

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

AUDIT REPORT

JUNE 30, 2012

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

Introductory Section

Cajon Valley Union School District
 Audit Report
 For The Year Ended June 30, 2012

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Financial Section

Wilkinson Hadley King & Co. LLP

CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Independent Auditor's Report on Financial Statements

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

Members of the Board of Trustees:

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 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cajon Valley Union School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cajon Valley Union School District as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cajon Valley Union School District's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 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 2011-12*, published by the Education Audit Appeals Panel, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 7, 2012

CAJON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012
(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, 2012. 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 Assets 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 2012 are as follows:

- The District ended the 2011/2012 year with an unrestricted reserve balance of \$16,186,779. These reserves will assist the District in offsetting the financial impact of the 22.272% ongoing State revenue limit deficit, as well as potential reductions in future State funding.
- The District received approximately \$2.5 million in Federal JOBS funding in 2010/2011. These one-time funds were used in 2011/2012 to support teacher salary and benefit costs and mitigate certificated layoffs.
- Passage of Proposition 30 in November, 2012 will generate sufficient State funding to eliminate the need for an additional mid-year reduction in 2012/13 of \$441 per ADA, as expected.
- Changes in State funding for mandated cost claims will generate approximately \$420,000 per year for the District, beginning in 2012/13. Previously, mandated cost claims were submitted by the District to the State each year, but payment of those claims was delayed, often for many years. Under the new block grant funding method the District receives a flat amount of \$28 per ADA to cover all activities and the funds are distributed each year, rather than being deferred and paid in the future.

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 Assets 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 2011/2012?" The Statement of Net Assets 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 assets and changes in those assets. This change in net assets 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 Assets 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 Assets 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 Assets provides a perspective of the district as a whole. Table I provides a summary of the district's net assets as of June 30, 2012, compared with net assets as of the end of the previous two fiscal years.

Table 1
Statement of Net Assets

	6/30/12	6/30/11	% Change 6/11 to 6/12	6/30/10	% Change 6/10 to 6/11
Assets					
Cash	47,870,760	70,165,216	-31.77%	69,397,094	1.11%
Investments	-	-		-	
Receivables	34,287,042	26,730,149	28.27%	19,241,512	38.92%
Due from Other funds	-	-	-	-	-
Stores	524,735	401,372	30.74%	414,578	-3.19%
Prepaid expenses	891,810	640,936	39.14%	674,669	-5.00%
Other Current Assets	-	-	-	-	-
Capital Assets:					
Land	13,517,805	13,517,805	0%	13,517,805	0%
Site Improvements	7,777,164	7,442,531	4.58%	7,310,128	1.81%
Buildings and improvements	275,102,282	254,553,920	8.07%	252,567,788	.79%
Equipment	8,472,751	8,054,808	5.19%	6,777,217	18.85%
Work in Progress	9,937,028	17,202,003	-42.23%	3,700,121	364.90%
Less accumulated depreciation	-91,194,269	-84,093,972	8.44%	-77,608,999	8.36%
Total Assets	307,187,108	314,614,768	-2.36%	295,991,913	6.29%
Liabilities					
Accounts payable and other current liabilities	8,085,131	4,797,390	68.53%	5,250,308	-8.63%
Due to other funds	-	-	-	-	-
Deferred revenue	2,785,162	5,591,820	-50.19%	3,554,026	57.34%
Long term liabilities:					
Due within one year	6,138,702	6,044,371	1.56%	5,145,897	17.46%
Due in more than one year	125,888,853	128,793,140	-2.26%	118,452,605	8.73%
Total Liabilities	\$142,897,848	\$145,226,721	-1.60%	\$132,402,836	9.69%
Net Assets					
Invested in capital assets, net of related debt	102,134,586	89,965,743	13.53%	90,309,060	.38%
Restricted	45,967,895	58,676,907	-21.66%	69,439,152	-15.50%
Unrestricted	16,186,779	20,745,397	-21.97%	3,840,865	440.12%
Total Net Assets	\$164,289,260	\$169,388,047	-3.01%	\$163,589,077	3.54%

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 Revenue Limit 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 2011/2012 year, compared with revenue for the previous three years.

Table 2
Revenue – Governmental Activities

	2011/2012	2010/2011	2009/2010	2008/2009
General Revenue	\$104,453,956	\$110,322,233	\$100,871,593	\$109,599,491
Program Revenue & Fees for Services	<u>39,509,104</u>	<u>40,771,392</u>	<u>38,878,625</u>	<u>50,280,895</u>
Total Revenue	\$143,963,060	\$151,093,625	\$139,750,218	\$159,880,386

The primary activities that are required to operate our district schools can be summarized into the nine categories, or functions, listed below. Table 3 shows the expenditures for each function for the 2011/2012 year, compared with expenditures for the previous three years.

Table 3
Expenditures – Governmental Activities

	2011/2012	2010/2011	2009/2010	2008/2009
Classroom Instruction	93,490,335	89,785,390	93,097,151	98,124,085
Instructional Related Services	13,866,764	13,990,976	14,083,273	14,788,433
Pupil Services	18,159,799	16,683,525	16,191,315	16,548,202
General Administration	6,115,398	6,801,288	6,740,115	6,211,630
Plant Services	11,646,390	12,548,240	11,678,394	14,468,367
Ancillary Services	0	0	-456	0
Community Services	86,813	85,159	81,484	98,681
Enterprise Activities	0	83	-1,531	0
Interest on Long Term Debt	5,432,944	5,242,281	5,867,732	5,253,542
Other Outgo	<u>263,002</u>	<u>157,715</u>	<u>-235,084</u>	<u>34,109</u>
Total Expenditures	149,061,445	145,294,657	147,502,393	155,527,049

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 2011/2012 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 2011/12 fiscal year, the district had \$314,807,030 invested in land, buildings, work-in-progress, and capital equipment. Depreciation totaling \$91,194,269 was charged against the value of those assets for net capital assets of \$223,612,761. Net capital assets at the end of the 2010/2011 year were \$216,677,095, at the end of the 2009/2010 year they were \$206,264,060, and at the end of the 2008/2009 year they were \$207,883,045.

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, construction of a joint use gymnasium, two story classroom wing and new administration building at Cajon Valley Middle School, infrastructure upgrades in schools and in the information systems department to meet the needs of schools, 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 \$165 million in additional general obligation bonds to complete needed capital improvement projects. Three series of these bonds, totaling about \$68 million have been issued. District improvements funded by these bond sales includes electrical upgrades, HVAC replacement, new clock systems, security improvements at several schools, waterline replacement at Meridian Elementary, multipurpose room expansion at Flying Hills Elementary, playground upgrades, completion of remodeled buildings at Cajon Valley Middle School, modernization at Rancho San Diego and Vista Grande elementary schools, technology infrastructure upgrades, and a new gymnasium and remodeled kitchen and administrative offices at Greenfield Middle School (currently in construction phase).

