

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

AUDIT REPORT

JUNE 30, 2014

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

Introductory Section

Cajon Valley Union School District
 Audit Report
 For The Year Ended June 30, 2014

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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 Cajon Valley Union School District ("the District") as of and for the year ended June 30, 2014, 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.

Opinion

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, 2014, 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 2014, Cajon Valley Union School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 and schedule of funding progress for OPEB benefits 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 2013-14*, 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 12, 2014 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.

El Cajon, California
December 12, 2014

CAJON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
(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, 2014. 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 for 2014 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 is expected to increase by another 11%. 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).
- The District received approximately \$3.1 million in State funding designated for implementation of Common Core State Standards. This funding is intended for professional development, technology and other materials that support Common Core instruction. The District is using these funds to enhance access to instructional technology for all students throughout the District.
- In May, 2014, the District took advantage of favorable interest rates and refinanced approximately \$23.5 million in general obligation bonds that had been previously issued at higher interest rates, generating a savings of almost \$1.5 million over the remaining bond payment schedule.

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 2013/2014?" 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, 2014, compared with net position as of the end of the previous two fiscal years.

Table 1
Statement of Net Position

	6/30/14	6/30/13	% Change 6/13 - 6/14	6/30/12	% Change 6/12 - 6/13
Assets					
Cash	72,171,053	50,383,302	43.24%	47,870,760	5.25%
Investments	-	-		-	
Receivables	20,097,703	24,772,337	-18.87%	34,287,042	-27.75%
Due from other funds	-	-	-	-	-
Stores	497,218	467,828	6.28%	524,735	-10.84%
Prepaid expenses	30,909	1,164,623	-97.35%	891,810	30.59%
Other current assets	-	-	-	-	-
Capital Assets:					
Land	13,517,805	13,517,805	0%	13,517,805	0%
Site improvements	9,092,163	8,480,056	7.22%	7,777,164	9.04%
Buildings and improvements	294,971,174	293,738,647	0.42%	275,102,282	6.77%
Equipment	10,133,733	8,995,990	12.65%	8,472,751	6.18%
Work in progress	30,559,100	16,082,021	90.02%	9,937,028	61.84%
Less accumulated depreciation	(106,050,869)	(98,551,522)	7.61%	(91,194,269)	8.07%
Total Assets	345,019,989	319,051,087	8.14%	307,187,108	3.86%
Deferred Outflow of Resources	950,044	n/a	n/a		

Liabilities

Accounts payable and other current liabilities	8,264,384	9,469,748	-12.73%	8,085,131	17.13%
Due to other funds	-	-	-	-	-
Unearned revenue	1,986,995	2,305,554	-13.82%	2,785,162	-17.22%
Long term liabilities:					
Due within one year	9,413,267	6,623,860	42.11%	6,138,702	7.90%
Due in more than one year	175,059,517	142,857,326	22.54%	126,123,944	13.27%
Total Liabilities	194,724,163	161,256,488	20.75%	143,132,939	12.66%

Net Position

Invested in capital assets, net of related debt	88,297,943	105,374,895	-16.21%	102,134,586	3.17%
Restricted	58,254,044	42,629,697	36.65%	45,967,895	-7.26%
Unrestricted	4,693,883	9,790,007	-52.05%	15,951,688	-38.63%
Total Net Position	151,245,870	157,794,599	-4.15%	164,054,169	-3.82%

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 2013/2014 year, compared with revenue for the previous three years.

Table 2
Revenue – Governmental Activities

	2013/14	2012/13	2011/12	2010/11
General Revenue	119,639,039	106,290,531	104,453,956	110,322,233
Program Revenue & Fees for Services	37,266,479	38,179,180	39,509,104	40,771,392
Total Revenue	156,905,518	144,469,711	143,963,060	151,093,625

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 2013/2014 year, compared with expenditures for the previous three years.

Table 3
Expenditures – Governmental Activities

	2013/14	2012/13	2011/12	2010/11
Classroom Instruction	100,463,697	93,975,619	93,490,335	89,785,390
Instructional Related Services	13,967,461	13,902,486	13,866,764	13,990,976
Pupil Services	18,905,004	18,279,596	18,159,799	16,683,525
General Administration	6,994,561	7,004,740	6,115,398	6,801,288
Plant Services	13,972,615	11,961,646	11,646,390	12,548,240
Ancillary Services	0	0	0	0
Community Services	147,234	94,900	86,813	85,159
Enterprise Activities	-60	-96	0	83
Interest on Long Term Debt	7,692,570	5,315,577	5,432,944	5,242,281
Other Outgo	189,826	194,817	263,002	157,715
Total Expenditures	162,332,908	150,729,285	149,061,445	145,294,657

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 2013/2014 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 2013/14 fiscal year, the district had \$358,273,975 invested in land, buildings, work-in-progress, and capital equipment. Depreciation totaling \$106,050,869 was charged against the value of those assets for net capital assets of \$252,223,106. Net capital assets at the end of the 2012/2013 year were \$242,262,997, at the end of the 2011/2012 year they were \$223,612,761, and at the end of the 2010/2011 year they were \$216,677,095.

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

Two series of Proposition C bonds have been sold, Series A bonds totaling \$31.2 million were sold in August, 2013 and Series B totaling \$1.8 million in short term (3-year) bonds for technology equipment were sold in October, 2013.

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 are currently underway. Renovations at Emerald Middle School are in the planning stage and construction will begin soon.

Details regarding the capital improvement program can be obtained at the Cajon Valley website www.cajonvalley.net by clicking on the "Bond/Capital Improvement" button under "Quick Links" 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 67% 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) was adopted in June, 2014 for implementation in the 2014/15 year. The LCAP, which will be 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 Rebecca Williams, Controller/Assistant Business Manager (williamsr@cajonvalley.net) or Scott Buxbaum, Assistant Superintendent, Business Services (buxbaums@cajonvalley.net).

CAJON VALLEY UNION SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	<u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 72,171,053
Receivables	20,097,703
Stores	497,218
Prepaid Expenses	30,909
Capital Assets:	
Land	13,517,805
Improvements	9,092,163
Buildings	294,971,174
Equipment	10,133,733
Work in Progress	30,559,100
Less Accumulated Depreciation	(106,050,869)
Total Assets	<u>345,019,989</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>950,044</u>
LIABILITIES	
Accounts Payable and Other Current Liabilities	8,264,384
Unearned Revenue	1,986,995
Long-Term Liabilities:	
Due Within One Year	9,413,267
Due in More Than One Year	175,059,517
Total Liabilities	<u>194,724,163</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Net Investment in Capital Assets	88,297,943
Restricted for:	
Capital Projects	35,475,540
Debt Service	10,449,857
Educational Programs	7,795,032
Other Purposes (Nonexpendable)	4,533,615
Unrestricted	4,693,883
Total Net Position	<u>\$ 151,245,870</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, 2014

