

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

AUDIT REPORT

JUNE 30, 2009

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

Introductory Section

Cajon Valley Union School District
 Audit Report
 For The Year Ended June 30, 2009

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Financial Section

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

Independent Auditor's Report on Financial Statements

Board of Trustees
Cajon Valley Union School District
El Cajon, California 92022

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, 2009, 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 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, 2009, 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 October 23, 2009, 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 the 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.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Cajon Valley Union School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilkinson Hadley King & Co., LLP

El Cajon, California
October 23, 2009

**CAJON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009**

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, 2009. 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 2009 are as follows:

- The District ended the 2008/09 year with an unrestricted reserve balance of \$15,309,840 in the General Fund, an increase of \$5,104,495 from the previous year. This increase in reserves will assist the District in offsetting the financial impact of the 18.3% deficit factor, which resulted in a decrease of \$6.8 million in general purpose revenue, and the additional one-time State revenue reduction of \$3.8 million in 2009/10.
- The District received \$5.3 million in Federal funds under the American Recovery and Reinvestment Act (ARRA). These funds were received late in the fiscal year and were included in the restricted ending fund balance on June 30. A portion of the funds will be used to offset classroom teacher costs and a portion will be used to provide additional Title I and Special Education services, as outlined in the funding requirements.
- Outstanding Capital Lease-Purchase Debt decreased by \$338,504, from \$514,448 to \$175,944, during the 2008/09 fiscal year. The remaining Capital Lease-Purchase Debt balance will be paid during the 2009/10 fiscal year.
- On February 5, 2008 voters in the El Cajon community approved Proposition D, a \$156.5 million bond measure that will expand and continue the improvements that have taken place as a result of the District's 2000 bond measure. These new bonds will be used to upgrade technology infrastructure, modernize libraries, install security measures, replace outdated classrooms, construct joint use gymnasiums, and rebuild elementary schools on existing campuses. In July, 2008, the first series of general obligation bonds authorized by Proposition D were issued, and work has commenced on some of these projects.

- \$3 million in ongoing budget reductions were implemented, effective July, 2008. In addition, \$7.4 million in new budget reductions were approved by the Governing Board for implementation in the 2009/10 school year. The primary factor determining the need for ongoing budget reductions is a continuing decline in State revenue and State cash deferrals, which create the need to accumulate sufficient cash reserves to meet obligations throughout the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual audit report consists of three parts: Management's discussion and analysis (this section), the basic financial statements, and required 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.

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 2008-2009?" 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, 2009, compared with net assets as of the end of the previous two fiscal years.

Table 1
Statement of Net Assets

	6/30/09	6/30/08	% Change 6/08 to 6/09	6/30/07	% Change 6/07 to 6/08
Assets					
Cash	75,049,185	46,339,429	62.0%	58,429,099	-20.7%
Investments	-	-		-	
Receivables	22,360,266	13,450,743	66.2%	13,438,651	0.1%
Due from Other funds	-	-	-	-	-
Stores	279,158	360,733	-22.6%	391,864	-7.9%
Prepaid expenses	292,089	302,521	-3.4%	460,953	-34.4%
Other Current Assets	-	-	-	-	-
Capital Assets:					
Land	13,517,805	13,575,827	0%	3,207,994	423.2%
Site Improvements	7,310,128	7,252,616	0.8%	6,838,513	6.0%
Buildings and improvements	226,406,943	226,129,831	0.1%	175,223,478	29.9%
Equipment	6,355,736	6,219,868	2.2%	4,730,565	31.5%
Work in Progress	23,704,788	14,518,801	63.3%	60,169,144	-75.9%
Less accumulated depreciation	<69,712,355>	<63,889,828>	9.1%	<58,054,029>	10.0%
Total Assets	305,563,743	264,260,541	15.6%	264,835,232	-0.2%
Liabilities					
Accounts payable and other current liabilities	4,977,214	3,221,954	54.5%	3,988,819	-19.2%
Due to other funds	-	-	-	-	-
Deferred revenue	4,982,152	3,688,225	35.1%	2,740,371	34.6%
Long term liabilities:					
Due within one year	5,292,522	4,088,423	29.5%	3,690,954	10.8%
Due in more than one year	119,092,295	86,405,343	37.8%	87,345,649	-1.1%
Total Liabilities	\$134,344,183	\$97,403,945	37.9%	\$97,765,793	-0.3%
Net Assets					
Invested in capital assets, net of related debt	87,902,101	116,151,230	-24.3%	101,079,062	14.9%
Restricted	71,453,539	41,730,702	71.2%	54,134,056	-22.9%
Unrestricted	11,065,266	8,974,664	23.3%	11,856,321	-24.4%
Total Net Assets	\$170,420,906	\$166,856,596	2.6%	\$167,069,439	-0.1%

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 2008/09 year, compared with revenue for the previous two years.

Table 2
Revenue – Governmental Activities

	2008/2009	2007/2008	2006/2007
General Revenue	\$109,599,491	\$111,234,768	\$108,969,441
Program Revenue & Fees for Services	<u>50,280,895</u>	<u>46,005,287</u>	<u>47,589,477</u>
Total Revenue	\$159,880,386	\$157,240,055	\$156,558,918

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 2008/09 year, compared with expenditures for the previous two years.

Table 3
Expenditures – Governmental Activities

	2008/2009	2007/2008	2006/2007
Classroom Instruction	98,124,085	98,372,331	89,229,338
Instructional Related Services	14,788,433	15,881,200	14,385,878
Pupil Services	16,548,202	16,647,742	15,370,628
General Administration	6,211,630	6,817,201	8,270,327
Plant Services	14,468,367	14,002,665	15,539,987
Community Services	98,681	97,918	74,950
Enterprise Activities	0	1,309,314	472,425
Interest on Long Term Debt	5,253,542	4,063,643	3,498,559
Other Outgo	<u>34,109</u>	<u>46,412</u>	<u>1,249,184</u>
Total Expenditures	155,527,049	157,238,426	148,091,276

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 2008-2009 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 2008-2009 fiscal year, the district had \$277,595,400 invested in land, buildings, work-in-progress, and capital equipment. Depreciation totaling \$69,712,355 was charged against the value of those assets for net capital assets of \$207,883,045. Net capital assets at the end of the 2007/08 year were \$203,807,115 and at the end of the 2006/07 year they were \$192,115,665.