Future projects planned through Proposition D bond funding include gymnasiums at Emerald and Montgomery middle schools and rebuilding of Lexington elementary. Details regarding the capital improvement program can be obtained at the Cajon Valley website www.cajonvalley.net by clicking on the "Proposition D" 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 budget. However, the financial future is full of challenges due to the district's dependence on the state of California for the bulk of its general operating revenue.

California's economy continues to present serious challenges in the current year and overall recovery is projected to be very slow. After a large influx of funds from 1999 to 2002, there were a few very lean years, when deficits were applied to the district's state funding sources. That period was followed by a modest recovery, and revenue limit deficits were completely eliminated for two years in 2006/07 and 2007/08. 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%, the deficit grew to 18.3% in 2009/10, 19.8% in 2010/11, and 22.272% in 2011/12. The 2012/13 budget includes a 22.272% deficit factor and projections over the next 2 to 3 years indicate that unless there is an upswing in the economy, the deficit factor will remain at that level or perhaps increase slightly. The State has 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 need for adequate reserves, to withstand temporary cash shortfalls that occur during the year.

The November, 2012, passage of Proposition 30, the Governor's Tax Initiative, has provided some stabilization for public education funding. Although passage of this measure eliminated the need for additional mid-year State funding reductions, the ongoing deficit factor of over 22% and cash deferrals remain. Though there are some signs of stabilization and a modest economic recovery, it appears that education funding for the next few years will continue to fall far below what is needed to support current programs on an ongoing basis. Because future funding levels are somewhat uncertain the district will continue to carefully monitor state budget discussions throughout the year, and will use multiyear budget projections in evaluating major budget decisions.

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).

Basic Financial Statements

CAJON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>
ASSETS:	
Cash in County Treasury	\$ 47,834,826
Cash on Hand and in Banks	20,934
Cash in Revolving Fund	15,000
Accounts Receivable	34,287,042
Stores Inventories	524,735
Prepaid Expenses	891,810
Capital Assets	
Land	13,517,805
Improvements	7,777,164
Buildings	275,102,282
Equipment	8,472,751
Work in Progress	9,937,028
Less Accumulated Depreciation	<u>(91,194,269)</u>
Total Assets	<u>307,187,108</u>
LIABILITIES:	
Accounts Payable	8,085,131
Deferred Revenues	2,785,162
Long-term Liabilities	
Due Within One Year	6,138,702
Due In More Than One Year	<u>125,888,853</u>
Total Liabilities	<u>142,897,848</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	102,134,586
Restricted For:	
Capital Projects	26,089,300
Debt Service	5,895,126
Educational Programs	4,974,562
Other Purposes (expendable)	4,593,518
Other Purposes (nonexpendable)	4,415,389
Unrestricted	<u>16,186,779</u>
Total Net Assets	<u>\$ 164,289,260</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, 2012

Functions	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 93,490,335	\$ 1,351,931	\$ 22,508,808	\$ 16	\$ (69,629,580)
Instruction-Related Services:					
Instructional Supervision and Administration	4,200,977	73,472	2,782,230	-	(1,345,275)
Instructional Library, Media and Technology	753,156	22,868	98,938	-	(631,350)
School Site Administration	8,912,631	136,128	456,257	-	(8,320,246)
Pupil Services:					
Home-to-School Transportation	4,328,085	218,266	948,588	-	(3,161,231)
Food Services	7,557,207	1,202,484	5,762,405	-	(592,318)
All Other Pupil Services	6,274,507	159,702	2,943,274	-	(3,171,531)
General Administration:					
Centralized Data Processing	1,377,034	-	-	-	(1,377,034)
All Other General Administration	4,738,364	30,386	637,823	-	(4,070,155)
Plant Services	11,646,390	32,691	92,738	-	(11,520,961)
Community Services	86,813	-	-	-	(86,813)
Interest on Long-Term Debt	5,432,944	-	-	-	(5,432,944)
Other Outgo	263,002	2,392	47,707	-	(212,903)
Total Expenses	<u>\$ 149,061,445</u>	<u>\$ 3,230,320</u>	<u>\$ 36,278,768</u>	<u>\$ 16</u>	<u>\$ (109,552,341)</u>
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					23,458,494
Taxes Levied for Debt Service					8,276,210
Taxes Levied for Other Specific Purposes					1,326,736
Federal and State Aid Not Restricted to Specific Programs					67,425,059
Interest and Investment Earnings					298,067
Miscellaneous					3,669,390
Total General Revenues					<u>\$ 104,453,956</u>
Change in Net Assets					(5,098,385)
Net Assets Beginning					169,387,645
Net Assets Ending					<u>\$ 164,289,260</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 7,071,660	\$ 26,649,745	\$ 9,873,687	\$ 43,595,092
Cash on Hand and in Banks	-	-	20,934	20,934
Cash in Revolving Fund	15,000	-	-	15,000
Accounts Receivable	32,863,354	25,092	1,360,008	34,248,454
Due from Other Funds	247,081	420,386	600,000	1,267,467
Stores Inventories	310,568	-	214,167	524,735
Total Assets	<u>\$ 40,507,663</u>	<u>\$ 27,095,223</u>	<u>\$ 12,068,796</u>	<u>\$ 79,671,682</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 1,834,429	\$ 3,550,633	\$ 623,906	\$ 6,008,968
Due to Other Funds	1,020,386	6,754	239,552	1,266,692
Deferred Revenue	2,652,007	-	133,155	2,785,162
Total Liabilities	<u>5,506,822</u>	<u>3,557,387</u>	<u>996,613</u>	<u>10,060,822</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	15,000	-	-	15,000
Stores Inventories	310,568	-	214,167	524,735
Restricted Fund Balances	4,974,564	-	699,492	5,674,056
Committed Fund Balances:				
Committed for Economic Uncertainties	-	-	1,415,791	1,415,791
Assigned Fund Balances	12,016,317	23,537,836	8,742,733	44,296,886
Unassigned:				
Reserve for Economic Uncertainty	3,890,654	-	-	3,890,654
Other Unassigned	13,793,738	-	-	13,793,738
Total Fund Balance	<u>35,000,841</u>	<u>23,537,836</u>	<u>11,072,183</u>	<u>69,610,860</u>
Total Liabilities and Fund Balances	<u>\$ 40,507,663</u>	<u>\$ 27,095,223</u>	<u>\$ 12,068,796</u>	<u>\$ 79,671,682</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances - governmental funds balance sheet \$ 69,610,860

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

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost:	314,807,030	
Accumulated depreciation	(91,194,269)	
Net		223,612,761

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are: 891,807

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 unamatured interest owing at the end of the period was: (2,074,769)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	110,243,175	
Net OPEB Obligation	7,605,231	
Compensated absences payable	1,170,040	
Bond premium	1,395,447	
Certificates of participation payable	11,235,000	
Total		(131,648,893)

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 assets. Net assets for internal service funds are: 3,897,494