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
Instruction	\$ 100,463,697	\$ 1,554,227	\$ 20,296,230	\$ -	\$ (78,613,240)
Instruction-Related Services:					
Instructional Supervision and Administration	4,331,514	87,259	2,123,692	-	(2,120,563)
Instructional Library, Media and Technology	667,028	7,376	102,394	-	(557,258)
School Site Administration	8,968,919	101,288	282,069	-	(8,585,562)
Pupil Services:					
Home-to-School Transportation	3,551,230	127,988	-	-	(3,423,242)
Food Services	8,051,987	1,046,348	6,646,823	-	(358,816)
All Other Pupil Services	7,301,787	173,384	3,518,413	-	(3,609,990)
General Administration:					
Centralized Data Processing	1,824,795	-	-	-	(1,824,795)
All Other General Administration	5,169,766	72,052	761,740	-	(4,335,974)
Plant Services	13,972,615	23,862	272,710	-	(13,676,043)
Community Services	147,234	-	-	-	(147,234)
Enterprise Activities	(60)	-	-	-	60
Interest on Long-Term Debt	7,692,570	-	-	-	(7,692,570)
Other Outgo	189,826	4,187	64,437	-	(121,202)
Total Expenses	\$ 162,332,908	\$ 3,197,971	\$ 34,068,508	\$ -	\$ (125,066,429)
General Revenues:					
Taxes and Subventions:					
					27,035,390
					12,069,358
					1,209,554
					75,121,583
					249,878
					138,316
					3,814,960
					<u>\$ 119,639,039</u>
					(5,427,390)
					156,673,260
					<u>\$ 151,245,870</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Building Fund
ASSETS:		
Cash in County Treasury	\$ 17,799,665	\$ 36,539,293
Cash on Hand and in Banks	-	-
Cash in Revolving Fund	14,480	-
Accounts Receivable	17,739,065	130,001
Due from Other Funds	2,686,933	-
Stores Inventories	337,549	-
Prepaid Expenditures	30,909	-
Total Assets	<u>38,608,601</u>	<u>36,669,294</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 3,978,129	\$ 1,472,773
Due to Other Funds	436,828	1,841,395
Unearned Revenue	1,983,245	-
Total Liabilities	<u>6,398,202</u>	<u>3,314,168</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	14,480	-
Stores Inventories	337,549	-
Prepaid Items	30,909	-
Restricted Fund Balances	7,795,032	-
Committed Fund Balances	-	-
Assigned Fund Balances	12,248,137	33,355,126
Unassigned:		
Reserve for Economic Uncertainty	4,005,488	-
Other Unassigned	7,778,804	-
Total Fund Balance	<u>32,210,399</u>	<u>33,355,126</u>
Total Liabilities and Fund Balances	<u>\$ 38,608,601</u>	<u>\$ 36,669,294</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ 10,449,858	\$ 3,281,767	\$ 68,070,583
-	504,122	504,122
-	-	14,480
-	710,473	18,579,539
-	482,909	3,169,842
-	159,669	497,218
-	-	30,909
<u>10,449,858</u>	<u>5,138,940</u>	<u>90,866,693</u>
\$ -	\$ 301,596	\$ 5,752,498
-	468,303	2,746,526
-	3,750	1,986,995
<u>-</u>	<u>773,649</u>	<u>10,486,019</u>
-	-	14,480
-	159,669	497,218
-	-	30,909
-	858,836	8,653,868
-	1,370,227	1,370,227
10,449,858	1,976,559	58,029,680
-	-	4,005,488
-	-	7,778,804
<u>10,449,858</u>	<u>4,365,291</u>	<u>80,380,674</u>
<u>\$ 10,449,858</u>	<u>\$ 5,138,940</u>	<u>\$ 90,866,693</u>

CAJON VALLEY UNION SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances, governmental funds		\$ 80,380,674
<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:	358,273,975	
Accumulated depreciation	<u>(106,050,869)</u>	
	Net	252,223,106
<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 unmaturing interest owing at the end of the period was:</p>		
		(2,510,252)
<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	161,414,247	
Net OPEB Obligation	10,520,845	
Compensated absences payable	958,133	
Other general long-term debt	2,748,841	
Capital leases payable	492,056	
Certificates of participation payable	<u>7,960,000</u>	
	Total	(184,094,122)
<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>		
		950,044
<p>Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are:</p>		
		<u>4,296,420</u>
Total net position, governmental activities		<u>\$ 151,245,870</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, 2014

	<u>General Fund</u>	<u>Building Fund</u>
Revenues:		
LCFF Sources:		
State Apportionment	\$ 58,842,252	\$ -
Education Protection Account Funds	16,356,173	-
Local Sources	24,414,756	-
Federal Revenue	10,386,017	-
Other State Revenue	11,961,576	-
Other Local Revenue	14,535,788	1,692,661
Total Revenues	<u>136,496,562</u>	<u>1,692,661</u>
Expenditures:		
Instruction	90,158,350	-
Instruction - Related Services	12,918,585	-
Pupil Services	10,580,716	-
Community Services	138,508	-
General Administration	7,846,580	-
Plant Services	10,941,109	18,031,528
Other Outgo	183,423	-
Debt Service:		
Principal	229,500	1,465,500
Interest	103,950	279,288
Debt Issue Costs	3,342,619	6,402
Total Expenditures	<u>136,443,340</u>	<u>19,782,718</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>53,222</u>	<u>(18,090,057)</u>
Other Financing Sources (Uses):		
Transfers In	723,034	-
Transfers Out	(415,547)	-
Proceeds From Sale of Bonds	-	33,015,000
Other Sources	492,056	-
Total Other Financing Sources (Uses)	<u>799,543</u>	<u>33,015,000</u>
Net Change in Fund Balance	852,765	14,924,943
Fund Balance, July 1	31,357,634	18,430,183
Fund Balance, June 30	<u>\$ 32,210,399</u>	<u>\$ 33,355,126</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

<u>Bond Interest & Redemption</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 58,842,252
-	-	16,356,173
-	-	24,414,756
-	6,626,876	17,012,893
139,698	2,120,476	14,221,750
11,943,776	1,405,802	29,578,027
<u>12,083,474</u>	<u>10,153,154</u>	<u>160,425,851</u>
-	1,462,871	91,621,221
-	178,431	13,097,016
-	7,781,084	18,361,800
-	-	138,508
-	343,393	8,189,973
-	597,380	29,570,017
-	-	183,423
3,505,000	-	5,200,000
5,710,005	-	6,093,243
-	-	3,349,021
<u>9,215,005</u>	<u>10,363,159</u>	<u>175,804,222</u>
<u>2,868,469</u>	<u>(210,005)</u>	<u>(15,378,371)</u>
-	415,547	1,138,581
-	(300,000)	(715,547)
-	-	33,015,000
432,567	-	924,623
<u>432,567</u>	<u>115,547</u>	<u>34,362,657</u>
3,301,036	(94,458)	18,984,286
7,148,822	4,459,749	61,396,388
<u>\$ 10,449,858</u>	<u>\$ 4,365,291</u>	<u>\$ 80,380,674</u>

CAJON VALLEY UNION SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Total change in fund balances, governmental funds \$ 18,984,286