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. As of June 30, 2008 the District had issued all of the \$75 million in general obligation bonds that were authorized by the voters in 2000 and had received over \$36 million in state and local matching funds to complete these projects.

In February, 2008 the community voted to authorize \$165 million in additional general obligation bonds to complete needed capital improvement projects. The first series of these bonds, for \$35 million, was issued in July, 2008. Work is underway on the first of these projects, which include HVAC upgrades, a middle school gymnasium at Greenfield Middle School, technology upgrades, and completion of remodeled buildings at Cajon Valley Middle School.

Another major project recently completed is the construction of a District Operations/Educational Support Facility. This facility is located on property that for many years housed most of the District support services and the adjoining Ballantyne campus. This project included the remodeling of three former classroom wings, the construction of a new two story district office building to house Educational Services, Technology Services, District Administration and the District Board Room, a new Pupil Transportation vehicle repair facility, and new buildings to house the Purchasing, Warehouse, Maintenance, Operations and Child Nutrition departments, which previously were housed in leased commercial space several miles from the central district office. The project was completed in August, 2009, and all departments are now operating out of their new buildings. The District Office project was funded primarily through El Cajon Redevelopment district revenues that are shared with Cajon Valley through a long standing agreement.

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 and due to the district's decline in enrollment in the primary grades, which affects overall district 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%, and the deficit factor for 2009/10 grew to 18.3%. The outlook for education funding for the remainder of 2009/10 appears to be in some jeopardy, due to shortfalls in the State budget as a result of the overall decline in the economy, which affects State tax revenues. Because future funding levels are somewhat uncertain the district will continue to carefully monitor state budget discussions throughout the year.

The district is currently developing budget reduction proposals to deal with anticipated decreases in State revenue for the next two years. This will be accomplished with the assistance of an established budget advisory committee that works with the governing board and administration to review and develop budget recommendations. All budget recommendations will be reviewed in light of the district's multi-year financial projection, which includes adjustments for enrollment decreases, labor-related increases, and other inflationary factors.

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, or G. Wayne Oetken, Assistant Superintendent, at Cajon Valley Union School District, P.O. Box 1007, El Cajon, CA 92022. Or e-mail to williamsr@cajonvalley.net.

Basic Financial Statements

CAJON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 74,674,490
Cash on Hand and in Banks	99,235
Cash in Revolving Fund	15,000
Cash with a Fiscal Agent/Trustee	260,460
Accounts Receivable	21,561,612
Stores Inventories	279,158
Prepaid Expenses	292,089
Capital Assets	
Land	13,517,805
Improvements	7,310,128
Buildings	226,406,943
Equipment	6,355,736
Work in Progress	23,704,788
Less Accumulated Depreciation	(69,712,355)
Total Assets	<u>304,765,089</u>
LIABILITIES:	
Accounts Payable	4,977,214
Deferred Revenues	4,982,152
Long-term Liabilities	
Due Within One Year	5,292,522
Due In More Than One Year	119,092,295
Total Liabilities	<u>134,344,183</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	87,902,101
Restricted For:	
Capital Projects	41,749,607
Debt Service	5,017,363
Educational Programs	18,412,420
Other Purposes (expendable)	1,988,631
Other Purposes (nonexpendable)	4,285,518
Unrestricted	11,065,266
Total Net Assets	<u>\$ 170,420,906</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, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Government Activities:					
Instruction	\$ 98,124,085	\$ 2,016,480	\$ 24,427,459	\$ (9,556)	\$ (71,689,702)
Instruction-Related Services	14,788,433	379,869	10,340,982	-	(4,067,582)
Pupil Services	16,548,202	2,491,390	9,434,838	-	(4,621,974)
General Administration	6,211,630	42,925	982,636	-	(5,186,069)
Plant Services	14,468,367	32,778	126,133	-	(14,309,456)
Community Services	98,681	-	-	-	(98,681)
Interest on Long-term Debt	5,253,542	-	-	-	(5,253,542)
Other Outgo	34,109	575	14,386	-	(19,148)
Total Governmental Activities	<u>155,527,049</u>	<u>4,964,017</u>	<u>45,326,434</u>	<u>(9,556)</u>	<u>(105,246,154)</u>
Total Primary Government	<u>\$ 155,527,049</u>	<u>\$ 4,964,017</u>	<u>\$ 45,326,434</u>	<u>\$ (9,556)</u>	<u>(105,246,154)</u>
General Revenues:					
Taxes and subventions					34,664,527
Federal and State Aid, Not Restricted for Specific Purposes					66,401,458
Interest and Investment Earnings					1,791,368
Interagency Revenues					62,166
Miscellaneous					4,441,990
Special and Extraordinary items					1,439,328
Total General Revenues					<u>108,800,837</u>
Change in Net Assets					3,554,683
Net Assets - Beginning					166,866,223
Net Assets - Ending					<u>\$ 170,420,906</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 23,936,106	\$ 39,104,331	\$ 9,374,885	\$ 72,415,322
Cash on Hand and in Banks	-	-	99,235	99,235
Cash in Revolving Fund	15,000	-	-	15,000
Cash with a Fiscal Agent/Trustee	-	260,460	-	260,460
Accounts Receivable	20,276,903	145,799	1,135,125	21,557,827
Due from Other Funds	961,423	601,492	104,288	1,667,203
Stores Inventories	228,254	-	50,904	279,158
Total Assets	<u>\$ 45,417,686</u>	<u>\$ 40,112,082</u>	<u>\$ 10,764,437</u>	<u>\$ 96,294,205</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 2,653,943	\$ 208,822	\$ 79,553	\$ 2,942,318
Due to Other Funds	5,445	709,783	950,477	1,665,705
Deferred Revenue	4,750,521	-	231,631	4,982,152
Total Liabilities	<u>7,409,909</u>	<u>918,605</u>	<u>1,261,661</u>	<u>9,590,175</u>
Fund Balance:				
Reserved Fund Balances:				
Reserve for Revolving Cash	15,000	-	-	15,000
Reserve for Stores Inventories	228,254	-	50,904	279,158
Designated Fund Balances:				
Designated for Economic Uncertainties	4,042,264	-	-	4,042,264
Other Designated	19,211,074	-	-	19,211,074
Unreserved	14,511,185	39,193,477	-	53,704,662
Unreserved, reported in nonmajor:				
Special Revenue Funds	-	-	2,032,697	2,032,697
Debt Service Funds	-	-	5,017,362	5,017,362
Capital Projects Funds	-	-	2,401,813	2,401,813
Total Fund Balance	<u>38,007,777</u>	<u>39,193,477</u>	<u>9,502,776</u>	<u>86,704,030</u>
Total Liabilities and Fund Balances	<u>\$ 45,417,686</u>	<u>\$ 40,112,082</u>	<u>\$ 10,764,437</u>	<u>\$ 96,294,205</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, 2009