Net assets of governmental activities - statement of net assets \$ 164,289,260

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, 2012

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 55,192,955	\$ -	\$ -	\$ 55,192,955
Local Sources	21,410,323	-	-	21,410,323
Federal Revenue	13,275,545	-	5,359,454	18,634,999
Other State Revenue	20,261,104	-	2,540,494	22,801,598
Other Local Revenue	14,648,808	1,752,140	9,522,241	25,923,189
Total Revenues	<u>124,788,735</u>	<u>1,752,140</u>	<u>17,422,189</u>	<u>143,963,064</u>
Expenditures:				
Instruction	86,183,807	-	1,687,399	87,871,206
Instruction - Related Services	12,845,821	-	184,759	13,030,580
Pupil Services	9,980,724	-	7,161,394	17,142,118
Community Services	86,813	-	-	86,813
General Administration	6,303,931	-	97,176	6,401,107
Plant Services	9,919,998	13,770,260	1,399,526	25,089,784
Other Outgo	118,873	-	-	118,873
Debt Service:				
Principal	213,750	1,251,250	2,994,885	4,459,885
Interest	113,064	382,664	4,728,847	5,224,575
Total Expenditures	<u>125,766,781</u>	<u>15,404,174</u>	<u>18,253,986</u>	<u>159,424,941</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(978,046)</u>	<u>(13,652,034)</u>	<u>(831,797)</u>	<u>(15,461,877)</u>
Other Financing Sources (Uses):				
Transfers In	2,872,680	-	974,000	3,846,680
Transfers Out	<u>(3,921,680)</u>	<u>-</u>	<u>-</u>	<u>(3,921,680)</u>
Total Other Financing Sources (Uses)	<u>(1,049,000)</u>	<u>-</u>	<u>974,000</u>	<u>(75,000)</u>
Net Change in Fund Balance	(2,027,046)	(13,652,034)	142,203	(15,536,877)
Fund Balance, July 1	37,027,887	37,189,870	10,929,980	85,147,737
Fund Balance, June 30	<u>\$ 35,000,841</u>	<u>\$ 23,537,836</u>	<u>\$ 11,072,183</u>	<u>\$ 69,610,860</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ (15,536,877)

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

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

	Expenditures for capital outlay	14,035,963	
	Depreciation expense	(7,100,297)	
	Net	6,935,666	6,935,666

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: 4,459,885

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

	Issue costs incurred during the period	(412,412)	
	Issue costs amortized for the period	274,493	
	Net	(137,919)	(137,919)

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: 11,834

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: 35,784

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: (1,076,714)

Amortization of debt issue premium or discount: 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 is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: (220,206)

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: 430,162

Change in net assets of governmental activities - statement of activities \$ (5,098,385)

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUND

JUNE 30, 2012

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 4,239,735
Accounts Receivable	38,588
Total Current Assets	<u>4,278,323</u>
Total Assets	<u>\$ 4,278,323</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 1,392
Due to Other Funds	775
Total Current Liabilities	<u>2,167</u>
Noncurrent Liabilities:	
Other General Long-Term Debt	<u>378,662</u>
Total Noncurrent Liabilities	<u>378,662</u>
Total Liabilities	<u>380,829</u>
NET ASSETS:	
Unrestricted Net Assets	3,897,494
Total Net Assets	<u>\$ 3,897,494</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 ASSETS - INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 16,800,781
Total Revenues	<u>16,800,781</u>
Operating Expenses:	
Classified Personnel Salaries	17,904
Employee Benefits	8,758
Services and Other Operating Expenses	16,418,958
Total Expenses	<u>16,445,620</u>
Operating Income (Loss)	<u>355,161</u>
Income (Loss) before Contributions and Transfers	355,161
Interfund Transfers In	75,000
Change in Net Assets	<u>430,161</u>
Total Net Assets - Beginning	3,467,333
Total Net Assets - Ending	<u>\$ 3,897,494</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, 2012

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 16,764,793
Cash Payments to Employees for Services	(26,660)
Cash Payments to Other Suppliers for Goods and Services	(16,342,915)
Net Cash Provided (Used) by Operating Activities	<u>395,218</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	13,957
Net Cash Provided (Used) for Investing Activities	<u>13,957</u>
Net Increase (Decrease) in Cash and Cash Equivalents	409,175
Cash and Cash Equivalents at Beginning of Year	3,830,560
Cash and Cash Equivalents at End of Year	<u>\$ 4,239,735</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 430,161
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(21,956)
Increase (Decrease) in Accounts Payable	815
Increase (Decrease) in Due To	155
Total Adjustments	<u>(20,986)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 409,175</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

Agency Fund
Student Body Fund
\$ 192,203
\$ 192,203
\$ -

ASSETS:

Cash on Hand and in Banks
 Total Assets

\$ 192,203
 \$ 192,203

LIABILITIES:

Due to Student Groups
 Total Liabilities

\$ 192,203
 \$ 192,203

NET ASSETS:

Total Net Assets

\$ -

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 assets 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, 2012

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.

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, 2012

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. 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, 2012

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. 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. Deferred Revenue

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

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 assets.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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

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

i. Minimum Fund Balance

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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.

k. 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.

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 Assets of Individual Funds

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

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

C. Excess of Expenditures Over Appropriations

As of June 30, 2012 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Direct support/indirect costs	\$ 12,199

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$47,834,826 as of June 30, 2012). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$47,972,799. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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

Cash balances on hand and in banks (\$213,137 as of June 30, 2012) and in the revolving fund (\$15,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3 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.

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. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, 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 Treasury. The District maintains an investment with the San Diego Investment Pool with a fair value of \$47,972,799 and a book value of \$47,834,826. The weighted average days to maturity for this investment pool is 370 days.

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

4 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.

E. Accounts Receivable

Accounts receivable at June 30, 2012 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government:					
Federal programs	\$ 1,856,605	\$ 1,069,555	-	\$ -	\$ 2,926,160
State Government:					
Revenue Limit	22,813,218	-	-	-	22,813,218
Lottery	1,166,232	-	-	-	1,166,232
Other state programs	3,202,177	227,888	-	-	3,430,065
Local Sources:					
Interest	18,322	1,366	27,662	2,821	50,171
Other local sources	3,806,800	48,260	10,369	35,767	3,901,196
Totals	<u>\$ 32,863,354</u>	<u>\$ 1,347,069</u>	<u>\$ 38,031</u>	<u>\$ 38,588</u>	<u>\$ 34,287,042</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

F. Capital Assets

Capital asset activity for the year ended June 30, 2012 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	17,202,003	-	7,264,975	9,937,028
Total capital assets not being depreciated	<u>30,719,808</u>	<u>-</u>	<u>7,264,975</u>	<u>23,454,833</u>
Capital assets being depreciated:				
Buildings	254,553,920	20,548,362	-	275,102,282
Land improvements	7,442,531	334,633	-	7,777,164
Equipment	8,054,808	417,943	-	8,472,751
Total capital assets being depreciated	<u>270,051,259</u>	<u>21,300,938</u>	<u>-</u>	<u>291,352,197</u>
Less accumulated depreciation for:				
Buildings	(73,064,103)	(6,238,720)	-	(79,302,823)
Land improvements	(5,389,361)	(217,919)	-	(5,607,280)
Equipment	(5,640,508)	(643,658)	-	(6,284,166)
Total accumulated depreciation	<u>(84,093,972)</u>	<u>(7,100,297)</u>	<u>-</u>	<u>(91,194,269)</u>
Total capital assets being depreciated, net	<u>185,957,287</u>	<u>14,200,641</u>	<u>-</u>	<u>200,157,928</u>
Governmental activities capital assets, net	<u>\$ 216,677,095</u>	<u>\$ 14,200,641</u>	<u>\$ 7,264,975</u>	<u>\$ 223,612,761</u>

