u>(443,117)</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ 2,251,139</u>

Combining Statements and Budget Comparisons as Supplementary Information

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

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 1,122,098	\$ 2,150,198	\$ 3,272,296
Cash on Hand and in Banks	152,436	-	152,436
Accounts Receivable	1,564,228	279,589	1,843,817
Due from Other Funds	104,131	900,000	1,004,131
Stores Inventories	228,444	-	228,444
Total Assets	<u>3,171,337</u>	<u>3,329,787</u>	<u>6,501,124</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 454,786	\$ 6,878	\$ 461,664
Due to Other Funds	522,909	-	522,909
Total Liabilities	<u>977,695</u>	<u>6,878</u>	<u>984,573</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	228,444	-	228,444
Restricted Fund Balances	998,915	-	998,915
Committed Fund Balances	966,283	-	966,283
Assigned Fund Balances	-	3,322,909	3,322,909
Total Fund Balance	<u>2,193,642</u>	<u>3,322,909</u>	<u>5,516,551</u>
Total Liabilities and Fund Balances	<u>\$ 3,171,337</u>	<u>\$ 3,329,787</u>	<u>\$ 6,501,124</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, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 7,081,003	\$ -	\$ 7,081,003
Other State Revenue	2,385,227	-	2,385,227
Other Local Revenue	1,019,980	712,458	1,732,438
Total Revenues	<u>10,486,210</u>	<u>712,458</u>	<u>11,198,668</u>
Expenditures:			
Instruction	1,466,041	-	1,466,041
Instruction - Related Services	178,383	-	178,383
Pupil Services	8,147,375	-	8,147,375
General Administration	444,304	-	444,304
Plant Services	860,194	66,108	926,302
Total Expenditures	<u>11,096,297</u>	<u>66,108</u>	<u>11,162,405</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(610,087)</u>	<u>646,350</u>	<u>36,263</u>
Other Financing Sources (Uses):			
Transfers In	415,000	1,000,000	1,415,000
Transfers Out	-	(300,000)	(300,000)
Total Other Financing Sources (Uses)	<u>415,000</u>	<u>700,000</u>	<u>1,115,000</u>
Net Change in Fund Balance	(195,087)	1,346,350	1,151,263
Fund Balance, July 1	2,388,729	1,976,559	4,365,288
Fund Balance, June 30	<u>\$ 2,193,642</u>	<u>\$ 3,322,909</u>	<u>\$ 5,516,551</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 24,410	\$ 92,430	\$ 1,005,258	\$ 1,122,098
Cash on Hand and in Banks	-	152,436	-	152,436
Accounts Receivable	60,194	1,503,063	971	1,564,228
Due from Other Funds	1,122	103,009	-	104,131
Stores Inventories	-	228,444	-	228,444
Total Assets	<u>85,726</u>	<u>2,079,382</u>	<u>1,006,229</u>	<u>3,171,337</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 12,356	\$ 402,484	\$ 39,946	\$ 454,786
Due to Other Funds	69,617	453,292	-	522,909
Total Liabilities	<u>81,973</u>	<u>855,776</u>	<u>39,946</u>	<u>977,695</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	-	228,444	-	228,444
Restricted Fund Balances	3,753	995,162	-	998,915
Committed Fund Balances	-	-	966,283	966,283
Total Fund Balance	<u>3,753</u>	<u>1,223,606</u>	<u>966,283</u>	<u>2,193,642</u>
Total Liabilities and Fund Balances	<u>\$ 85,726</u>	<u>\$ 2,079,382</u>	<u>\$ 1,006,229</u>	<u>\$ 3,171,337</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, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ -	\$ 7,081,003	\$ -	\$ 7,081,003
Other State Revenue	1,694,687	690,540	-	2,385,227
Other Local Revenue	739	1,015,766	3,475	1,019,980
Total Revenues	<u>1,695,426</u>	<u>8,787,309</u>	<u>3,475</u>	<u>10,486,210</u>
Expenditures:				
Instruction	1,466,041	-	-	1,466,041
Instruction - Related Services	178,383	-	-	178,383
Pupil Services	-	8,147,375	-	8,147,375
General Administration	47,249	397,055	-	444,304
Plant Services	-	37,775	822,419	860,194
Total Expenditures	<u>1,691,673</u>	<u>8,582,205</u>	<u>822,419</u>	<u>11,096,297</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,753</u>	<u>205,104</u>	<u>(818,944)</u>	<u>(610,087)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	415,000	415,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>415,000</u>	<u>415,000</u>
Net Change in Fund Balance	3,753	205,104	(403,944)	(195,087)
Fund Balance, July 1	-	1,018,502	1,370,227	2,388,729
Fund Balance, June 30	<u>\$ 3,753</u>	<u>\$ 1,223,606</u>	<u>\$ 966,283</u>	<u>\$ 2,193,642</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2015