Total fund balances - governmental funds balance sheet \$ 86,704,030

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:	277,295,400	
Accumulated depreciation	(69,712,355)	
Net		207,583,045

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: 292,090

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: (1,868,497)

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	104,195,000	
Net OPEB Obligation	3,137,295	
Compensated absences payable	1,209,350	
Certificates of participation payable	15,310,000	
Other long-term debt	357,228	
Capital leases payable	175,944	
Total		(124,384,817)

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: 2,095,055

Net assets of governmental activities - statement of net assets \$ 170,420,906

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, 2009

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 58,476,495	\$ -	\$ -	\$ 58,476,495
Local Sources	25,772,924	-	-	25,772,924
Federal Revenue	16,010,624	-	4,232,532	20,243,156
Other State Revenue	20,709,363	-	2,606,006	23,315,369
Other Local Revenue	18,385,589	2,315,518	9,133,350	29,834,457
Total Revenues	<u>139,354,995</u>	<u>2,315,518</u>	<u>15,971,888</u>	<u>157,642,401</u>
Expenditures:				
Instruction	91,544,834	-	1,929,914	93,474,748
Instruction - Related Services	13,907,169	-	161,954	14,069,123
Pupil Services	9,476,541	-	6,621,600	16,098,141
Community Services	91,945	-	-	91,945
General Administration	5,819,945	-	107,313	5,927,258
Plant Services	11,939,806	9,732,594	1,198,752	22,871,152
Other Outgo	29,924	4,185	-	34,109
Debt Service:				
Principal	338,338	835,000	1,490,000	2,663,338
Interest	25,896	611,577	4,001,726	4,639,199
Total Expenditures	<u>133,174,398</u>	<u>11,183,356</u>	<u>15,511,259</u>	<u>159,869,013</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,180,597</u>	<u>(8,867,838)</u>	<u>460,629</u>	<u>(2,226,612)</u>
Other Financing Sources (Uses):				
Transfers In	675,000	3,900,000	1,492,738	6,067,738
Transfers Out	(1,567,738)	(2,500,000)	(2,075,000)	(6,142,738)
Proceeds From Sale of Bonds	-	35,000,000	-	35,000,000
Other Sources	-	1,498,350	-	1,498,350
Total Other Financing Sources (Uses)	<u>(892,738)</u>	<u>37,898,350</u>	<u>(582,262)</u>	<u>36,423,350</u>
Net Change in Fund Balance	5,287,859	29,030,512	(121,633)	34,196,738
Fund Balance, July 1	32,719,918	10,162,965	9,624,409	52,507,292
Fund Balance, June 30	<u>\$ 38,007,777</u>	<u>\$ 39,193,477</u>	<u>\$ 9,502,776</u>	<u>\$ 86,704,030</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ 34,196,738

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:

	9,656,479	
Expenditures for capital outlay		
Depreciation expense	(5,829,175)	
Net		3,827,304

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: 2,663,338

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issuance premium or discount, were: (35,000,000)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (59,022)

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: (605,600)

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: (121,439)

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: (1,412,896)

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: (10,432)

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 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:

76,692

Change in net assets of governmental activities - statement of activities

\$ 3,554,683

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUND

JUNE 30, 2009

	Nonmajor Internal Service Fund	Self-Insurance Fund
	<u> </u>	<u> </u>
ASSETS:		
Current Assets:		
Cash in County Treasury	\$ 2,259,167	
Accounts Receivable	3,785	
Due from Other Funds	155	
Total Current Assets	<u>2,263,107</u>	
Total Assets	<u>\$ 2,263,107</u>	
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$ 166,400	
Due to Other Funds	1,653	
Total Current Liabilities	<u>168,053</u>	
Noncurrent Liabilities:		
Other General Long-Term Debt	<u>357,228</u>	
Total Noncurrent Liabilities	<u>357,228</u>	
Total Liabilities	<u>525,281</u>	
NET ASSETS:		
Unrestricted Net Assets	1,737,826	
Total Net Assets	<u>\$ 1,737,826</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, 2009

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 15,898,597
Total Revenues	<u>15,898,597</u>
Operating Expenses:	
Classified Personnel Salaries	29,925
Employee Benefits	10,702
Books and Supplies	316
Services and Other Operating Expenses	15,855,963
Total Expenses	<u>15,896,906</u>
Operating Income (Loss)	<u>1,691</u>
Income (Loss) before Contributions and Transfers	1,691
Interfund Transfers In	75,000
Change in Net Assets	<u>76,691</u>
Total Net Assets - Beginning	1,661,135
Total Net Assets - Ending	<u>\$ 1,737,826</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, 2009

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 15,875,742
Cash Payments to Employees for Services	(40,627)
Cash Payments to Other Suppliers for Goods and Services	(15,701,883)
Net Cash Provided (Used) by Operating Activities	<u>133,232</u>
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Primary Government	75,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>75,000</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	28,062
Net Cash Provided (Used) for Investing Activities	<u>28,062</u>
Net Increase (Decrease) in Cash and Cash Equivalents	236,294
Cash and Cash Equivalents at Beginning of Year	2,022,873
Cash and Cash Equivalents at End of Year	<u>\$ 2,259,167</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 76,691
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	5,208
Decrease (Increase) in Due From	(155)
Increase (Decrease) in Accounts Payable	135,248
Increase (Decrease) in Due To	(918)
Increase (Decrease) in Other Debt	20,220
Total Adjustments	<u>159,603</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 236,294</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, 2009

	<u>Agency Fund</u>	<u>Student Body Fund</u>
ASSETS:		
Cash on Hand and in Banks	\$ 61,767	
Total Assets	<u>\$ 61,767</u>	
LIABILITIES:		
Due to Student Groups	\$ 61,767	
Total Liabilities	<u>61,767</u>	
NET ASSETS:		
Total Net Assets	<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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, 2009

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, 2009

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, 2009

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. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. 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.

f. 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

g. 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.

h. 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.

i. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

j. 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

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$74,674,490 as of June 30, 2009). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$74,674,490. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$161,002 as of June 30, 2009) 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. Investments:

The District's investments at June 30, 2009 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
US Treasury Obligations	\$ 260,460
Total Investments	<u>\$ 260,460</u>

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

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

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.