Depreciation was charged to functions as follows:

Instruction	\$ 4,881,634
Instruction-Related Services	727,614
Pupil Services	976,035
General Administration	357,068
Plant Services	157,946
	<u>\$ 7,100,297</u>

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2012 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Child Development Fund	\$ 128,481	Reimbursement/Indirect Costs
General Fund	Cafeteria Fund	111,071	OPEB/PERS Costs
General Fund	Building Fund	6,754	OPEB/PERS Costs
Deferred Maintenance Fund	General Fund	600,000	Transfer for Costs
Building Fund	General Fund	420,386	Transfer RDA Revenue
General Fund	Self Insurance Fund	775	OPEB/PERS Costs
	Total	<u>\$ 1,267,467</u>	

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2012 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Cafeteria Fund	\$ 209,000	Transfer Meals for Needy
General Fund	Deferred Maintenance Fund	765,000	Deferred Maintenance Contribution
General Fund	Self Insurance Fund	75,000	Transfer of OPEB Revenues
General Fund	Post Employment Benefits Fund	2,872,860	Annual Transfer for Claims
	Total	<u>\$ 3,921,860</u>	

H. Accounts Payable

Accounts payable at June 30, 2012 consisted of:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Other Funds</u>	<u>Total</u>
Vendor payables	\$ 817,175	\$ 576,970	\$ 3,548,866	\$ 1,392	4,944,403
Payroll and related benefits	999,769	46,385	2,318	-	1,048,472
Other	17,485	-	-	-	17,485
Totals	<u>\$ 1,834,429</u>	<u>\$ 623,355</u>	<u>\$ 3,551,184</u>	<u>\$ 1,392</u>	<u>\$ 6,010,360</u>

I. 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, 2012 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General obligation bonds	\$ 112,993,060	\$ 13,690,000	\$ 16,439,885	\$ 110,243,175	\$ 3,010,000
Bond premium	1,031,448	418,286	54,287	1,395,447	-
Certificates of participation	12,700,000	-	1,465,000	11,235,000	1,580,000
Other long-term debt	378,662	2,087,292	2,087,292	378,662	378,662
Compensated absences *	1,205,824	-	35,784	1,170,040	1,170,040
Net OPEB obligation	6,528,517	2,908,924	1,832,210	7,605,231	-
Total governmental activities	<u>\$ 134,837,511</u>	<u>\$ 19,104,502</u>	<u>\$ 21,914,458</u>	<u>\$ 132,027,555</u>	<u>\$ 6,138,702</u>

* Other long-term liabilities

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

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

2. Debt Service Requirements

Debt service requirements on long-term debt, net of bond premium and net OPEB obligation, at June 30, 2012 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 6,138,702	\$ 4,964,168	\$ 11,102,870
2014	4,630,000	5,003,291	9,633,291
2015	4,978,121	4,828,905	9,807,026
2016	5,487,898	4,633,997	10,121,895
2017	4,260,194	4,418,642	8,678,836
2018-2022	29,111,326	18,606,534	47,717,860
2023-2027	29,445,636	12,383,272	41,828,908
2028-2032	29,745,000	5,964,432	35,709,432
2033-2037	9,230,000	632,928	9,862,928
Totals	<u>\$ 123,026,877</u>	<u>\$ 61,436,169</u>	<u>\$ 184,463,046</u>

3. General Obligation Bonds

General obligation bonds at June 30, 2012 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2000 Election Series C	07/09/03	3.15-6.00%	08/01/12	\$ 16,500,000
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	08/01/12	2.00 - 5.00%	08/01/32	13,690,000
Total GO Bonds				<u>\$ 132,953,060</u>

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
2000 Election Series C	\$ 14,255,000	\$ -	\$ 13,840,000	\$ 415,000
2000 Election Series D	13,580,000	-	325,000	13,255,000
2000 Election Series E	14,000,000	-	315,000	13,685,000
2008 Election Series A	33,470,000	-	855,000	32,615,000
2010 Refunding Bonds	24,595,000	-	770,000	23,825,000
2008 Election Series B	13,093,060	-	334,885	12,758,175
2012 Refunding Bonds	-	13,690,000	-	13,690,000
Total GO Bonds	<u>\$ 112,993,060</u>	<u>\$ 13,690,000</u>	<u>\$ 16,439,885</u>	<u>\$ 110,243,175</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

The annual requirements to amortize the bonds outstanding at June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 3,010,000	\$ 4,522,090	\$ 7,532,090
2014	2,935,000	4,620,054	7,555,054
2015	3,493,121	4,510,505	8,003,626
2016	3,877,898	4,374,997	8,252,895
2017	4,045,194	4,224,042	8,269,236
2018-2022	24,461,326	18,245,534	42,706,860
2023-2027	29,445,636	12,383,272	41,828,908
2028-2032	29,745,000	5,964,432	35,709,432
2033-2037	9,230,000	632,928	9,862,928
Totals	<u>\$ 110,243,175</u>	<u>\$ 59,477,854</u>	<u>\$ 169,721,029</u>

4. 2012 General Obligation Refunding Bonds

On June 28, 2012, the District issued \$13,690,000 of 2012 General Obligation Refunding Bonds. The general obligation refunding bonds bear interest at rates ranging from 2.00% to 5.00% with annual maturities from August 2012 through August 2032. The net proceeds of \$13,853,426 (after premium of \$418,286 less costs of issuance of \$254,860) were used to refund \$13,445,000 of the District's outstanding 2000 Election Series C General Obligation Bonds in addition to paying additional premium and interest costs associated with the refunding general obligation bonds.

The net proceeds of \$13,853,426 were deposited into an individual escrow fund for the refunding of the 2000 Election Series C General Obligation Bonds. The outstanding 2000 Election Series C General Obligation Bonds were subsequently paid in full on August 1, 2012.

The refunding decreased the District's total bond debt service payments by \$930,810.