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:

	17,461,930		
Expenditures for capital outlay	17,461,930		
Depreciation expense	(7,499,347)		
Net	9,962,583		9,962,583

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: 5,200,000

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the 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: (557,316)

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: 87,065

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: (1,598,142)

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: (33,939,623)

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: (2,474)

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: (1,042,013)

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: (2,748,841)

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:

227,085

Change in net position of governmental activities

\$ (5,427,390)

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

JUNE 30, 2014

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 3,561,867
Cash with a Fiscal Agent/Trustee	20,000
Accounts Receivable	1,518,164
Total Current Assets	<u>5,100,031</u>
Total Assets	<u>5,100,031</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 1,633
Due to Other Funds	423,316
Total Current Liabilities	<u>424,949</u>
Noncurrent Liabilities:	
Other General Long-Term Debt	378,662
Total Noncurrent Liabilities	<u>378,662</u>
Total Liabilities	<u>803,611</u>
NET POSITION:	
Unrestricted	4,296,420
Total Net Position	<u>\$ 4,296,420</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, 2014

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 17,774,729
Total Revenues	<u>17,774,729</u>
Operating Expenses:	
Classified Personnel Salaries	17,024
Employee Benefits	7,300
Books and Supplies	22
Services and Other Operating Expenses	17,100,264
Total Expenses	<u>17,124,610</u>
Income (Loss) before Contributions and Transfers	650,119
Interfund Transfers Out	<u>(423,034)</u>
Change in Net Position	227,085
Total Net Position - Beginning	4,069,335
Total Net Position - Ending	<u>\$ 4,296,420</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, 2014

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 17,537,344
Cash Payments to Employees for Services	(24,324)
Cash Payments to Other Suppliers for Goods and Services	(17,101,072)
Net Cash Provided (Used) by Operating Activities	<u>411,948</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	12,735
Net Cash Provided (Used) for Investing Activities	<u>12,735</u>
Net Increase (Decrease) in Cash and Cash Equivalents	424,683
Cash and Cash Equivalents at Beginning of Year	3,157,184
Cash and Cash Equivalents at End of Year	<u>\$ 3,581,867</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 227,085
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(74,381)
Increase (Decrease) in Accounts Payable	(808)
Increase (Decrease) in Due To	272,787
Total Adjustments	<u>197,598</u>
Net Cash Provided (Used) by Operating & Investing Activities	<u>\$ 424,683</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, 2014

	<u>Agency Fund</u>
	<u>Student Body Fund</u>
ASSETS:	
Cash on Hand and in Banks	\$ 235,743
Total Assets	<u>235,743</u>
LIABILITIES:	
Due to Student Groups	\$ 235,743
Total Liabilities	<u>235,743</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, 2014

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, 2014

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, 2014

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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, 2014

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
Other 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 combined balance sheet and revenue is recognized.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 Balance Reserves and Designations

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 convey 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, 2014

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.

j. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement #54, Fund 20 (Special Reserve Fund for Post Employment Benefits) is merged with the General Fund for purposes of presentation in the audit report.

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. 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.

9. Changes in Accounting Policies

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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. 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 (\$71,632,452 as of June 30, 2014). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$71,724,680. 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 (\$739,865 as of June 30, 2014) and in the revolving fund (\$14,480) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

3. Investments:

The District's investments at June 30, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Average Days to Maturity</u>	<u>Amount Reported</u>	<u>Fair Value</u>
San Diego County Pooled Investment Funds	366	\$ 71,632,452	\$ 71,724,680
Short Term Cash Investments	<30 Days	20,000	20,000

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

4. General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

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.

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
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YEAR ENDED JUNE 30, 2014

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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2014, the District's bank balances (including revolving cash) of \$331,473 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

c. Concentration of Credit Risk

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

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

6. Investment Accounting Policy

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

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

D. Accounts Receivable

Accounts receivable as of June 30, 2014 consisted of:

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund	Bond Interest Redemption Fund		
Federal Government:					
Federal programs	\$ 2,807,897	\$ -	\$ -	\$ 550,168	\$ 3,358,065
State Government:					
LCFF state aid	11,409,986	-	-	-	11,409,986
Lottery	1,187,876	-	-	-	1,187,876
Special education	1,187,723	-	-	-	1,187,723
Other state programs	458,364	-	-	84,823	543,187
Local Sources:					
Interest	25,928	36,274	-	3,412	65,614
Other local sources	661,291	93,727	-	72,070	827,088
Totals	<u>\$ 17,739,065</u>	<u>\$ 130,001</u>	<u>\$ -</u>	<u>\$ 710,473</u>	<u>\$ 18,579,539</u>
		Self Insurance Fund			
Local Sources:					
Interest		\$ 3,336			
Employee benefit premiums		1,514,828			
Totals		<u>\$ 1,518,164</u>			

E. Capital Assets

Capital asset activity for the year ended June 30, 2014 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	16,082,021	15,902,763	1,425,684	30,559,100
Total capital assets not being depreciated	<u>29,599,826</u>	<u>15,902,763</u>	<u>1,425,684</u>	<u>44,076,905</u>
Capital assets being depreciated:				
Buildings	293,738,647	1,232,527	-	294,971,174
Land improvements	8,480,056	612,107	-	9,092,163
Equipment	8,995,990	1,137,743	-	10,133,733
Total capital assets being depreciated	<u>311,214,693</u>	<u>2,982,377</u>	<u>-</u>	<u>314,197,070</u>
Less accumulated depreciation for:				
Buildings	(85,815,128)	(6,552,952)	-	(92,368,080)
Land improvements	(5,848,393)	(256,564)	-	(6,104,957)
Equipment	(6,888,001)	(689,831)	-	(7,577,832)
Total accumulated depreciation	<u>(98,551,522)</u>	<u>(7,499,347)</u>	<u>-</u>	<u>(106,050,869)</u>
Total capital assets being depreciated, net	<u>212,663,171</u>	<u>(4,516,970)</u>	<u>-</u>	<u>208,146,201</u>
Governmental activities capital assets, net	<u>\$ 242,262,997</u>	<u>\$ 11,385,793</u>	<u>\$ 1,425,684</u>	<u>\$ 252,223,106</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Depreciation was charged to functions as follows:

Instruction	\$ 5,010,231
Instruction-Related Services	716,200
Pupil Services	601,782
Community Services	7,574
General Administration	447,862
Plant Services	715,698
	<u>\$ 7,499,347</u>

F. Deferred Outflows of Resources

The District issued refunding bonds in May 2014 and as a result of the calculated gain or loss, a loss on refunding in the amount of \$957,296 was recognized as a deferred outflow of resources. The loss on refunding will be amortized over twenty two years based on the debt service of the new refunding bonds. As of June 30, 2014, two months amortization of \$7,252 was recognized leaving a balance remaining on the loss on refunding of \$950,044 as a deferred outflow of resources.