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.

D. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 13,576,827	\$ -	\$ 59,022	\$ 13,517,805
Work in progress	14,518,801	9,185,987	-	23,704,788
Total capital assets not being depreciated	<u>28,095,628</u>	<u>9,185,987</u>	<u>59,022</u>	<u>37,222,593</u>
Capital assets being depreciated:				
Buildings	226,129,831	277,112	-	226,406,943
Land improvements	7,252,616	57,512	-	7,310,128
Equipment	6,219,868	135,868	-	6,355,736
Total capital assets being depreciated	<u>239,602,315</u>	<u>470,492</u>	<u>-</u>	<u>240,072,807</u>
Less accumulated depreciation for:				
Buildings	(55,019,535)	(5,114,290)	-	(60,133,825)
Land improvements	(4,798,035)	(194,902)	-	(4,992,937)
Equipment	(4,065,610)	(519,983)	-	(4,585,593)
Total accumulated depreciation	<u>(63,883,180)</u>	<u>(5,829,175)</u>	<u>-</u>	<u>(69,712,355)</u>
Total capital assets being depreciated, net	<u>175,719,135</u>	<u>(5,358,683)</u>	<u>-</u>	<u>170,360,452</u>
Governmental activities capital assets, net	<u>\$ 203,814,763</u>	<u>\$ 3,827,304</u>	<u>\$ 59,022</u>	<u>\$ 207,583,045</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

Depreciation was charged to functions as follows:

Instruction	\$ 3,654,998
Instruction-Related Services	551,271
Pupil Services	305,755
Community Services	5,067
General Administration	292,373
Plant Services	1,019,711
	<u>\$ 5,829,175</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2009 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
Cafeteria Fund	General Fund	\$ 4,288
Building Fund	General Fund	1,002
Building Fund	Building Fund	600,400
General Fund	Building Fund	9,383
Building Fund	Deferred Maintenance Fund	90
Self Insurance Fund	General Fund	155
General Fund	Self Insurance Fund	1,653
General Fund	Capital Facilities Fund	326
Capital Facilities Fund	Building Fund	100,000
General Fund	Child Development Fund	148,105
General Fund	Cafeteria Fund	801,956
	Total	<u>\$ 1,667,358</u>

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2009 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Cafeteria Fund	\$ 246,264
General Fund	Deferred Maintenance Fund	1,246,474
Capital Facilities Fund	Building Fund	1,400,000
General Fund	Self Insurance Fund	75,000
Building Fund	Building Fund	2,500,000
Special Reserve Fund	General Fund	675,000
	Total	<u>\$ 6,142,738</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

F. 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, 2009 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 70,685,000	\$ 35,000,000	\$ 1,490,000	\$ 104,195,000	\$ 2,295,000
Capital leases	514,448	-	338,504	175,944	175,944
Certificates of participation	16,145,000	-	835,000	15,310,000	1,255,000
Other long-term debt	337,008	2,158,681	2,138,461	357,228	357,228
Compensated absences *	1,087,911	1,209,350	1,087,911	1,209,350	1,209,350
Net OPEB obligation	1,724,399	3,409,866	1,996,970	3,137,295	-
Total governmental activities	\$ 90,493,766	\$ 41,777,897	\$ 7,886,846	\$ 124,384,817	\$ 5,292,522

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation, at June 30, 2009 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 4,037,522	\$ 4,724,640	\$ 8,762,162
2011	2,430,000	4,580,163	7,010,163
2012	2,565,000	4,475,880	7,040,880
2013	2,705,000	4,373,292	7,078,292
2014	2,825,000	4,269,483	7,094,483
2015-2019	16,285,000	19,528,361	35,813,361
2020-2024	20,490,000	15,526,783	36,016,783
2025-2029	25,850,000	10,291,750	36,141,750
2030-2034	26,085,000	3,559,111	29,644,111
2035-2039	5,802,295	102,925	5,905,220
Totals	\$ 109,074,817	\$ 71,432,388	\$ 180,507,205

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2009 are as follows:

Year Ending June 30:	
2010	\$ 181,220
Total Minimum Lease Payments	181,220
Less Amounts Representing Interest	(5,276)
Net Present Value of Minimum Lease Payments	\$ 175,944

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

4. Certificates of Participation

Future commitments for certificates of participation as of June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,255,000	\$ 586,302	\$ 1,841,302
2011	1,355,000	544,303	1,899,303
2012	1,465,000	495,727	1,960,727
2013	1,580,000	442,078	2,022,078
2014	1,695,000	383,237	2,078,237
2015-2019	6,615,000	1,072,200	7,687,200
2020-2024	1,345,000	53,800	1,398,800
Totals	<u>\$ 15,310,000</u>	<u>\$ 3,577,647</u>	<u>\$ 18,887,647</u>

G. Joint Ventures (Joint Powers Agreements)

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

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

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2009 is as follows:

Total Assets	\$ 3,827,817
Total Liabilities	3,470,542
Total Fund Balance	357,275
Total Cash Receipts	2,029,004
Total Cash Disbursements	2,097,700
Net Change in Fund Balance	(68,696)

H. 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, 2009

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 2008-09 was 9.42% 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, 2009, 2008 and 2007 were \$2,059,915, \$2,063,660 and \$1,882,596, 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 2008-09 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, 2009, 2008 and 2007 were \$5,467,947, \$5,596,768 and \$5,298,098, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$3,053,541.

I. 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. 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 (\$100) if they have waived medical benefits. No new retirees may elect this benefit in the future except an active employee who had waived coverage at December 1, 2006 and retirees with this same coverage in place.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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.