Decrease in General Obligation Bond Debt Service Payments:

2012 General Obligation Refunding Bonds	\$ 19,563,465
Old Debt-2000 Series C	<u>20,494,275</u>

Decrease in General Obligation Bonds Debt Service Payments	<u>\$ (930,810)</u>
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Present Value Used as Effective Rate Target:

Face amount of 2012 General Obligation Refunding Bonds	\$ 13,690,000
Premium	418,286
All Costs Not Recoverable Through Escrow Rate Earnings	<u>(254,860)</u>

Present Value Used as Effective Rate Target	<u>\$ 13,853,426</u>
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Economic Gain:

Fair Value of Old Debt	\$ 14,531,287
Present Value of 2012 General Obligation Refunding Bonds	<u>13,853,426</u>

Calculated Economic Gain	<u>\$ 677,861</u>
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CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

5. Certificates of Participation

Certificates of participation issued by the District as of June 30, 2012 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	\$ 5,960,000	\$ -	\$ 990,000	\$ 4,970,000
2007 COPS	6,740,000	-	475,000	6,265,000
Total	<u>\$ 12,700,000</u>	<u>\$ -</u>	<u>\$ 1,465,000</u>	<u>\$ 11,235,000</u>

Future commitments for certificates of participation as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,580,000	\$ 442,078	\$ 2,022,078
2014	1,695,000	383,237	2,078,237
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
2018-2022	4,650,000	361,000	5,011,000
Totals	<u>\$ 11,235,000</u>	<u>\$ 1,958,315</u>	<u>\$ 13,193,315</u>

6. 2011 Qualified School Construction Bonds

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

J. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRМ). 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, 2012 is as follows:

Total Assets	\$	3,541,201
Total Liabilities		3,524,547
Total Fund Balance		16,654
Total Cash Receipts		2,296,610
Total Cash Disbursements		2,179,084
Net Change in Fund Balance		117,526

The District's participation in the San Diego County Schools Risk Management JPA ended June 30, 2012. The JPA invoiced the District \$485,715 for unfunded workers compensation claims based on estimated future claims liabilities and the actual amount of cash on deposit with the JPA at June 30, 2012. The future claims liabilities consist of outstanding case reserves for open cases with the remainder for incurred but not reported costs. The District determined that the estimated future claim liability appears to be overstated and is disputing the additional funding request. The District determined the current remaining cash on deposit with the JPA has sufficient funds to meet remaining workers compensation claims after review of the detailed list of open claims, including the total paid, total incurred, and the remaining reserve amount. The District has determined the cash on deposit for workers compensation claims with the JPA of \$2,739,529 as of June 30, 2012 is sufficient to pay the remaining reserve claims of \$2,306,366 as only \$1,078,589 is within the District's \$100,000 self insured retention with the remaining balance to be the responsibility of the insurance carrier.

K. Employee Retirement Systems

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

PERS:

Plan Description

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 2011-12 was 10.923% 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, 2012, 2011 and 2010 were \$2,272,917, \$2,142,803 and \$2,000,828, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 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, 2012, 2011 and 2010 were \$5,163,021, \$4,839,160 and \$5,011,432, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$3,036,913.

L. Postemployment Benefits Other Than Pension Benefits

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

Benefit Plan Provisions

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

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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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

Premium Rates

The District joined the Southern California Schools VEBA as of December 1, 2006. The VEBA is considered a community-rated plan. Premium rates may vary by plans selected, coverage tier, and Medicare eligibility. The District currently offers a Kaiser HMO, three PacifiCare HMO plans, and a United Healthcare PPO Plan for out-of-network retirees. The District also offers a self insured Delta Dental Plan and a fully insured Safeguard 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, 2012 was \$1,832,210.

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, 2012, the amount actually contributed to the plan, and charges in the District's net OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 3,343,672
Interest on Net OPEB obligation	30,619
Adjustment to ARC	<u>(465,367)</u>
Annual OPEB cost	2,908,924
Employer contributions	<u>(1,832,210)</u>
Increase in Net OPEB obligation	1,076,714
Net OPEB obligations-beginning of year	6,528,517
Net OPEB obligations-end of year	<u>\$ 7,605,231</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 year ended June 30, 2012 is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$2,908,924	62.98%	\$7,605,231

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
YEAR ENDED JUNE 30, 2012

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.

M. 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.

N. 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. The Internal Service Fund provides dental and vision coverage to employees.

All funds of the District participate in the program, but only the General Fund makes payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a liability for open claims and Incurred But Not Reported (IBNR) claims. The claims and liability of \$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, 2012 are indicated below:

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

Internal Service Fund:	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments and Adjustments	Ending Fiscal Year Liability
Year 2011-12	\$ 378,662	\$ 2,087,292	\$ 2,087,292	\$ 378,662

O. Subsequent Events

In August 2012, the District authorized the sale and issuance of General Obligation Bonds, 2008 Election, Series C, in the amount of \$19,999,932 consisting of \$12,000,000 in current interest serial bonds and \$7,999,932 in capital appreciation bonds. Proceeds from the sale of the bonds will be used primarily for financing the renovation, construction, and improvement of school facilities. The current interest bonds accrue interest at rates ranging from 2.00-3.375% and are payable semiannually on each February 1 and August 1 of each year commencing February 1, 2013. The capital appreciation bonds accrete interest at accretion rates ranging from 3.75-12.00%, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2013. Principal on the current interest bonds is payable on August 1, commencing August 1, 2013 and through the maturity date August 1, 2032. Principal on the capital appreciation bonds is payable on August 1, commencing August 1, 2017 and through the maturity date August 1, 2030.

P. Construction Commitments

As of June 30, 2012 the District had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>
Construction in Process:		
Vista Grande Modernization	\$ 2,994,747	September 2012
Rancho San Diego Modernization (Phase 1)	2,578,219	September 2012
Technology Infrastructure (Phase 2)	6,674,397	August 2012
Greenfield Middle School Gym/MPB	6,930,354	February 2013
HVAC Replacements (Phase 3)	902,363	August 2012

* Expected date of final completion subject to change

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CAJON VALLEY UNION SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 49,221,219	\$ 52,655,482	\$ 55,192,955	\$ 2,537,473
Local Sources	22,886,636	21,751,965	21,410,323	(341,642)
Federal Revenue	9,409,710	15,449,517	13,275,545	(2,173,972)
Other State Revenue	18,250,954	19,155,269	20,261,104	1,105,835
Other Local Revenue	13,062,935	15,695,688	14,648,808	(1,046,880)
Total Revenues	<u>112,831,454</u>	<u>124,707,921</u>	<u>124,788,735</u>	<u>80,814</u>
Expenditures:				
Current:				
Certificated Salaries	59,445,910	64,272,016	62,783,365	1,488,651
Classified Salaries	20,456,802	20,712,300	20,575,885	136,415
Employee Benefits	25,524,369	25,695,198	25,201,901	493,297
Books And Supplies	5,571,335	17,577,536	4,465,895	13,111,641
Services And Other Operating Expenditures	11,950,290	14,366,730	11,893,233	2,473,497
Other Outgo	153,170	184,418	118,873	65,545
Direct Support/Indirect Costs	(47,319)	(105,875)	(93,676)	(12,199)
Capital Outlay	286,685	1,256,777	494,491	762,286
Debt Service:				
Principal	213,750	213,750	213,750	-
Interest	121,320	121,320	113,064	8,256
Total Expenditures	<u>123,676,312</u>	<u>144,294,170</u>	<u>125,766,781</u>	<u>18,527,389</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,844,858)</u>	<u>(19,586,249)</u>	<u>(978,046)</u>	<u>18,608,203</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(449,000)</u>	<u>(3,321,680)</u>	<u>(3,921,680)</u>	<u>(600,000)</u>
Total Other Financing Sources (Uses)	<u>(449,000)</u>	<u>(3,321,680)</u>	<u>(3,921,680)</u>	<u>(600,000)</u>
Net Change in Fund Balance	<u>(11,293,858)</u>	<u>(22,907,929)</u>	<u>(4,899,726)</u>	<u>18,008,203</u>
Fund Balance, July 1	<u>32,027,887</u>	<u>37,027,887</u>	<u>37,027,887</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 20,734,029</u>	<u>\$ 14,119,958</u>	<u>\$ 32,128,161</u>	<u>\$ 18,008,203</u>

CAJON VALLEY UNION SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS-HEALTH PROGRAM
 YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	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	-	87,719,851	30.4%

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

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) is 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.