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 1,120,076	\$ 1,030,122	\$ 2,150,198
Accounts Receivable	278,611	978	279,589
Due from Other Funds	-	900,000	900,000
Total Assets	<u>1,398,687</u>	<u>1,931,100</u>	<u>3,329,787</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 6,878	\$ -	\$ 6,878
Total Liabilities	<u>6,878</u>	<u>-</u>	<u>6,878</u>
Fund Balance:			
Assigned Fund Balances	<u>1,391,809</u>	<u>1,931,100</u>	<u>3,322,909</u>
Total Fund Balance	<u>1,391,809</u>	<u>1,931,100</u>	<u>3,322,909</u>
Total Liabilities and Fund Balances	<u>\$ 1,398,687</u>	<u>\$ 1,931,100</u>	<u>\$ 3,329,787</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, 2015

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 707,730	\$ 4,728	\$ 712,458
Total Revenues	<u>707,730</u>	<u>4,728</u>	<u>712,458</u>
Expenditures:			
Plant Services	66,108	-	66,108
Total Expenditures	<u>66,108</u>	<u>-</u>	<u>66,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>641,622</u>	<u>4,728</u>	<u>646,350</u>
Other Financing Sources (Uses):			
Transfers In	-	1,000,000	1,000,000
Transfers Out	-	(300,000)	(300,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>700,000</u>	<u>700,000</u>
Net Change in Fund Balance	641,622	704,728	1,346,350
Fund Balance, July 1	750,187	1,226,372	1,976,559
Fund Balance, June 30	<u>\$ 1,391,809</u>	<u>\$ 1,931,100</u>	<u>\$ 3,322,909</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.

CAJON VALLEY UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2015

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 twenty elementary schools, six middle schools, one early childhood school, one home school, one community day school, and fourteen state preschools.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Justin A. Slagle	President	Four Year Term Expires December 2016
Jill D. Barto	Vice President	Four Year Term Expires December 2018
Tamara Otero	Clerk	Four Year Term Expires December 2018
Suzanne M. Mullins	Member	Four Year Term Expires December 2016
Jo Alegria	Member	Four Year Term Expires December 2018