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 Kaiser HMO, a PacifiCare HMO, and a PacifiCare Point-of-Service (POS) Plan. Some retirees who reside out of state are eligible for out-of-area plans. The District also offers a self insured Delta Dental Plan and a fully insured Safeguard Prepaid Dental Plan.

The following table summarizes the current premiums paid by the District on behalf of retirees for the primary medical and dental plans in which retirees are enrolled. All premiums are effective January 1, 2009 and are guaranteed to December 31, 2009.

Medical Benefits

	Kaiser HMO	PacifiCare HMO	PacifiCare POS	United Healthcare
Employee only	\$4,280	\$4,916	\$6,328	\$9,907
Employee plus one	\$8,451	\$9,697	\$12,265	\$20,823
Employee plus family	\$11,915	\$13,656	\$17,322	\$28,288

Dental Benefits

	Delta Dental Plan	Safeguard Dental Plan
Employee only	\$831	\$134
Employee plus one	\$1,662	\$269
Employee plus family	\$1,919	\$356

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, 2009 is \$3,409,866.

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, 2009, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$3,409,866
Contributions made	1,996,970
Increase in net OPEB obligation	1,412,896
Net OPEB obligations-beginning of year	1,724,399
Net OPEB obligations-end of year	<u>\$3,137,295</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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, 2009 is as follows:

Fiscal Year Ended June 30,	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$3,409,866	58.56%	\$3,137,295

Funded Status and Funding Progress: As of June 30, 2009, the accrued liability for benefits was \$6,819,732, of which \$3,137,295 is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$92,433,145, and the ratio of unfunded actuarial accrued liability to the covered payroll was 33.3 percent.

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

The following assumptions were made:

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

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

Claim cost development: The valuation was based on the medical premiums furnished by the District. The District participates in the Southern California Schools VEBA which was considered a community-rated plan. It was assumed that withdrawal for the District from VEBA would not materially change the premiums charged to the participating employers of the VEBA. The average annual premium costs used in the valuation for an under 65 retiree is \$8,345.

Medical trend rates: The expected rate of increase in healthcare insurance premiums ranged from a rate of 10.0 percent initially, reduced to a rate of 5.0 percent after 10 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

J. 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.

K. 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 \$357,228 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, 2009 are indicated below:

Internal Service Fund:	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments and Adjustments	Ending Fiscal Year Liability
Year 2008-09	\$ 337,008	\$ 2,158,681	\$ 2,138,461	\$ 357,228

L. Subsequent Events

On July 28, 2009 Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a state-wide basis \$16 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amount associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of undistributed categorical program balances.

The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package prior to notification by the state that the 2009-10 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No. 33, an adjustment to reduce revenue and the related receivable have been included in these financial statements.

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 59,475,778	\$ 60,064,878	\$ 58,476,495	\$ (1,588,383)
Local Sources	27,255,860	27,255,860	25,772,924	(1,482,936)
Total Revenue Limit	86,731,638	87,320,738	84,249,419	(3,071,319)
Federal	9,489,839	12,518,616	16,010,624	3,492,008
Other State	19,976,454	20,976,053	20,709,363	(266,690)
Other Local	14,830,529	19,584,091	18,385,589	(1,198,502)
Total Revenues	131,028,460	140,399,498	139,354,995	(1,044,503)
Expenditures:				
Current:				
Certificated Salaries	107,351,815	125,395,689	66,556,661	58,839,028
Classified Salaries	26,120,096	28,138,184	21,513,255	6,624,929
Employee Benefits	-	-	25,577,896	(25,577,896)
Books And Supplies	-	-	6,189,117	(6,189,117)
Services And Other Operating Expenditures	-	-	12,729,828	(12,729,828)
Other Outgo	64,575	64,575	(77,389)	141,964
Capital Outlay	-	-	320,796	(320,796)
Debt Service:				
Principal	338,338	338,338	338,338	-
Interest And Fiscal Charges	25,896	25,896	25,896	-
Total Expenditures	133,900,720	153,962,682	133,174,398	20,788,284
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,872,260)	(13,563,184)	6,180,597	19,743,781
Other Financing Sources (Uses):				
Transfers In	675,000	675,000	675,000	-
Transfers Out	(1,021,264)	(1,567,738)	(1,567,738)	-
Total Other Financing Sources (Uses)	(346,264)	(892,738)	(892,738)	-
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	(3,218,524)	(14,455,922)	5,287,859	19,743,781
Fund Balances, July 1	32,719,918	32,719,918	32,719,918	-
Fund Balances, June 30	\$ 29,501,394	\$ 18,263,996	\$ 38,007,777	\$ 19,743,781

CAJON VALLEY UNION SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

CAJON VALLEY SCHOOL DISTRICT HEALTH PROGRAM

YEAR ENDED JUNE 30, 2009

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	\$30,737,037	-	\$92,433,145	33.3%

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, 2009

	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	\$ 2,063,901	\$ 5,017,362	\$ 2,293,622	\$ 9,374,885
Cash on Hand and in Banks	99,235	-	-	99,235
Accounts Receivable	1,126,378	-	8,747	1,135,125
Due from Other Funds	4,288	-	100,000	104,288
Stores Inventories	50,904	-	-	50,904
Total Assets	<u>\$ 3,344,706</u>	<u>\$ 5,017,362</u>	<u>\$ 2,402,369</u>	<u>\$ 10,764,437</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 79,323	\$ -	\$ 230	\$ 79,553
Due to Other Funds	950,151	-	326	950,477
Deferred Revenue	231,631	-	-	231,631
Total Liabilities	<u>1,261,105</u>	<u>-</u>	<u>556</u>	<u>1,261,661</u>
Fund Balance:				
Reserved Fund Balances:				
Reserve for Stores Inventories	50,904	-	-	50,904
Unreserved, reported in nonmajor:				
Special Revenue Funds	2,032,697	-	-	2,032,697
Debt Service Funds	-	5,017,362	-	5,017,362
Capital Projects Funds	-	-	2,401,813	2,401,813
Total Fund Balance	<u>2,083,601</u>	<u>5,017,362</u>	<u>2,401,813</u>	<u>9,502,776</u>
Total Liabilities and Fund Balances	<u>\$ 3,344,706</u>	<u>\$ 5,017,362</u>	<u>\$ 2,402,369</u>	<u>\$ 10,764,437</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, 2009