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, 2012

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 1,139,874	\$ 5,895,126	\$ 2,838,687	\$ 9,873,687
Cash on Hand and in Banks	20,934	-	-	20,934
Accounts Receivable	1,347,069	-	12,939	1,360,008
Due from Other Funds	600,000	-	-	600,000
Stores Inventories	214,167	-	-	214,167
Total Assets	<u>\$ 3,322,044</u>	<u>\$ 5,895,126</u>	<u>\$ 2,851,626</u>	<u>\$ 12,068,796</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 623,355	\$ -	\$ 551	\$ 623,906
Due to Other Funds	239,552	-	-	239,552
Deferred Revenue	133,155	-	-	133,155
Total Liabilities	<u>996,062</u>	<u>-</u>	<u>551</u>	<u>996,613</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	214,167	-	-	214,167
Restricted Fund Balances	696,024	-	3,468	699,492
Committed Fund Balances:				
Committed for Economic Uncertainties	1,415,791	-	-	1,415,791
Assigned Fund Balances	-	5,895,126	2,847,607	8,742,733
Total Fund Balance	<u>2,325,982</u>	<u>5,895,126</u>	<u>2,851,075</u>	<u>11,072,183</u>
Total Liabilities and Fund Balances	<u>\$ 3,322,044</u>	<u>\$ 5,895,126</u>	<u>\$ 2,851,626</u>	<u>\$ 12,068,796</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, 2012

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 5,359,454	\$ -	\$ -	\$ 5,359,454
Other State Revenue	2,437,069	103,425	-	2,540,494
Other Local Revenue	1,226,485	8,188,812	106,944	9,522,241
Total Revenues	<u>9,023,008</u>	<u>8,292,237</u>	<u>106,944</u>	<u>17,422,189</u>
Expenditures:				
Instruction	1,687,399	-	-	1,687,399
Instruction - Related Services	184,759	-	-	184,759
Pupil Services	7,161,394	-	-	7,161,394
General Administration	93,676	-	3,500	97,176
Plant Services	1,362,611	-	36,915	1,399,526
Debt Service:				
Principal	-	2,994,885	-	2,994,885
Interest	-	4,728,847	-	4,728,847
Total Expenditures	<u>10,489,839</u>	<u>7,723,732</u>	<u>40,415</u>	<u>18,253,986</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,466,831)</u>	<u>568,505</u>	<u>66,529</u>	<u>(831,797)</u>
Other Financing Sources (Uses):				
Transfers In	974,000	-	-	974,000
Total Other Financing Sources (Uses)	<u>974,000</u>	<u>-</u>	<u>-</u>	<u>974,000</u>
Net Change in Fund Balance	(492,831)	568,505	66,529	142,203
Fund Balance, July 1	2,818,813	5,326,621	2,784,546	10,929,980
Fund Balance, June 30	<u>\$ 2,325,982</u>	<u>\$ 5,895,126</u>	<u>\$ 2,851,075</u>	<u>\$ 11,072,183</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 54,564	\$ 64,525	\$ 1,020,785	\$ 1,139,874
Cash on Hand and in Banks	-	20,934	-	20,934
Accounts Receivable	137,609	1,208,648	812	1,347,069
Due from Other Funds	-	-	600,000	600,000
Stores Inventories	-	214,167	-	214,167
Total Assets	<u>\$ 192,173</u>	<u>\$ 1,508,274</u>	<u>\$ 1,621,597</u>	<u>\$ 3,322,044</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 15,444	\$ 402,105	\$ 205,806	\$ 623,355
Due to Other Funds	128,481	111,071	-	239,552
Deferred Revenue	48,248	84,907	-	133,155
Total Liabilities	<u>192,173</u>	<u>598,083</u>	<u>205,806</u>	<u>996,062</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	-	214,167	-	214,167
Restricted Fund Balances	-	696,024	-	696,024
Committed Fund Balances:				
Committed for Economic Uncertainties	-	-	1,415,791	1,415,791
Total Fund Balance	<u>-</u>	<u>910,191</u>	<u>1,415,791</u>	<u>2,325,982</u>
Total Liabilities and Fund Balances	<u>\$ 192,173</u>	<u>\$ 1,508,274</u>	<u>\$ 1,621,597</u>	<u>\$ 3,322,044</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, 2012

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ -	\$ 5,359,454	\$ -	\$ 5,359,454
Other State Revenue	1,964,606	472,463	-	2,437,069
Other Local Revenue	1,228	1,220,016	5,241	1,226,485
Total Revenues	<u>1,965,834</u>	<u>7,051,933</u>	<u>5,241</u>	<u>9,023,008</u>
Expenditures:				
Instruction	1,687,399	-	-	1,687,399
Instruction - Related Services	184,759	-	-	184,759
Pupil Services	-	7,161,394	-	7,161,394
General Administration	93,676	-	-	93,676
Plant Services	-	89,500	1,273,111	1,362,611
Total Expenditures	<u>1,965,834</u>	<u>7,250,894</u>	<u>1,273,111</u>	<u>10,489,839</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(198,961)</u>	<u>(1,267,870)</u>	<u>(1,466,831)</u>
Other Financing Sources (Uses):				
Transfers In	-	209,000	765,000	974,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>209,000</u>	<u>765,000</u>	<u>974,000</u>
Net Change in Fund Balance	-	10,039	(502,870)	(492,831)
Fund Balance, July 1	-	900,152	1,918,661	2,818,813
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 910,191</u>	<u>\$ 1,415,791</u>	<u>\$ 2,325,982</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2012

	Capital Facilities Fund	County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 1,121,376	\$ 3,465	\$ 1,713,846	\$ 2,838,687
Accounts Receivable	11,382	3	1,554	12,939
Total Assets	<u>\$ 1,132,758</u>	<u>\$ 3,468</u>	<u>\$ 1,715,400</u>	<u>\$ 2,851,626</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 551	\$ -	\$ -	\$ 551
Total Liabilities	<u>551</u>	<u>-</u>	<u>-</u>	<u>551</u>
Fund Balance:				
Nonspendable Fund Balances:				
Restricted Fund Balances	-	3,468	-	3,468
Assigned Fund Balances	1,132,207	-	1,715,400	2,847,607
Total Fund Balance	<u>1,132,207</u>	<u>3,468</u>	<u>1,715,400</u>	<u>2,851,075</u>
Total Liabilities and Fund Balances	<u>\$ 1,132,758</u>	<u>\$ 3,468</u>	<u>\$ 1,715,400</u>	<u>\$ 2,851,626</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, 2012