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2014 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Child Development Fund	\$ 88,411	Indirect costs and payroll
General Fund	Cafeteria Fund	379,891	Indirect costs and OPEB
General Fund	Building Fund	1,791,816	Technology expenses
General Fund	Building Fund	3,498	OPEB costs
General Fund	Self Insurance Fund	282	OPEB costs
Cafeteria Fund	General Fund	186,828	Child nutrition expenses
Deferred Maintenance Fund	General Fund	250,000	Deferred maintenance projects
Deferred Maintenance Fund	Building Fund	46,081	Deferred maintenance projects
Special Reserve Fund OPEB	Self Insurance Fund	423,034	Support OPEB Reserve
	Total	<u>\$ 3,169,841</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2014 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Child Development Fund	\$ 547	Indirect preschool costs
General Fund	Deferred Maintenance Fund	415,000	Deferred maintenance projects
Self Insurance Fund	Special Reserve Fund OPEB	423,034	Contribution to OPEB reserve
Special Reserve Fund	General Fund	300,000	Technology expenses
	Total	<u>\$ 1,138,581</u>	

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

H. Accounts Payable

Accounts payable as of June 30, 2014 consisted of:

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund	Bond Interest Redemption Fund		
Vendor payables	\$ 3,291,107	\$ 1,449,137	\$ -	\$ 291,079	\$ 5,031,323
Payroll and related benefits	687,022	23,636	-	10,517	721,175
Totals	<u>\$ 3,978,129</u>	<u>\$ 1,472,773</u>	<u>\$ -</u>	<u>\$ 301,596</u>	<u>\$ 5,752,498</u>

I. Unearned Revenue

Unearned revenue as of June 30, 2014 consisted of:

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund	Bond Interest Redemption Fund		
State Government:					
Other state programs	\$ -	\$ -	\$ -	\$ 3,750	\$ 3,750
Local Sources:					
Webster grant	1,956,809	-	-	-	1,956,809
Other local sources	26,436	-	-	-	26,436
Totals	<u>\$ 1,983,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,750</u>	<u>\$ 1,986,995</u>

J. 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, 2014 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 127,233,107	\$ 56,580,000	\$ 28,340,000	\$ 155,473,107	\$ 5,948,121
Bond premium	1,848,633	3,622,661	374,382	5,096,912	-
Accreted interest	397,883	446,345	-	844,228	-
Certificates of participation	9,655,000	-	1,695,000	7,960,000	1,485,000
Capital leases	-	492,056	-	492,056	93,583
IBNR liability	378,662	1,988,531	1,988,531	378,662	378,662
PARS retirement	-	2,748,841	-	2,748,841	549,768
Compensated absences *	1,045,198	-	87,065	958,133	958,133
Net OPEB obligation	8,922,703	3,000,202	1,402,060	10,520,845	-
Total governmental activities	<u>\$ 149,481,186</u>	<u>\$ 68,878,636</u>	<u>\$ 33,887,038</u>	<u>\$ 184,472,784</u>	<u>\$ 9,413,267</u>

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

2. Debt Service Requirements

Debt service requirements on long-term debt, net of bond premium and net OPEB obligation, as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 9,413,267	\$ -	\$ 7,506,500	\$ 16,919,767
2016	8,573,603	-	6,403,196	14,976,799
2017	6,208,312	-	6,115,545	12,323,857
2018	7,866,475	17,519	5,893,390	13,777,384
2019	8,251,387	102,461	5,570,771	13,924,619
2020-2024	31,793,550	1,337,287	23,535,501	56,666,338
2025-2029	39,325,290	5,781,716	16,390,192	61,497,198
2030-2034	44,378,915	511,085	7,138,663	52,028,663
2035-2039	12,200,000	-	1,103,925	13,303,925
Totals	<u>\$ 168,010,799</u>	<u>\$ 7,750,068</u>	<u>\$ 79,657,683</u>	<u>\$ 255,418,550</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, 2014.

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, 2014 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
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
Total GO Bonds				<u>\$ 193,032,992</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
2000 Election Series D	\$ 12,915,000	\$ -	\$ 12,545,000	\$ 370,000
2000 Election Series E	13,355,000	-	12,995,000	360,000
2008 Election Series A	31,705,000	-	955,000	30,750,000
2010 Refunding Bonds	23,035,000	-	825,000	22,210,000
2008 Election Series B	12,758,175	-	-	12,758,175
2012 Refunding Bonds	13,465,000	-	450,000	13,015,000
2008 Election Series C	19,999,932	-	570,000	19,429,932
2012 Election Series A	-	31,200,000	-	31,200,000
2012 Election Series B	-	1,815,000	-	1,815,000
2014 Refunding Bonds	-	23,565,000	-	23,565,000
Total GO Bonds	\$ 127,233,107	\$ 56,580,000	\$ 28,340,000	\$ 155,473,107

The annual requirements to amortize bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2015	\$ 5,948,121	\$ -	\$ 7,176,380	\$ 13,124,501
2016	6,317,898	-	6,134,830	12,452,728
2017	5,345,194	-	5,913,992	11,259,186
2018	5,595,882	17,519	5,702,912	11,316,313
2019	5,913,257	102,461	5,447,629	11,463,347
2020-2024	30,448,550	1,337,287	23,481,701	55,267,538
2025-2029	39,325,290	5,781,716	16,390,192	61,497,198
2030-2034	44,378,915	511,085	7,138,663	52,028,663
2035-2039	12,200,000	-	1,103,925	13,303,925
Totals	\$ 155,473,107	\$ 7,750,068	\$ 78,490,224	\$ 241,713,399

4. 2014 General Obligation Reauthorization Bonds

In August 2013, the District issued \$31,200,000 of 2012 Election, Series A, 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) \$19,610,000 Serial Bonds with interest rates ranging from 4.00% to 5.00% with annual maturities from August 2014 through August 2032, b) \$4,035,000 Term Bonds with a stated interest rate of 5.00% due August 1, 2034, and c) \$7,555,000 Term Bonds with a stated interest rate of 5.00% due August 1 2037. Principal payments on the bonds are due August 1 of each year beginning August 1, 2014 while interest is payable semi-annually on February 1 and August 1 of each year through maturity. Net proceeds of \$31,200,000 were deposited into the Building Fund after premium and issuance costs while remaining funds of \$428,552 were deposited into the Bond Interest and Redemption Fund to be utilized for subsequent debt service on the bonds.

5. 2014 General Obligation Ed-Tech Bonds

In October 2013, the District issued \$1,815,000 of 2012 Election, Series B, General Obligation Ed-Tech Bonds in order to increase student computer/technology access, continue classrooms/school facilities, improve energy efficiency, and reduce overall borrowing costs. The issue consists of Serial Bonds with an interest rate of 1.45% with annual maturities from August 1, 2014 through August 1, 2016. Principal payments on the bonds are due August of each year beginning August 1, 2014 while interest is payable semi-annually on February 1 and August 1 of each year through maturity. Net proceeds of \$1,815,000 were deposited into the Building Fund.