Administration

David Miyashiro, Ed.D
Superintendent

Kari Hull
Assistant Superintendent
Educational Services

Stephen Mahoney, Ed.D
Assistant Superintendent
Personnel Services

Scott Buxbaum
Assistant Superintendent
Business Services

CAJON VALLEY UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2015

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	7,023.50	N/A	7,050.71	N/A
Extended Year Special Education	8.71	N/A	8.71	N/A
Nonpublic, Nonsectarian Schools	4.97	N/A	4.97	N/A
Extended Year - Nonpublic	0.31	N/A	0.31	N/A
TK/K-3 Totals	<u>7,037.49</u>	<u>N/A</u>	<u>7,064.70</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	4,983.05	N/A	4,988.85	N/A
Extended Year Special Education	7.42	N/A	7.42	N/A
Nonpublic, Nonsectarian Schools	9.34	N/A	9.34	N/A
Extended Year - Nonpublic	1.62	N/A	1.62	N/A
Community Day School	3.19	N/A	3.68	N/A
Grades 4-6 Totals	<u>5,004.62</u>	<u>N/A</u>	<u>5,010.91</u>	<u>N/A</u>
Grades 7 and 8:				
Regular ADA	3,335.41	N/A	3,330.64	N/A
Extended Year Special Education	5.93	N/A	5.93	N/A
Nonpublic, Nonsectarian Schools	9.57	N/A	9.57	N/A
Extended Year - Nonpublic	1.00	N/A	1.00	N/A
Community Day School	17.68	N/A	20.87	N/A
Grades 7 and 8 Totals	<u>3,369.59</u>	<u>N/A</u>	<u>3,368.01</u>	<u>N/A</u>
ADA Totals	<u>15,411.70</u>	<u>N/A</u>	<u>15,443.62</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 DISTRICTSCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2015**TABLE D-2**

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2014-15 Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	35,000	50,760	180	-	Complied
Kindergarten	36,000	35,000	55,260	180	-	Complied
Grade 1	50,400	49,000	52,560	180	-	Complied
Grade 2	50,400	49,000	52,560	180	-	Complied
Grade 3	50,400	49,000	53,460	180	-	Complied
Grade 4	54,000	52,500	54,360	180	-	Complied
Grade 5	54,000	52,500	54,360	180	-	Complied
Grade 6	54,000	52,500	62,765	180	-	Complied
Grade 7	54,000	52,500	62,765	180	-	Complied
Grade 8	54,000	52,500	62,765	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, 2015

TABLE D-3

General Fund	Budget 2016 (See Note 1)	2015	2014	2013
Revenues and other financial sources	\$ 161,174,101	\$ 146,859,949	\$ 133,935,495	\$ 127,721,173
Expenditures, other uses and transfers out	155,035,619	144,608,810	133,516,268	131,575,052
Change in fund balance (deficit)	6,138,482	2,251,139	419,227	(3,853,879)
Ending fund balance	<u>\$ 37,083,131</u>	<u>\$ 30,944,649</u>	<u>\$ 28,693,510</u>	<u>\$ 28,274,283</u>
Available reserves (See Note 2)	<u>\$ 29,817,511</u>	<u>\$ 23,679,030</u>	<u>\$ 20,515,540</u>	<u>\$ 22,066,259</u>
Available reserves as a percentage of total outgo (See Note 3)	<u>19.2%</u>	<u>16.4%</u>	<u>15.4%</u>	<u>17.2%</u>
Total long-term debt (See Note 5)	<u>\$ 297,040,997</u>	<u>\$ 307,583,080</u>	<u>\$ 184,472,784</u>	<u>\$ 149,481,206</u>
Average daily attendance at P-2	<u>15,407</u>	<u>15,408</u>	<u>15,331</u>	<u>15,108</u>

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 decreased by \$1,183,512 over the past three years. The fiscal year 2015-16 budget projects an increase of \$6,138,482. 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 \$175,555,525 over the past three years.

Average daily attendance (ADA) has increased by 399 over the past three years.

Notes:

- 1 Budget 2016 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 \$3,459,812, \$3,342,619, and \$3,245,600, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013.
- 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.
- 5 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 include net pension liabilities which were not previously accounted for. As such, total long term debt for the year ended June 30, 2015 is not comparable to previous years represented in this table.