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 4,232,532	\$ -	\$ -	\$ 4,232,532
Other State Revenue	2,514,271	91,735	-	2,606,006
Other Local Revenue	2,041,779	6,865,414	226,157	9,133,350
Total Revenues	<u>8,788,582</u>	<u>6,957,149</u>	<u>226,157</u>	<u>15,971,888</u>
Expenditures:				
Instruction	1,929,914	-	-	1,929,914
Instruction - Related Services	161,954	-	-	161,954
Pupil Services	6,621,600	-	-	6,621,600
General Administration	107,313	-	-	107,313
Plant Services	968,731	-	230,021	1,198,752
Debt Service:				
Principal	-	1,490,000	-	1,490,000
Interest	-	4,001,726	-	4,001,726
Total Expenditures	<u>9,789,512</u>	<u>5,491,726</u>	<u>230,021</u>	<u>15,511,259</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,000,930)</u>	<u>1,465,423</u>	<u>(3,864)</u>	<u>460,629</u>
Other Financing Sources (Uses):				
Transfers In	1,492,738	-	-	1,492,738
Transfers Out	-	-	(2,075,000)	(2,075,000)
Total Other Financing Sources (Uses)	<u>1,492,738</u>	<u>-</u>	<u>(2,075,000)</u>	<u>(582,262)</u>
Net Change in Fund Balance	491,808	1,465,423	(2,078,864)	(121,633)
Fund Balance, July 1	1,591,793	3,551,939	4,480,677	9,624,409
Fund Balance, June 30	<u>\$ 2,083,601</u>	<u>\$ 5,017,362</u>	<u>\$ 2,401,813</u>	<u>\$ 9,502,776</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2009

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 196,131	\$ 38,176	\$ 1,829,594	\$ 2,063,901
Cash on Hand and in Banks	-	99,235	-	99,235
Accounts Receivable	210,164	912,921	3,293	1,126,378
Due from Other Funds	-	4,288	-	4,288
Stores Inventories	-	50,904	-	50,904
Total Assets	<u>\$ 406,295</u>	<u>\$ 1,105,524</u>	<u>\$ 1,832,887</u>	<u>\$ 3,344,706</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 26,559	\$ 52,764	\$ -	\$ 79,323
Due to Other Funds	148,105	801,956	90	950,151
Deferred Revenue	231,631	-	-	231,631
Total Liabilities	<u>406,295</u>	<u>854,720</u>	<u>90</u>	<u>1,261,105</u>
Fund Balance:				
Reserved Fund Balances:				
Reserve for Stores Inventories	-	50,904	-	50,904
Unreserved, reported in nonmajor:				
Special Revenue Funds	-	199,900	1,832,797	2,032,697
Total Fund Balance	<u>-</u>	<u>250,804</u>	<u>1,832,797</u>	<u>2,083,601</u>
Total Liabilities and Fund Balances	<u>\$ 406,295</u>	<u>\$ 1,105,524</u>	<u>\$ 1,832,887</u>	<u>\$ 3,344,706</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, 2009

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ 3,506	\$ 4,229,026	\$ -	\$ 4,232,532
Other State Revenue	2,188,859	325,412	-	2,514,271
Other Local Revenue	6,816	2,014,697	20,266	2,041,779
Total Revenues	<u>2,199,181</u>	<u>6,569,135</u>	<u>20,266</u>	<u>8,788,582</u>
Expenditures:				
Instruction	1,929,914	-	-	1,929,914
Instruction - Related Services	161,954	-	-	161,954
Pupil Services	-	6,621,600	-	6,621,600
General Administration	107,313	-	-	107,313
Plant Services	-	65,221	903,510	968,731
Total Expenditures	<u>2,199,181</u>	<u>6,686,821</u>	<u>903,510</u>	<u>9,789,512</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(117,686)</u>	<u>(883,244)</u>	<u>(1,000,930)</u>
Other Financing Sources (Uses):				
Transfers In	-	246,264	1,246,474	1,492,738
Total Other Financing Sources (Uses)	<u>-</u>	<u>246,264</u>	<u>1,246,474</u>	<u>1,492,738</u>
Net Change in Fund Balance	-	128,578	363,230	491,808
Fund Balance, July 1	-	122,226	1,469,567	1,591,793
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 250,804</u>	<u>\$ 1,832,797</u>	<u>\$ 2,083,601</u>

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2009

	Capital Facilities Fund	County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 617,764	\$ 3,836	\$ 1,672,022	\$ 2,293,622
Accounts Receivable	2,276	14	6,457	8,747
Due from Other Funds	100,000	-	-	100,000
Total Assets	<u>\$ 720,040</u>	<u>\$ 3,850</u>	<u>\$ 1,678,479</u>	<u>\$ 2,402,369</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 230	\$ -	\$ -	\$ 230
Due to Other Funds	326	-	-	326
Total Liabilities	<u>556</u>	<u>-</u>	<u>-</u>	<u>556</u>
Fund Balance:				
Unreserved, reported in nonmajor:				
Capital Projects Funds	719,484	3,850	1,678,479	2,401,813
Total Fund Balance	<u>719,484</u>	<u>3,850</u>	<u>1,678,479</u>	<u>2,401,813</u>
Total Liabilities and Fund Balances	<u>\$ 720,040</u>	<u>\$ 3,850</u>	<u>\$ 1,678,479</u>	<u>\$ 2,402,369</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, 2009

	Capital Facilities Fund	State School Building Fund
Revenues:		
Other Local Revenue	\$ 183,170	\$ (9,647)
Total Revenues	<u>183,170</u>	<u>(9,647)</u>
Expenditures:		
Plant Services	229,054	-
Total Expenditures	<u>229,054</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(45,884)</u>	<u>(9,647)</u>
Other Financing Sources (Uses):		
Transfers Out	(1,400,000)	-
Total Other Financing Sources (Uses)	<u>(1,400,000)</u>	<u>-</u>
Net Change in Fund Balance	(1,445,884)	(9,647)
Fund Balance, July 1	2,165,368	9,647
Fund Balance, June 30	<u>\$ 719,484</u>	<u>\$ -</u>

County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 90	\$ 52,544	\$ 226,157
<u>90</u>	<u>52,544</u>	<u>226,157</u>
967	-	230,021
<u>967</u>	<u>-</u>	<u>230,021</u>
(877)	52,544	(3,864)
-	(675,000)	(2,075,000)
<u>-</u>	<u>(675,000)</u>	<u>(2,075,000)</u>
(877)	(622,456)	(2,078,864)
4,727	2,300,935	4,480,677
<u>\$ 3,850</u>	<u>\$ 1,678,479</u>	<u>\$ 2,401,813</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, 2008

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 twelve state preschools.