CAJON VALLEY UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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6. 2014 General Obligation Refunding Bonds

On May 6, 2014, the District issued \$23,565,000 of 2014 General Obligation Refunding Bonds. The general obligation refunding bonds bear fixed interest rates of 3.00% to 5.00% with annual maturities from August 2014 through August 2035. Interest is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2014. The net proceeds of \$25,757,716 (after premium of \$2,452,485 less cost of issuance of \$259,769) were used to refund \$12,185,000 of the District's outstanding 2000 Election, Series D General Obligation Bonds and \$12,650,000 of the District's outstanding 2000 Election Series E General Obligation Bonds in addition to paying the costs relating to the execution and delivery of the refunding bonds as associated with the refunding plan.

The net proceeds of \$25,757,716 was deposited into two individual separate escrow funds for the refunding of the 2000 Election, Series D General Obligation Bonds and 2000 Election, Series E General Obligation Bonds, which were subsequently paid in full on August 1, 2014.

Refunding Bond Calculation of Gain/Loss on Refunding:

New Bond: 2014 General Obligation Refunding Bonds

Refunding: 2000 Series D General Obligation Bonds
 2000 Series E General Obligation Bonds

Net Carrying Amount of Debt:

Maturity Value of Old Debt	\$ 24,835,000
Unamortized Premium of Old Debt	<u>225,189</u>
Total	<u>\$ 25,060,189</u>

Reacquisition Price

Face Value of New Debt	\$ 23,565,000
Bond Premium of New Debt	<u>2,452,485</u>
Total	<u>\$ 26,017,485</u>

Gain or (Loss) on Refunding	<u>\$ (957,296)</u>
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Refunding Bond Calculation of Economic Gain/Loss:

Decrease in General Obligation Bond Debt Service Payments:

2014 General Obligation Refunding Bonds	\$ 37,117,500
2000 Series D and Series E General Obligation Bonds	<u>39,210,704</u>

Decrease in General Obligation Bonds Debt Service Payments	<u>\$ (2,093,204)</u>
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Present Value Used as Effective Rate Target:

Face amount of 2014 General Obligation Refunding Bonds	\$ 23,565,000
Bond Premium	2,452,485
All Costs Not Recoverable Through Escrow Rate Earnings	<u>(259,769)</u>

Present Value Used as Effective Rate Target	<u>\$ 25,757,716</u>
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CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Economic Gain:

Fair Value of Old Debt	\$ 27,237,313
Present Value of 2014 General Obligation Refunding Bonds	<u>25,757,716</u>
Calculated Economic Gain	<u>\$ 1,479,597</u>

7. Certificates of Participation

Certificates of participation at June 30, 2014 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	\$ 3,880,000	\$ -	\$ 1,185,000	\$ 2,695,000
2007 COPS	5,775,000	-	510,000	5,265,000
Total	<u>\$ 9,655,000</u>	<u>\$ -</u>	<u>\$ 1,695,000</u>	<u>\$ 7,960,000</u>

Future commitments for certificates of participation as of June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,485,000	\$ 318,400	\$ 1,803,400
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
2020-2024	1,345,000	53,800	1,398,800
Totals	<u>\$ 7,960,000</u>	<u>\$ 1,133,000</u>	<u>\$ 9,093,000</u>

8. 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

9. 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, 2014 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	\$ -	\$ 2,748,841

Future commitments for early retirement incentives as of June 30, 2014 are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 549,768	\$ -	\$ 549,768
2016	549,768	-	549,768
2017	549,768	-	549,768
2018	549,768	-	549,768
2019	549,769	-	549,769
Totals	\$ 2,748,841	\$ -	\$ 2,748,841

10. 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:

	<u>2010 Refunding Bonds</u>	<u>2012 Refunding Bonds</u>	<u>2008 Series C Bonds</u>	<u>2012 Series A Bonds</u>	<u>2014 Refunding Bonds</u>
Total Interest	\$ 14,946,702	\$ 5,873,465	\$ 14,679,779	\$ 22,117,998	\$ 13,552,500
Less Bond Premium	(1,085,735)	(418,286)	(315,532)	(1,170,175)	(2,452,485)
Net Interest	\$ 13,860,967	\$ 5,455,179	\$ 14,364,247	\$ 20,947,823	\$ 11,100,015
Par Amount of Bonds	\$ 24,670,000	\$ 13,690,000	\$ 19,999,932	\$ 31,200,000	\$ 23,565,000
Periods	22	21	20	24	22
Effective Interest Rate	2.55%	1.90%	3.59%	2.80%	2.14%

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

11. Capital Leases

In June 2014, the District entered into a capital lease memorandum of agreement with the San Diego County Office of Education (SDCOE) to finance the Enterprising Resource Planning (ERP) software system. SDCOE committed to fund 50% of the total cost of the system and the District committed to fund the remaining 50%. SDCOE committed to make available a financing option for the District to finance the 50% contribution payment of \$1,052,056 on the cost of the system; consequently, the District made a partial payment contribution of \$560,000 with the remaining balance of \$492,056 to be financed. Financing shall be for a period of five years at a fixed interest rate of 2.5% per year with semi-annual payments of principal and interest due August 1 and February 1 of each year, with the first payment due August 1, 2014.

Commitments under the capitalized agreement for software and equipment provide for minimum lease payments as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 93,583	\$ 11,720	\$ 105,303
2016	95,937	9,366	105,303
2017	98,350	6,953	105,303
2018	100,825	4,478	105,303
2019	103,361	1,942	105,303
Totals	<u>\$ 492,056</u>	<u>\$ 34,459</u>	<u>\$ 526,515</u>

K. Components of Ending Fund Balance

As of June 30, 2014 components of ending fund balance consisted of:

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest Redemption Fund</u>	<u>Nonmajor Governmental Funds</u>	
Nonspendable Fund Balances					
Revolving Cash	\$ 14,479	\$ -	\$ -	\$ -	\$ 14,479
Stores Inventory	337,549	-	-	159,669	497,218
Prepaid Expenses	30,909	-	-	-	30,909
Restricted Fund Balances					
Educational Programs	7,795,032	-	-	-	7,795,032
Child Nutrition Program	-	-	-	858,833	858,833
Child Development Program	-	-	-	3	3
Committed Fund Balances					
Deferred Maintenance	-	-	-	1,370,227	1,370,227
Assigned Fund Balances					
Educational Programs	8,297,709	-	-	-	8,297,709
Post Employment Benefits	3,516,890	-	-	-	3,516,890
Capital Projects	-	33,355,126	-	1,976,559	35,331,685
Debt Service	-	-	10,449,858	-	10,449,858
Unassigned Fund Balances					
For Economic Uncertainty	4,005,488	-	-	-	4,005,488
Other Unassigned	8,212,343	-	-	-	8,212,343
Total Fund Balance	<u>\$ 32,210,399</u>	<u>\$ 33,355,126</u>	<u>\$ 10,449,858</u>	<u>\$ 4,365,291</u>	<u>\$ 80,380,674</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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L. 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)

M. Employee Retirement Systems

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

PERS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$2,594,772, \$2,433,511 and \$2,272,917, respectively, and equal 100% of the required contributions for each year.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$5,311,049, \$5,084,312 and \$5,163,021, respectively, and equal 100% of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to STRS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$3,342,619 (5.204002% of salaries subject to STRS). 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.