	Capital Facilities Fund	County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 98,905	\$ 16	\$ 8,023	\$ 106,944
Total Revenues	<u>98,905</u>	<u>16</u>	<u>8,023</u>	<u>106,944</u>
Expenditures:				
General Administration	3,500	-	-	3,500
Plant Services	36,915	-	-	36,915
Total Expenditures	<u>40,415</u>	<u>-</u>	<u>-</u>	<u>40,415</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>58,490</u>	<u>16</u>	<u>8,023</u>	<u>66,529</u>
Net Change in Fund Balance	58,490	16	8,023	66,529
Fund Balance, July 1	1,073,717	3,452	1,707,377	2,784,546
Fund Balance, June 30	<u>\$ 1,132,207</u>	<u>\$ 3,468</u>	<u>\$ 1,715,400</u>	<u>\$ 2,851,075</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, 2012

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
Ken Jensen	President	Four Year Term Expires December 2012
Jill D. Barto	Vice President	Four Year Term Expires December 2014
Suzanne Mullins	Clerk	Four Year Term Expires December 2012
Tamara Otero	Member	Four Year Term Expires December 2014
Deanne Markle	Member	Four Year Term Expires December 2014

Administration

Janice Cook, Ed.D
Superintendent

Kari Hull
Assistant Superintendent
Personnel Services

Stephen Mahoney, Ed.D
Assistant Superintendent
Educational Services

Scott Buxbaum
Assistant Superintendent
Business Services

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2012

TABLE D-1

	Second Period Report *		Annual Report *	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	1,748.06	N/A	1,776.65	N/A
Grades 1 through 3	4,732.58	N/A	4,737.58	N/A
Grades 4 through 6	4,633.18	N/A	4,636.82	N/A
Grades 7 and 8	3,174.28	N/A	3,173.62	N/A
Home and hospital	1.58	N/A	1.24	N/A
Special education	692.31	N/A	686.95	N/A
Community day school	27.34	N/A	30.09	N/A
Elementary totals	15,009.33	N/A	15,042.95	N/A
ADA totals	15,009.33	N/A	15,042.95	N/A

* N/A-There were no audit revisions to the P2 and Annual attendance reports as filed.

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

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2012

TABLE D-2

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Adjusted & Reduced</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Adjusted & Reduced</u>	<u>2011-12 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	31,680	29,658	36,000	33,600	56,315	180	-	Complied
Grade 1	42,380	39,555	50,400	47,040	52,835	180	-	Complied
Grade 2	42,380	39,555	50,400	47,040	52,835	180	-	Complied
Grade 3	42,380	39,555	50,400	47,040	53,710	180	-	Complied
Grade 4	51,890	48,431	54,000	50,400	53,710	180	-	Complied
Grade 5	51,890	48,431	54,000	50,400	53,710	180	-	Complied
Grade 6	51,890	48,431	54,000	50,400	63,761	180	-	Complied
Grade 7	51,890	48,431	54,000	50,400	63,761	180	-	Complied
Grade 8	51,890	48,431	54,000	50,400	63,761	180	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. 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.

CAJON VALLEY UNION SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2012

TABLE D-3

<u>General Fund</u>	<u>Budget 2013 (See Note 1)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues and other financial sources	\$ 114,067,692	\$ 124,788,735	\$ 127,157,727	\$ 121,523,204
Expenditures, other uses and transfers out	125,774,524	129,688,461	124,506,796	125,952,680
Change in fund balance (deficit)	(11,706,832)	(4,899,726)	2,650,931	(4,429,476)
Ending fund balance	\$ 20,421,329	\$ 32,128,161	\$ 37,027,887	\$ 34,376,956
Available reserves	\$ 15,321,197	\$ 26,828,029	\$ 32,360,090	\$ 30,293,236
Available reserves as a percentage of total outgo	12.2%	20.7%	26.0%	24.5%
Total long-term debt	\$ 125,888,853	\$ 132,027,555	\$ 134,837,511	\$ 123,598,502
Average daily attendance at P-2	14,880	15,009	15,026	15,045

This schedule discloses the district's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the district's ability to continue as a going concern for a reasonable period of time.

The general fund balance has decreased by \$6,678,271 over the past three years. The fiscal year 2012-13 budget projects a decrease of \$11,706,832. 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).

Long-term debt has increased by \$7,642,738 over the past three years.

Average daily attendance (ADA) has decreased by 250 over the past three years.

Notes:

- 1 Budget 2013 is included for analytical purposes only and has not been subjected to audit.
- 2 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, 2012

TABLE D-4

	<u>General Fund</u>	<u>Special Reserve Fund for Post Employment Benefits</u>
June 30, 2012, annual financial and budget report fund balances	\$ 32,128,161	\$ 2,872,680
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB #54 presentation of Fund 20 included with general fund	<u>2,872,680</u>	<u>(2,872,680)</u>
June 30, 2012, audited financial statement fund balances	<u>\$ 35,000,841</u>	<u>\$ -</u>
	<u>Schedule of Long-Term Liabilities</u>	
June 30, 2012, annual financial and budget report total liabilities	<u>\$ 131,066,681</u>	
Adjustments and reclassifications:		
Increase (decrease) in total liabilities:		
General obligation bonds payable understatement	175	
Net OPEB obligation overstatement	(434,748)	
Bond premium understatement	<u>1,395,447</u>	
Net adjustments and reclassifications	<u>960,874</u>	
June 30, 2012, audited financial statement total liabilities	<u>\$ 132,027,555</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, 2012

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, 2012

TABLE D-6
Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF THE INTERIOR</u>			
Direct Program:			
Wild Life Restoration *	15.611	-	\$ 5,850
Total U. S. Department of the Interior			<u>5,850</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Medi-Cal MAA *	93.778	-	46,513
Total U. S. Department of Health and Human Services			<u>46,513</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through California Department of Education:			
Title I Part A *	84.010	14329	4,303,566
Title I Part A Program Improvement *	84.010	14956	588,496
Total Title I Cluster			<u>4,892,062</u>
Special Education: IDEA Basic *	84.027	13379	2,753,828
Special Education: IDEA Mental Health *	84.027	14468	83,759
Special Education: Private Schools *	84.027	10115	6,632
Special Education: IDEA Preschool Local *	84.027A	13682	389,873
Special Education: IDEA Preschool *	84.173	13430	236,515
Special Education: IDEA Preschool Staff Development *	84.173A	13431	1,611
Special Education: IDEA ARRA *	84.391	15003	4,532
Special Education: Preschool Local ARRA *	84.391	15002	210,774
Special Education: Preschool Grant ARRA *	84.392	15000	36,232
Total Special Education Cluster			<u>3,723,756</u>
Early Intervention *	84.181	23761	28,834
Title IV Drug Free	84.186	14347	23,346
Title X Homeless Youth *	84.196	14332	25,466
Title II EETT *	84.318	14334	145,103
Title I Reading First	84.357	14328	5,295
Title III Limited English Proficiency	84.365	14346	410,423
Title III Immigrant	84.365	15146	116,335
Total Title III			<u>526,758</u>
Title II Math and Science	84.366	14512	423,521
Title II Administrator Training	84.367	14344	4,000
Title II Teacher Quality	84.367	14341	474,296
Total Title II			<u>478,296</u>
ARRA Education Jobs Fund	84.410	25152	2,849,896
Total Passed Through California Department of Education			<u>13,122,333</u>
Total U. S. Department of Education			<u>13,122,333</u>