CAJON VALLEY UNION SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

TABLE D-4

	General Fund	Special Reserve Fund for Post Employment Benefits
	<u> </u>	<u> </u>
June 30, 2015, annual financial and budget report fund balances	\$ 30,944,649	\$ 3,960,006
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB #54 presentation of Fund 20 included with general fund	<u>3,960,006</u>	<u>(3,960,006)</u>
June 30, 2015, audited financial statement fund balances	<u>\$ 34,904,655</u>	<u>\$ -</u>
	Schedule of Long-Term Liabilities	
	<u> </u>	
June 30, 2015, annual financial and budget report total liabilities	\$ 300,362,715	
Adjustments and reclassifications:		
Increase (decrease) in total liabilities:		
Net OPEB obligation overstatement	(738,780)	
Bond premium understatement	5,694,940	
Accreted interest understatement	1,318,262	
Capital leases understatement	<u>945,943</u>	
Net adjustments and reclassifications	<u>7,220,365</u>	
June 30, 2015, audited financial statement total liabilities	<u>\$ 307,583,080</u>	

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

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

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

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2015

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF THE INTERIOR</u>			
Direct Program:			
Wild Life Restoration	15.611	-	\$ 8,256
Total U. S. Department of the Interior			<u>8,256</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Medi-Cal	93.778	-	209,901
Total U. S. Department of Health and Human Services			<u>209,901</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Program:			
Supportive Schools - Successful Students	84.215E	-	346,533
Passed Through California Department of Education:			
Title I Part A	84.010	14416	5,127,777
Special Education Cluster:			
Special Education: IDEA Basic	84.027	13379	2,705,012
Special Education: IDEA Mental Health	84.027	14468	174,409
Special Education: IDEA Preschool Local	84.027A	13682	280,876
Special Education: IDEA Preschool	84.173	13430	163,054
Special Education: IDEA Preschool Staff Development	84.173A	13431	1,231
Special Education: Local Private Schools	84.027	10115	9,886
Special Education: Local Early Intervening	84.027	10119	140,904
Special Education: Early Intervention	84.027	13008	45,926
Special Education: Preschool Early Intervening	84.173	10131	31,883
Total Special Education Cluster			<u>3,553,181</u>
Title III Cluster			
Title III Limited English Proficiency	84.365	14346	271,653
Title III Immigrant Education	84.365	15146	108,395
Total Title III Cluster			<u>380,048</u>
Title II California Mathematics and Science	84.366	14512	24,637
Title II Teacher Quality	84.367	14341	813,744
Total Passed Through California Department of Education			<u>9,899,387</u>
Total U. S. Department of Education			<u>10,245,920</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	1,710,414
National School Lunch Program Section 11	10.555	13396	4,418,070
National School Lunch Program Section 4	10.555	13391	730,868
National School Lunch Program Meal Supplement	10.555	23165	138,301
Commodity Supplemental Food Program*	10.555	-	83,348
Total Child Nutrition Cluster			<u>7,081,001</u>
Total Passed Through California Department of Education			<u>7,081,001</u>
Total U. S. Department of Agriculture			<u>7,081,001</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 17,545,078</u></u>

* Indicates noncash expenditure.

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, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cajon Valley Union School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, Cajon Valley Union School District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Title II - Teacher Quality	84.367	\$ <u>22,209</u>

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, 2015, and the related notes to the financial statements, which collectively comprise Cajon Valley Union School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 14, 2015

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cajon Valley Union School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 14, 2015

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel 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, 2015.

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, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. 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, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. 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>
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**LOCAL EDUCATION AGENCIES
OTHER THAN CHARTER SCHOOLS:**

Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A

Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	N/A
Adult Education Maintenance of Effort	N/A

SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:

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
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes

CHARTER SCHOOLS:

Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency. We did not perform testing for Independent Study. The procedure was not required to be performed since the ADA was below the level that requires testing.

Opinion on State Compliance

In our opinion, Cajon Valley Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2015.

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 14, 2015

Findings and Recommendations Section

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster
84.365	Title III Cluster
84.367	Title II Teacher Quality

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

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 Standards and Procedures for Audits of California K-12 Local Education Agencies? Yes X 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, 2015

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

CAJON VALLEY UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no audit findings for the 2013-14 fiscal year.		