N. 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.

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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, 2014 was \$1,402,060.

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, 2014, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 3,632,024
Interest on Net OPEB obligation	30,783
Adjustment to ARC	<u>(662,605)</u>
Annual OPEB cost	3,000,202
Employer contributions	<u>(1,402,060)</u>
Increase in Net OPEB obligation	1,598,142
Net OPEB obligations-beginning of year	8,922,703
Net OPEB obligations-end of year	<u><u>\$ 10,520,845</u></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 and June 30, 2014 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%	\$ 8,922,703
2014	3,000,202	46.73%	10,520,845

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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.

O. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

P. 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, 2014 are indicated below:

CAJON VALLEY UNION SCHOOL DISTRICT
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Internal Service Fund:	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments and Adjustments	Ending Fiscal Year Liability
Year 2013-14	\$ 378,662	\$ 1,988,531	\$ 1,988,531	\$ 378,662

Q. Construction Commitments

As of June 30, 2014 the District had the following commitments with respect to unfinished capital projects:

	Commitment	*Expected Date of Final Completion
Construction in Process:		
Security cameras	\$ 198,000	September 2014
Technology infrastructure	2,362,256	October 2014
Lexington elementary rebuild	26,618,294	August 2015
Emerald Gym/MPB, Kitchen, Administration	112,630	August 2016
Montgomery Gym/MPB and Renovations	457,947	August 2015
Fencing	53,977	October 2014

* Expected date of final completion subject to change

R. Adjustment to Beginning Net Position

The District implemented GASB Statement No. 65 during the current fiscal year which resulted in an accounting change in the treatment of debt issue costs. Under previous standards, debt issue costs were recorded as prepaid expenses and amortized over the life of the debt. Under newly implemented standards all debt issue costs, except for prepaid insurance, are expensed in the period the debt is issued. The resulting accounting change required a restatement of beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 157,794,599
Change in accounting policy	<u>(1,121,339)</u>
Net Position, Beginning (As Restated)	<u>\$ 156,673,260</u>

S. Subsequent Events

New Accounting Pronouncement

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50 Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

CAJON VALLEY UNION SCHOOL DISTRICT
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The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions are also addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for the purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer (as defined by this statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for the 2014-15 fiscal year.

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. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

GASB Statement No. 71 amends paragraph 137 of Statement No. 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 No. 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 provisions of this statement are required to be applied with the provisions of Statement No. 68 which is effective for the 2014-15 fiscal year.

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

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment	\$ 37,709,003	\$ 62,200,836	\$ 58,842,252	\$ (3,358,584)
Education Protection Account Funds	16,036,162	14,132,742	16,356,173	2,223,431
Local Sources	23,915,006	22,147,328	24,414,756	2,267,428
Federal Revenue	8,844,711	11,986,637	10,386,017	(1,600,620)
Other State Revenue	20,879,360	8,469,179	8,618,957	149,778
Other Local Revenue	12,855,365	16,303,384	14,525,284	(1,778,100)
Total Revenues	<u>120,239,607</u>	<u>135,240,106</u>	<u>133,143,439</u>	<u>(2,096,667)</u>
Expenditures:				
Current:				
Certificated Salaries	62,924,038	65,918,899	64,616,583	1,302,316
Classified Salaries	21,827,986	22,710,458	22,205,628	504,830
Employee Benefits	25,056,311	25,634,199	24,044,482	1,589,717
Books And Supplies	5,641,343	20,299,982	6,600,075	13,699,907
Services And Other Operating Expenditures	12,845,434	16,305,746	14,309,308	1,996,438
Other Outgo	184,418	184,418	183,423	995
Direct Support/Indirect Costs	(78,542)	136,970	(343,306)	480,276
Capital Outlay	283,464	1,637,969	1,151,078	486,891
Debt Service:				
Principal	229,500	229,500	229,500	-
Interest	103,950	103,950	103,950	-
Total Expenditures	<u>129,017,902</u>	<u>153,162,091</u>	<u>133,100,721</u>	<u>20,061,370</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,778,295)</u>	<u>(17,921,985)</u>	<u>42,718</u>	<u>17,964,703</u>
Other Financing Sources (Uses):				
Transfers In	300,000	61,839	300,000	238,161
Transfers Out	(372,485)	(279,904)	(415,547)	(135,643)
Other Sources	-	-	492,056	492,056
Total Other Financing Sources (Uses)	<u>(72,485)</u>	<u>(218,065)</u>	<u>376,509</u>	<u>594,574</u>
Net Change in Fund Balance	<u>(8,850,780)</u>	<u>(18,140,050)</u>	<u>419,227</u>	<u>18,559,277</u>
Fund Balance, July 1	<u>28,274,282</u>	<u>28,274,282</u>	<u>28,274,282</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 19,423,502</u>	<u>\$ 10,134,232</u>	<u>\$ 28,693,509</u>	<u>\$ 18,559,277</u>

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

CAJON VALLEY UNION SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS-HEALTH PROGRAM
 YEAR ENDED JUNE 30, 2014

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%

CAJON VALLEY UNION SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 32,210,399
Less Fund 20 Fund Balance	<u>(3,516,890)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 28,693,509</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$ 852,765
Change in Fund Balance attributed to Fund 20	<u>(433,538)</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ 419,227</u>

In addition, the budgetary comparison schedule does not include revenue and expenses associated with on behalf payments made by the state for the fiscal year as follows:

General Fund - Fund Financial Statements Revenues and Other Financing Sources (Excluding Fund 20)	\$ 137,278,114
Less on Behalf Payments for year ended June 30, 2014	<u>(3,342,619)</u>
General Fund - Budgetary Comparison Schedule Revenues and Other Financing Sources (Excluding Fund 20)	<u>\$ 133,935,495</u>
General Fund - Fund Financial Statements Expenditures and Other Financing Uses (Excluding Fund 20)	\$ 136,858,887
Less on Behalf Payments for year ended June 30, 2014	<u>(3,342,619)</u>
General Fund - Budgetary Comparison Schedule Expenditures and Other Financing Uses (Excluding Fund 20)	<u>\$ 133,516,268</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, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 1,318,192	\$ 1,963,575	\$ 3,281,767
Cash on Hand and in Banks	504,122	-	504,122
Accounts Receivable	697,319	13,154	710,473
Due from Other Funds	482,909	-	482,909
Stores Inventories	159,669	-	159,669
Total Assets	<u>3,162,211</u>	<u>1,976,729</u>	<u>5,138,940</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 301,426	\$ 170	\$ 301,596
Due to Other Funds	468,303	-	468,303
Unearned Revenue	3,750	-	3,750
Total Liabilities	<u>773,479</u>	<u>170</u>	<u>773,649</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	159,669	-	159,669
Restricted Fund Balances	858,836	-	858,836
Committed Fund Balances	1,370,227	-	1,370,227
Assigned Fund Balances	-	1,976,559	1,976,559
Total Fund Balance	<u>2,388,732</u>	<u>1,976,559</u>	<u>4,365,291</u>
Total Liabilities and Fund Balances	<u>\$ 3,162,211</u>	<u>\$ 1,976,729</u>	<u>\$ 5,138,940</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, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 6,626,876	\$ -	\$ 6,626,876
Other State Revenue	2,120,476	-	2,120,476
Other Local Revenue	1,141,611	264,191	1,405,802
Total Revenues	<u>9,888,963</u>	<u>264,191</u>	<u>10,153,154</u>
Expenditures:			
Instruction	1,462,871	-	1,462,871
Instruction - Related Services	178,431	-	178,431
Pupil Services	7,781,084	-	7,781,084
General Administration	343,306	87	343,393
Plant Services	573,984	23,396	597,380
Total Expenditures	<u>10,339,676</u>	<u>23,483</u>	<u>10,363,159</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(450,713)</u>	<u>240,708</u>	<u>(210,005)</u>
Other Financing Sources (Uses):			
Transfers In	415,547	-	415,547
Transfers Out	-	(300,000)	(300,000)
Total Other Financing Sources (Uses)	<u>415,547</u>	<u>(300,000)</u>	<u>115,547</u>
Net Change in Fund Balance	(35,166)	(59,292)	(94,458)
Fund Balance, July 1	2,423,898	2,035,851	4,459,749
Fund Balance, June 30	<u>\$ 2,388,732</u>	<u>\$ 1,976,559</u>	<u>\$ 4,365,291</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2014

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 53,318	\$ 77,164	\$ 1,187,710	\$ 1,318,192
Cash on Hand and in Banks	-	504,122	-	504,122
Accounts Receivable	50,869	645,399	1,051	697,319
Due from Other Funds	-	186,828	296,081	482,909
Stores Inventories	-	159,669	-	159,669
Total Assets	<u>104,187</u>	<u>1,573,182</u>	<u>1,484,842</u>	<u>3,162,211</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 12,022	\$ 174,789	\$ 114,615	\$ 301,426
Due to Other Funds	88,412	379,891	-	468,303
Unearned Revenue	3,750	-	-	3,750
Total Liabilities	<u>104,184</u>	<u>554,680</u>	<u>114,615</u>	<u>773,479</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	-	159,669	-	159,669
Restricted Fund Balances	3	858,833	-	858,836
Committed Fund Balances	-	-	1,370,227	1,370,227
Total Fund Balance	<u>3</u>	<u>1,018,502</u>	<u>1,370,227</u>	<u>2,388,732</u>
Total Liabilities and Fund Balances	<u>\$ 104,187</u>	<u>\$ 1,573,182</u>	<u>\$ 1,484,842</u>	<u>\$ 3,162,211</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, 2014

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ -	\$ 6,626,876	\$ -	\$ 6,626,876
Other State Revenue	1,618,758	501,718	-	2,120,476
Other Local Revenue	41,442	1,096,721	3,448	1,141,611
Total Revenues	<u>1,660,200</u>	<u>8,225,315</u>	<u>3,448</u>	<u>9,888,963</u>
Expenditures:				
Instruction	1,462,871	-	-	1,462,871
Instruction - Related Services	178,431	-	-	178,431
Pupil Services	-	7,781,084	-	7,781,084
General Administration	19,442	323,864	-	343,306
Plant Services	-	26,507	547,477	573,984
Total Expenditures	<u>1,660,744</u>	<u>8,131,455</u>	<u>547,477</u>	<u>10,339,676</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(544)</u>	<u>93,860</u>	<u>(544,029)</u>	<u>(450,713)</u>
Other Financing Sources (Uses):				
Transfers In	547	-	415,000	415,547
Total Other Financing Sources (Uses)	<u>547</u>	<u>-</u>	<u>415,000</u>	<u>415,547</u>
Net Change in Fund Balance	3	93,860	(129,029)	(35,166)
Fund Balance, July 1	-	924,642	1,499,256	2,423,898
Fund Balance, June 30	<u>\$ 3</u>	<u>\$ 1,018,502</u>	<u>\$ 1,370,227</u>	<u>\$ 2,388,732</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2014

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 738,687	\$ 1,224,888	\$ 1,963,575
Accounts Receivable	11,670	1,484	13,154
Total Assets	<u>750,357</u>	<u>1,226,372</u>	<u>1,976,729</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 170	\$ -	\$ 170
Total Liabilities	<u>170</u>	<u>-</u>	<u>170</u>
Fund Balance:			
Assigned Fund Balances	750,187	1,226,372	1,976,559
Total Fund Balance	<u>750,187</u>	<u>1,226,372</u>	<u>1,976,559</u>
Total Liabilities and Fund Balances	<u>\$ 750,357</u>	<u>\$ 1,226,372</u>	<u>\$ 1,976,729</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, 2014

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 259,026	\$ 5,165	\$ 264,191
Total Revenues	<u>259,026</u>	<u>5,165</u>	<u>264,191</u>
Expenditures:			
General Administration	87	-	87
Plant Services	23,396	-	23,396
Total Expenditures	<u>23,483</u>	<u>-</u>	<u>23,483</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>235,543</u>	<u>5,165</u>	<u>240,708</u>
Other Financing Sources (Uses):			
Transfers Out	-	(300,000)	(300,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>
Net Change in Fund Balance	235,543	(294,835)	(59,292)
Fund Balance, July 1	514,644	1,521,207	2,035,851
Fund Balance, June 30	<u>\$ 750,187</u>	<u>\$ 1,226,372</u>	<u>\$ 1,976,559</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

CAJON VALLEY UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2014

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

Name	Office	Term and Term Expiration
Tamara Otero	President	Four Year Term Expires December 2014
Deanne Markle	Vice President	Four Year Term Expires December 2014
Suzanne M. Mullins	Clerk	Four Year Term Expires December 2016
Jill D. Barto	Member	Four Year Term Expires December 2014
Justin A. Slagle	Member	Four Year Term Expires December 2016

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

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2014

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	6,961.07	N/A	6,994.67	N/A
Extended Year Special Education	10.00	N/A	10.00	N/A
Nonpublic, Nonsectarian Schools	4.58	N/A	4.36	N/A
Extended Year - Nonpublic	0.97	N/A	0.92	N/A
TK/K-3 Totals	<u>6,976.62</u>	<u>N/A</u>	<u>7,009.95</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	4,940.38	N/A	4,935.79	N/A
Extended Year Special Education	7.95	N/A	7.95	N/A
Nonpublic, Nonsectarian Schools	8.76	N/A	8.46	N/A
Extended Year - Nonpublic	1.45	N/A	1.36	N/A
Community Day School	4.66	N/A	5.32	N/A
Grades 4-6 Totals	<u>4,963.20</u>	<u>N/A</u>	<u>4,958.88</u>	<u>N/A</u>
Grades 7 and 8:				
Regular ADA	3,352.58	N/A	3,360.92	N/A
Extended Year Special Education	6.63	N/A	6.63	N/A
Nonpublic, Nonsectarian Schools	11.61	N/A	11.37	N/A
Extended Year - Nonpublic	1.78	N/A	1.52	N/A
Community Day School	18.64	N/A	21.42	N/A
Grades 7 and 8 Totals	<u>3,391.24</u>	<u>N/A</u>	<u>3,401.86</u>	<u>N/A</u>
ADA Totals	<u>15,331.06</u>	<u>N/A</u>	<u>15,370.69</u>	<u>N/A</u>