Governing Board

Name	Office	Term and Term Expiration
Marsha Saben	President	Four Year Term Expires December 2010
Jill D. Barto	Vice President	Four Year Term Expires December 2010
Ken Jensen	Clerk	Four Year Term Expires December 2012
Jane Cruz Alfano	Member	Four Year Term Expires December 2010
Suzanne Mullins	Member	Four Year Term Expires December 2012

Administration

Janice Cook, Ed.D
Superintendent

Kari Hull
Assistant Superintendent
Personnel Services

Stephen Mahoney, Ed.D
Assistant Superintendent
Educational Services

G. Wayne Oetken
Assistant Superintendent
Business Services

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2009

TABLE D-1

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	1,567.47	1,595.10
Grades 1 through 3	4,531.16	4,535.71
Grades 4 through 6	4,908.13	4,910.12
Grades 7 and 8	3,501.35	3,500.81
Home and hospital	4.05	1.67
Community day school	23.50	25.97
Special education	723.17	724.85
Elementary totals	<u>15,258.83</u>	<u>15,294.23</u>
ADA totals	<u>15,258.83</u>	<u>15,294.23</u>
	<u>Hours of Attendance</u>	
<u>Summer School</u>		
Elementary	129,483	

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, 2009

TABLE D-2

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2008-09 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,680	36,000	54,068	180	-	Complied
Grade 1	42,380	50,400	54,068	180	-	Complied
Grade 2	42,380	50,400	54,068	180	-	Complied
Grade 3	42,380	50,400	54,068	180	-	Complied
Grade 4	51,890	54,000	54,068	180	-	Complied
Grade 5	51,890	54,000	54,068	180	-	Complied
Grade 6	51,890	54,000	55,260	180	-	Complied
Grade 7	51,890	54,000	59,250	180	-	Complied
Grade 8	51,890	54,000	59,250	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, 2009

TABLE D-3

General Fund	(Budget) 2010	2009	2008	2007
Revenues and other financial sources	\$ 120,370,717	\$ 140,029,995	\$ 140,504,690	\$ 139,719,008
Expenditures, other uses and transfers out	126,865,824	134,742,136	137,390,755	134,312,445
Change in fund balance (deficit)	(6,495,107)	5,287,859	3,113,935	5,406,563
Ending fund balance	\$ 31,512,670	\$ 38,007,777	\$ 32,719,918	\$ 29,605,983
Available reserves	\$ 30,957,270	\$ 37,764,523	\$ 32,427,742	\$ 29,282,358
Available reserves as a percentage of total outgo	24.4%	28.0%	23.6%	21.8%
Total long-term debt	\$ 119,092,295	\$ 124,384,817	\$ 90,493,766	\$ 91,036,603
Average daily attendance at P-2	14,900	15,259	15,461	15,723

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 district's general fund balance has increased by \$13,808,357 over the past three years. The fiscal year 2009-10 budget projects a decrease of \$6,495,107. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, other uses, and transfers out.

Total long-term debt has increased by \$38,111,150 over the past three years.

Average daily attendance (ADA) has decreased by 648 over the past three years.

CAJON VALLEY UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

TABLE D-4

	<u>General Fund</u>
June 30, 2009, annual financial and budget report fund balances	\$ <u>38,806,431</u>
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts receivable overstated (See Note L)	<u>(798,654)</u>
June 30, 2009, audited financial statement fund balances	\$ <u><u>38,007,777</u></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, 2009

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

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

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:			
U. S. Wildlife *	15.611	-	\$ 11,175
Total U. S. Department of the Interior			<u>11,175</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Medi-Cal *	93.778	-	17,975
Passed Through California Department of Education:			
Child Care and Development *	93.575	50324	3,506
Total U. S. Department of Health and Human Services			<u>21,481</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through California Department of Education:			
Title I	84.010	03064	5,553,115
Title I School Improvement	84.010A	06064	8,455
Special Education *	84.027	03379	2,675,697
Special Education Preschool *	84.027A	03320	304,381
Preschool *	84.173	03430	198,917
Special Education Staff Development *	84.173A	03345	1,333
Special Education Early Intervention	84.181	03385	27,214
Title IV Drug Free	84.186	03453	54,636
Title V Innovative	84.298A	04110	183,535
Title II EETT	84.318	04046	260,554
Reading First	84.357	03030	521,482
Special Education Professional Development	84.357	03031	71,939
Title III Immigrant	84.365	04201	12,176
Title III LEP	84.365	04203	281,670
Title II Teacher Quality	84.367	04035	427,757
Cal Serv-Learn & Serve America	94.004	05575	85,473
Total Passed Through California Department of Education			<u>10,668,334</u>
Total U. S. Department of Education			<u>10,668,334</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	4,229,026
Total U. S. Department of Agriculture			<u>4,229,026</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 14,930,016</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, 2009

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 - EETT	84.318	\$ 16,524
Title II - Teacher Quality	84.367	32,585
Total Provided to Subrecipients		<u>\$ 49,109</u>

Other Independent Auditor's Reports

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
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 92022

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, 2009, which collectively comprise the Cajon Valley Union School District's basic financial statements and have issued our report thereon dated October 23, 2009. 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Cajon Valley Union School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Cajon Valley Union School District's financial statements that is more than inconsequential will not be prevented by the Cajon Valley Union School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Cajon Valley Union School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Radley King & Co., LLP

El Cajon, California
October 23, 2009

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

Report on Compliance with Requirements Applicable
To 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 92022

Members of the Board of Trustees:

Compliance

We have audited the compliance of Cajon Valley Union School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses.

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
October 23, 2009

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

Auditor's Report on State Compliance

Board of Trustees
Cajon Valley Union School District
El Cajon, California 92022

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, 2009, and have issued our report thereon dated October 23, 2009. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-09*, published by the Education Audit Appeals Panel. 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 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 opinion.

