

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

AUDIT REPORT

JUNE 30, 2008

**WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
250 E Douglas Ave.
El Cajon, CA 92020
Ph (619) 447-6700 Fax (619) 447-6707**

Introductory Section

Cajon Valley Union School District
 Audit Report
 For The Year Ended June 30, 2008

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Financial Section

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
250 E Douglas Ave.
El Cajon, CA 92020
Ph (619) 447-6700 Fax (619) 447-6707

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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, 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 Rabby King & Co., LLP

El Cajon, California
December 5, 2008

CAJON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008
(Unaudited)

This discussion and analysis of the Cajon Valley Union School District's financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- As a result of careful financial planning and oversight, the District ended the 2007/08 year with an unrestricted reserve balance of \$10,205,346 in the General Fund, an increase of \$859,826 from the previous year. This strong unrestricted balance will assist the District in meeting the budget challenges that have been forecast by the Governor and the California Department of Finance for the few years.
- Outstanding Capital Lease-Purchase Debt decreased by \$316,252, from \$830,700 to \$514,448, during the 2007/08 fiscal year.
- On February 5, 2008 voters in the El Cajon community approved 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.
- \$395,000 in ongoing budget reductions and revenue enhancements were implemented, effective July, 2007. In addition, \$3 million in new budget reductions were approved by the Governing Board for implementation in the 2008/09 school year. The primary factors determining the need for ongoing budget reductions are a continuing decline in student population, which affects revenue calculations, and the deficit that has been applied to the State funding formula in 2008/09.

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 2007-2008?" 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, are the General Fund, the Cafeteria Fund, and the Building 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, 2008, compared with net assets as of the end of the previous two fiscal years.

Table 1
Statement of Net Assets

	6/30/08	6/30/07	% Change 6/07 to 6/08	6/30/06	% Change 6/06 to 6/07
Assets					
Cash	46,339,427	58,429,099	-20.7%	58,041,904	22.4%
Investments	-	-		-	
Receivables	13,450,746	13,438,651	0.1%	12,387,820	0.5%
Due from Other funds	-	-	-	-	-
Stores	360,733	391,864	-7.9%	356,760	14.7%
Prepaid expenses	302,521	460,953	-34.4%	332,861	-25.2%
Other Current Assets	-	-	-	-	-
Capital Assets:					
Land	13,575,827	3,207,994	423.2%	3,207,994	0%
Site Improvements	7,252,616	6,838,513	6.0%	6,805,424	0.5%
Buildings and improvements	226,129,831	175,223,478	29.9%	170,405,129	2.8%
Equipment	6,219,868	4,730,565	31.5%	4,256,466	11.1%
Work in Progress	14,518,801	60,169,144	-75.9%	52,069,321	15.6%
Less accumulated depreciation	<63,889,828>	<58,054,029>	10.0%	<53,754,462>	8.0%
Total Assets	264,260,542	264,835,232	-0.2%	\$254,109,217	4.2%
Liabilities					
Accounts payable and other current liabilities	3,221,954	3,988,819	-19.2%	6,439,900	-38.1%
Due to other funds	-	-	-	-	-
Deferred revenue	3,688,225	2,740,371	34.6%	2,465,703	11.1%
Long term liabilities:					
Due within one year	4,088,423	3,690,954	10.8%	4,361,302	-15.4%
Due in more than one year	86,405,343	87,345,649	-1.1%	81,912,365	6.6%
Total Liabilities	\$97,403,945	\$97,765,793	-0.3%	\$95,179,270	2.7%
Net Assets					
Invested in capital assets, net of related debt	116,151,230	101,079,062	14.9%	100,633,225	0.4%
Restricted	41,730,702	54,134,056	-22.9%	52,947,448	2.2%
Unrestricted	8,974,665	11,856,321	-24.4%	5,349,274	221.6%
Total Net Assets	\$166,856,597	\$167,069,439	-0.1%	\$158,929,947	5.1%

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 2007/08 year, compared with revenue for the previous two years.

Table 2
Revenue – Governmental Activities

	2007/2008	2006/2007	2005/2006
General Revenue	\$111,021,926	\$108,969,441	\$104,542,765
Program Revenue & Fees for Services	<u>46,005,287</u>	<u>47,589,477</u>	<u>44,195,014</u>
Total Revenue	\$157,027,213	\$156,558,918	\$148,737,779

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 2007/08 year, compared with expenditures for the previous two years.

Table 3
Expenditures – Governmental Activities

	2007/2008	2006/2007	2005/2006
Classroom Instruction	98,372,331	89,229,338	85,867,938
Instructional Related Services	15,881,200	14,385,878	14,372,192
Pupil Services	16,647,742	15,370,628	14,222,736
General Administration	6,817,201	8,270,327	8,188,418
Plant Services	14,002,665	15,539,987	13,399,800
Community Services	97,918	74,950	62,205
Enterprise Activities	1,309,314	472,425	397,538
Interest on Long Term Debt	4,063,643	3,498,559	3,477,142
Depreciation, unallocated	1,629		
Other Outgo	<u>46,412</u>	<u>1,249,184</u>	<u>1,102,537</u>
Total Expenditures	157,240,055	148,091,276	141,090,506

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 2007-2008 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 2007-2008 fiscal year, the district had \$267,696,943 invested in land, buildings, work-in-progress, and capital equipment. Depreciation totaling \$63,889,828 was charged against the value of those assets for net capital assets of \$203,807,115. Net capital assets at the end of the 2006/07 year were \$192,115,665 and at the end of the 2005/06 year they were \$182,989,872.