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

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

CAJON VALLEY UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

YEAR ENDED JUNE 30, 2014

TABLE D-2

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted & Reduced</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Transitional Kindergarten	36,000	35,000	57,960	180	-	Complied
Kindergarten	36,000	35,000	57,960	180	-	Complied
Grade 1	50,400	49,000	54,360	180	-	Complied
Grade 2	50,400	49,000	54,360	180	-	Complied
Grade 3	50,400	49,000	55,260	180	-	Complied
Grade 4	54,000	52,500	54,540	180	-	Complied
Grade 5	54,000	52,500	54,540	180	-	Complied
Grade 6	54,000	52,500	54,540	180	-	Complied
Grade 7	54,000	52,500	64,625	180	-	Complied
Grade 8	54,000	52,500	64,625	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, 2014

TABLE D-3

General Fund	Budget 2015 (See Note 1)	2014	2013	2012
Revenues and other financial sources	\$ 137,215,609	\$ 133,935,495	\$ 127,721,173	\$ 127,825,648
Expenditures, other uses and transfers out	135,508,882	133,516,268	131,575,052	132,725,374
Change in fund balance (deficit)	1,706,727	419,227	(3,853,879)	(4,899,726)
Ending fund balance	\$ 30,400,236	\$ 28,693,509	\$ 28,274,282	\$ 32,128,161
Available reserves (See Note 2)	\$ 22,506,746	\$ 20,515,540	\$ 22,066,259	\$ 26,828,029
Available reserves as a percentage of total outgo (See Note 3)	16.6%	15.4%	17.2%	20.7%
Total long-term debt	\$ 175,059,517	\$ 184,472,784	\$ 149,481,206	\$ 132,027,555
Average daily attendance at P-2	15,331	15,331	15,108	15,009

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 \$8,334,378 over the past three years. The fiscal year 2014-2015 budget projects an increase of \$1,706,727. 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 decreased by \$49,635,273 over the past three years.

Average daily attendance (ADA) has increased by 305 over the past three years.

Notes:

- 1 Budget 2015 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 \$3,342,619, \$3,245,600, and \$3,036,913, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013, and 2012.
- 4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Postemployment Benefits (Fund 20) is included with the General Fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the General Fund.

CAJON VALLEY UNION SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

TABLE D-4

	<u>General Fund</u>	<u>Special Reserve Fund for Post Employment Benefits</u>
June 30, 2014, annual financial and budget report fund balances	\$ 28,693,509	\$ 3,516,890
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB #54 presentation of Fund 20 included with general fund	<u>3,516,890</u>	<u>(3,516,890)</u>
June 30, 2014, audited financial statement fund balances	<u>\$ 32,210,399</u>	<u>\$ -</u>
	<u>Schedule of Long-Term Liabilities</u>	
June 30, 2014, annual financial and budget report total liabilities	<u>\$ 177,684,625</u>	
Adjustments and reclassifications:		
Increase (decrease) in total liabilities:		
Net OPEB obligation overstatement	(631,822)	
Bond premium understatement	5,096,912	
Accreted interest understatement	844,228	
PARS retirement understatement	2,748,841	
General obligation bonds overstatement	<u>(1,270,000)</u>	
Net adjustments and reclassifications	<u>6,788,159</u>	
June 30, 2014, audited financial statement total liabilities	<u>\$ 184,472,784</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.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2014

TABLE D-5

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, 2014

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF THE INTERIOR			
Direct Program:			
Wild Life Restoration	15.611	-	\$ 5,907
Total U. S. Department of the Interior			<u>5,907</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Medi-Cal	93.778	-	321,130
Total U. S. Department of Health and Human Services			<u>321,130</u>
U. S. DEPARTMENT OF EDUCATION			
Direct Program:			
Supportive Schools - Successful Students	84.215E	-	309,089
Passed Through California Department of Education:			
Title I Part A	84.010	14416	4,140,913
Special Education Cluster:			
Special Education: IDEA Basic	84.027	13379	2,661,071
Special Education: IDEA Mental Health	84.027	14468	130,877
Special Education: IDEA Preschool Local	84.027A	13682	346,359
Special Education: IDEA Preschool	84.173	13430	217,879
Special Education: IDEA Preschool Staff Development	84.173A	13431	1,489
Total Special Education Cluster			<u>3,357,675</u>
Early Intervention	84.181	23761	29,914
Title III Cluster			
Title III Limited English Proficiency	84.365	14346	317,547
Title III Immigrant Education	84.365	15146	89,363
Total Title III Cluster			<u>406,910</u>
Title II California Mathematics and Science	84.366	14512	416,311
Title II Teacher Quality Cluster			
Title II Administrator Training	84.367	14344	3,000
Title II Teacher Quality	84.367	14341	1,129,213
Total Title II Teacher Quality Cluster			<u>1,132,213</u>
Total Passed Through California Department of Education			<u>9,483,936</u>
Total U. S. Department of Education			<u>9,793,025</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	1,387,452
National School Lunch Program Section 11	10.555	13396	4,216,050
National School Lunch Program Section 4	10.555	13391	723,426
National School Lunch Program Meal Supplement	10.555	23165	118,550
Commodity Supplemental Food Program*	10.555	-	181,397
Total Child Nutrition Cluster			<u>6,626,875</u>
Total Passed Through California Department of Education			<u>6,626,875</u>
Total U. S. Department of Agriculture			<u>6,626,875</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 16,746,937</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, 2014

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 I - Part A	84.010	\$ 591
Title II - Teacher Quality	84.367	52,646
Total Provided to Subrecipients		<u>\$ 53,237</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, 2014, 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 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Cajon Valley Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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.

El Cajon, California
December 12, 2014

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 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 Cajon Valley Union School District's major federal programs for the year ended June 30, 2014. 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 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 Cajon Valley Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2014.

Report on Internal Control Over Compliance

Management of 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 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 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.

El Cajon, California
December 12, 2014

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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, 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, 2014.

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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* 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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* 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>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	N/A
Instructional Time for School Districts	10	Yes
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
For Charter Schools:		
Contemporaneous Records of Attendance	8	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A
Facility Grant Program	1	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, 2014.

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. This report is an integral part of an audit performed in accordance with *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

El Cajon, California
December 12, 2014

Findings and Recommendations Section

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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>
84.010	Title I Part A
84.215E	Supportive Schools - Selected Students
93.778	Medi-Cal

Dollar threshold used to distinguish between type A and type B programs: \$502,408

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, 2014

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, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no audit findings for the 2012-13 fiscal year.		