The District's management is responsible for the District's compliance with laws and regulations. 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:

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Independent Study	23	No
Continuation Education	10	N/A
Adult Education	9	N/A
Regional Occupational Centers and Programs	6	N/A
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Community Day Schools	9	3 [2]
Morgan-Hart Class Size Reduction Program	7	N/A
Instructional Materials:		
General Requirements	12	1 [3]
Grades K-8 Only	1	N/A [1]
Grades 9-12 Only	1	N/A [1]
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
Mathematics and Reading Professional Development	4	N/A [1]

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	4	Yes
Before School	5	Yes
Contemporaneous Records of Attendance, For Charter Schools	1	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	3	N/A

The term "N/A" is used above to mean one or more of the following: 1) The District did not offer the program during the current fiscal year, 2) The program applies only to a different type of local education agency, or 3) The procedures in the audit guide have been revised by subsequent state legislation. The numerals enclosed in brackets which follow some items are explained as follows:

[1] This program is not required to be audited per flexibility provisions of SBx3 4.

[2] The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19825 procedures (e) and (g) were not performed.

[3] The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19828.3 procedures (b), (c) and (e) were not performed.

We did not perform testing for independent study because the independent study ADA was under the level that requires testing.

Based on our audit, we found that, for the items tested, Cajon Valley Union School District complied with the state laws and regulations referred to above, except as described in the Findings and Recommendations section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Cajon Valley Union School District had not complied with the state laws and regulations.

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
October 23, 2009

Findings and Recommendations Section

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

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
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? X Yes 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? X Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program

Dollar threshold used to distinguish between
type A and type B programs: \$447,901

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, 2009

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?	<u> </u> Yes	<u> X </u> No
One or more significant deficiencies identified that are are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

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

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

Finding 2009-1 (50000)
 National School Lunch Program

Federal Program Information
 National School Lunch Program
 CFDA # 10.555

Criteria or Specific Requirement

Determine that the supporting documentation maintained by the district is in agreement with the information reported on the monthly claim for reimbursement and the information contained on the claim for reimbursement is complete and accurate.

Condition

In our review of the monthly claim for reimbursement forms, we noted for the two months selected for testing that the supporting documentation was not in agreement with the information contained on the claim. As a result, we asked the district to provide the documentation for all claim for reimbursement forms filed for the year. After the district performed a complete review, it was noted that for the year ended June 30, 2009 the actual lunches claimed for reimbursement was 19,103 less than the amount documented. Also, the actual breakfasts claimed for reimbursement was 6,449 less than the amount documented. It appears, due to a computer malfunction, the district underclaimed their lunches and breakfasts eligible for reimbursement.

Questioned Costs

The result of the underclaimed meals was a loss of \$48,689 to the district.

Recommendation

We recommend the district implement the necessary procedures to ensure the number of meals claimed for reimbursement are in agreement with the supporting documentation and develop a system to track meals claimed that will show variances when monthly meals claimed are compared to previous years meals claimed for the same month.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

LEA's Response

Data communication delays from school site cafeteria Point of Sale (POS) systems to the central office accountability program caused some meal count files not to be included in the monthly totals prior to the reimbursement claim submission. The District has worked with the software vendor to identify the problems encountered in 2008/2009 reporting and ensure that the transfer of sales data is complete and error free each month. A system of cross referencing daily meal count reports from each site with monthly cumulative reports has been developed and is now being used to verify the accuracy of system reporting each month prior to submitting claims to the State for reimbursement.

D. State Award Findings and Questioned Costs

Finding 2009-2 (40000)

After School Education and Safety Program

Criteria or Specific Requirement

- A. For the after school program determine whether pupils in middle or junior high school attended a minimum of nine hours a week and three days a week, except as consistent with the established early release policy.
- B. For the before school program determine whether pupils in middle or junior high school attended a minimum of six hours a week and three days a week, except as consistent with the late arrival policy.

Condition

- A. In our testing of attendance for the after school program, we noted that the attendance system does not take into consideration the requirement that pupils in middle or junior high schools attend a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. We noted that attendance is taken by the sites on a daily basis and the attendance is then entered into the attendance system by aides. The attendance system simply calculates the attendance for the period by adding the number of students marked present. Therefore students who had not attended a minimum of nine hours a week and three days a week were included in the report of days students served.
- B. In our testing of attendance for the before school program, we noted that the attendance system does not take into consideration the requirement that to be eligible for attendance, pupils in middle or junior high school must attend a minimum of six hours a week and three days a week, except as consistent with the late arrival policy. We noted that attendance is taken by the sites on a daily basis and the attendance is then entered into the attendance system by aides. The attendance system simply calculated the attendance for the period by adding the number of students marked present; therefore, students who had not attended a minimum of six hours a week and three days a week were included in the report of days students served.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Questioned Costs

After School Component:

For the quarter tested we were unable to correctly determine the number of days students served. If necessary, the District will revise the attendance for the entire quarter and exclude those students who did not attend a minimum of nine hours a week and three days a week from the number of students served.

Before School Component:

For the quarter tested we were unable to correctly determine the number of days students served. If necessary, the District will revise the attendance for the entire quarter and exclude those students who did not attend a minimum of six hours a week and three days a week.

Recommendation

We recommend the district evaluate whether middle school students have attended a minimum of nine hours and three days a week for the after school program and six hours and three days a week for the before school program. Those students who do not meet these requirements should not be included in the report of the number of students served.

LEA's Response

The District has worked with the San Diego County Office of Education (SDCOE) to implement a scanning program to track attendance. It is an automatic, systematic scanning program. Beginning the week of November 16, 2009, it monitors attendance 50% or more of the day (am/pm). It also has the capability to monitor days and hours of attendance at the Middle School level (am/pm).

CAJON VALLEY UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2008-1 After School Education and Safety Program</p> <p>In our examination of the after school program, we noted instances where students who left the program early did not have proper documentation to determine if the reason for the early release was consistent with the District policy. In addition, we noted some students who attended the before school program were included in the attendance counts when they had not been present for the minimum time. Also, we noted some middle school students who did not attend for the minimum days and hours that had been included in the reported attendance.</p> <p>We recommend the District implement procedures that will properly document early release and late arrival for students. In addition, procedures should be implemented that will ensure all students claimed for attendance were in the program for the required minimum days and hours.</p>	<p>Partially Implemented</p>	<p>See Current Year Finding</p>