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

TABLE D-6
Page 2 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through California Department of Education:			
School Breakfast Program *	10.553	13526	913,700
National School Lunch Program Section 11 *	10.555	13396	3,781,784
National School Lunch Program Section 4 *	10.555	13391	539,668
National School Lunch Program Meal Supplement *	10.555	23165	89,659
Total Child Nutrition Cluster			<u>5,324,811</u>
Commodity Supplemental Food Program	10.565	-	391,291
Total Passed Through California Department of Education			<u>5,716,102</u>
Total U. S. Department of Agriculture			<u>5,716,102</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AGENCY</u>			
Passed Through California Department of Education:			
CalServe LSA Initiative *	94.004	13161	27,030
Total Corporation for National and Community Service Agency			<u>27,030</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 18,917,828</u></u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

1. Basis of Presentation

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

2. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Title II - Teacher Quality	84.367	\$ 27,384
Title II - Technology	84.318	9,503
Total Provided to Subrecipients		<u>\$ 36,887</u>

Other Independent Auditor's Reports

Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

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 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, 2012, which collectively comprise the Cajon Valley Union School District's basic financial statements and have issued our report thereon dated December 7, 2012. 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.

Internal Control Over Financial Reporting

Management of Cajon Valley Union School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cajon Valley Union School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cajon Valley Union School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cajon Valley Union School District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cajon Valley Union School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2012-1 and Finding 2012-2.

Cajon Valley Union School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Cajon Valley Union School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 7, 2012

Wilkinson Hadley King & Co. LLP

CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

Compliance

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, 2012. Cajon Valley Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cajon Valley Union School District's management. Our responsibility is to express an opinion on Cajon Valley Union School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of 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. Our audit does not provide a legal determination of Cajon Valley Union School District's compliance with those requirements.

In our opinion, Cajon Valley Union School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Cajon Valley Union School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cajon Valley Union School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williamson Hadley King & Co., LLP

El Cajon, California
December 7, 2012

Wilkinson Hadley King & Co. LLP

CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Independent Auditor's Report on State Compliance

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

Members of the Board of Trustees:

We have audited the basic financial statements of the Cajon Valley Union School District ("District") as of and for the year ended June 30, 2012 and have issued our report thereon dated December 7, 2012. 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. We have also audited the District's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above 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 material effect on the state laws and regulations applicable to the items in the schedule 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:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	N/A
Exclusion of Pupils - Pertussis Immunization	2	Yes

Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Contemporaneous Records of Attendance, For Charter Schools	3	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based		
Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	4	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 ADA for independent study was under the level that requires testing.

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, 2012.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 7, 2012

Findings and Recommendations Section

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

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>
84.410	ARRA Education Jobs Fund
84.366	Title II Math and Science
84.027, 84.173 84.391, 84.392	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$567,535

Auditee qualified as low-risk auditee? X Yes No

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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 Educational Agencies? Yes X No

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

B. Financial Statement Findings

Finding 2012-1 (30000)
Cafeteria Fund

Criteria or Specific Requirement

Determine whether internal controls are in place over the Cafeteria Fund that will ensure all transaction balances are accurately stated at year end and reconcile to supporting documentation.

Condition

In our review of the Cafeteria Fund cash in bank and stores inventory balances at year end, we noted that the ending general ledger balances did not reconcile to the initial supporting documentation provided. Upon further review, the bank reconciliation for the cafeteria bank account had not been reconciled properly and did not include all outstanding checks at year end. In addition, inventory records reflected errors in the commodities valuation and did not account for warehouse adjustments to the final physical count valuation. The warehouse adjustments were not posted properly to the general ledger. District management is not monitoring and reconciling the final general ledger balances to the supporting documentation provided by the cafeteria accountant effectively. The combined variances between the general ledger balances to the supporting documentation for the cash in bank and inventory accounts were under tolerable misstatement; therefore, no audit adjusting journal entry was required.

Questioned Costs

None

Recommendation

Implement internal control procedures to ensure that District management monitors and reconciles the general ledger balances for all cafeteria asset and liability accounts to supporting documentation and resolve any discrepancies. Bank reconciliations should be reviewed and reflect the proper outstanding checks at year end and inventory records should account for all warehouse adjustments to the physical inventory not posted to the general ledger. In addition, report an accurate food commodities valuation at year end, and make sure all prior year entries are cleared out of the general ledger system.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

LEA's Response

A regular meeting schedule has been set up so that the Budget Analyst can work with the Cafeteria Fund Accountant. Together they will review transactions posted to the Cafeteria Fund ledger and ensure that all transactions are posted in a timely manner. They will also reconcile cash on a monthly basis. A procedure has been set up with the purchasing staff to monitor adjustments due to spoilage and to ensure that the value of those adjustments are posted to the ledger in addition to posting the adjustments to the inventory counts. The fair market value adjustments that are made in the ledger at the end of each year will be more closely monitored by the Fiscal Services staff to ensure that they are reversed properly at the beginning of the subsequent year. This item has been added to the year-end closing checklist and will be reviewed annually by Fiscal Services staff.

Finding 2012-2 (30000)
Middle School Student Body Accounts

Criteria or Specific Requirement

Determine whether internal controls are in place over student body bank accounts that will ensure all monthly bank reconciliations are being calculated, completed, and reviewed properly on a timely basis

Condition

In our review of student body bank accounts for the middle schools at year end, we noted that proper bank reconciliations are not being completed on a monthly basis for all but one of the accounts. Currently, a running transaction balance is being utilized as documented support for the monthly reconciled balance; however, an actual reconciliation to the bank statement balance with listed outstanding items is not being prepared and reviewed that reconciles to the book balance at year end.

Questioned Costs

None

Recommendation

Require proper monthly bank reconciliations to be prepared for all middle school student body accounts on a timely basis. Implement procedures to have an individual prepare a monthly bank reconciliation for each middle school student body account that reconciles the ending bank statement balance to the running book balance with all reconciliatory items listed. In addition, the monthly bank reconciliations should be reviewed for accuracy and subsequently approved by a member of District management.

LEA's Response

A proper bank reconciliation form, which includes a list of all reconciliatory items, is now being used to reconcile all middle school bank accounts to the monthly statements. After these reconciliations are prepared, they are being reviewed and approved by the Fiscal Services Manager.

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, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no audit findings for the 2010-11 fiscal year.		