Since July, 2000 approximately 165 large and small capital improvement projects have been completed throughout the district, affecting every school site. These projects have been completed using funds generated from general obligation bond proceeds, state grants and local grants. Projects completed during the last year include completion of 2 two-story classroom wing and new school administration building at Cajon Valley Middle School, infrastructure upgrades in the information systems department to meet the needs of schools, renovations of relocatable classrooms, library and student restrooms at Meridian Elementary, playground and sports field improvements at Naranca Elementary. Other projects that have been completed since 2000 include construction of Los Coches Creek Middle School, construction of a joint use gymnasium at Cajon Valley Middle school, modernization of older classroom buildings and relocatable buildings on many campuses, computer network upgrades, campus safety measures, library and multipurpose room expansions, 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.

Another large project currently underway is the construction of a District Operations/Educational Support Facility. This facility is located on property that for many years has housed most of the District support services and the adjoining Ballantyne campus. This multi-phase project includes the remodeling of some buildings located on the Ballantyne campus, 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, and Child Nutrition departments, which are currently leasing commercial space several miles from the central district office. As of June, 2008, approximately half of this project had been completed, and the remainder of the project should be completed in 2009/2010.

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 is projected to slow down for the next few years. 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. The 2008/09 budget contains a revenue limit deficit of 4.7%, which may grow before the year ends. The outlook for education funding for the remainder of 2008/09 and 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 an anticipated decrease in revenue. 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, 2008

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 41,721,173
Cash on Hand and in Banks	294,181
Cash in Revolving Fund	15,000
Cash with a Fiscal Agent/Trustee	4,309,073
Accounts Receivable	13,450,746
Stores Inventories	360,733
Prepaid Expenses	302,521
Capital Assets	
Land	13,575,827
Improvements	7,252,616
Buildings	226,129,831
Equipment	6,219,868
Work in Progress	14,518,801
Less Accumulated Depreciation	(63,889,828)
Total Assets	<u>264,260,542</u>
LIABILITIES:	
Accounts Payable	3,221,954
Deferred Revenues	3,688,225
Long-term Liabilities	
Due Within One Year	4,088,423
Due In More Than One Year	86,405,343
Total Liabilities	<u>97,403,945</u>
NET ASSETS:	
<i>Invested in Capital Assets, Net of Related Debt</i>	116,151,230
Restricted For:	
Capital Projects	13,812,274
Debt Service	3,551,938
Educational Programs	18,100,673
Other Purposes (expendable)	1,783,361
Other Purposes (nonexpendable)	4,482,456
Unrestricted	8,974,665
Total Net Assets	<u>\$ 166,856,597</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, 2008

EXHIBIT A-2

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	\$ 98,372,331	\$ 1,949,462	\$ 23,817,097	\$ 25,307	\$ (72,580,465)
Instruction-Related Services	15,881,200	566,463	5,726,573	-	(9,588,164)
Pupil Services	16,647,742	2,305,066	9,348,609	-	(4,994,067)
Community Services	97,918	-	-	-	(97,918)
General Administration	6,817,201	33,145	1,151,199	-	(5,632,857)
Plant Services	14,002,665	20,706	793,145	-	(13,188,814)
Enterprise Activities	1,309,314	-	-	-	(1,309,314)
Interest on Long-term Debt	4,063,643	-	-	-	(4,063,643)
Other Outgo	46,412	249,151	19,364	-	222,103
Depreciation (unallocated)	1,629	-	-	-	(1,629)
Total Governmental Activities	157,240,055	5,123,993	40,855,987	25,307	(111,234,768)
Total Primary Government	\$ 157,240,055	\$ 5,123,993	\$ 40,855,987	\$ 25,307	(111,234,768)
General Revenues:					
Taxes and subventions					32,302,607
Federal and State Aid, Not Restricted for Specific Purposes					72,008,121
Interest and Investment Earnings					2,254,863
Interagency Revenues					57,833
Miscellaneous					4,398,502
Total General Revenues					111,021,926
Change in Net Assets					(212,842)
Net Assets - Beginning					167,069,439
Net Assets - Ending					\$ 166,856,597

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Cafeteria Fund
ASSETS:		
Cash in County Treasury	\$ 24,043,802	\$ 68,719
Cash on Hand and in Banks	-	294,181
Cash in Revolving Fund	15,000	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	12,439,277	800,474
Due from Other Funds	1,240,641	24,855
Stores Inventories	277,176	83,557
Total Assets	<u>\$ 38,015,896</u>	<u>\$ 1,271,786</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 1,713,045	\$ 127,470
Due to Other Funds	79,546	1,022,090
Deferred Revenue	3,503,387	-
Total Liabilities	<u>5,295,978</u>	<u>1,149,560</u>
Fund Balance:		
Reserved Fund Balances:		
Reserve for Revolving Cash	15,000	-
Reserve for Stores Inventories	277,176	-
Designated Fund Balances:		
Designated for Economic Uncertainties	4,121,723	-
Other Designated	18,100,673	-
Unreserved	10,205,346	122,226
Unreserved, reported in nonmajor:		
Special Revenue Funds	-	-
Debt Service Funds	-	-
Capital Projects Funds	-	-
Total Fund Balance	<u>32,719,918</u>	<u>122,226</u>
Total Liabilities and Fund Balances	<u>\$ 38,015,896</u>	<u>\$ 1,271,786</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,838,910	\$ 9,746,869	\$ 39,698,300
-	-	294,181
-	-	15,000
4,309,073	-	4,309,073
52,730	149,272	13,441,753
-	54,691	1,320,187
-	-	360,733
<u>\$ 10,200,713</u>	<u>\$ 9,950,832</u>	<u>\$ 59,439,227</u>
\$ 37,748	\$ 47,831	\$ 1,926,094
-	215,980	1,317,616
-	184,838	3,688,225
<u>37,748</u>	<u>448,649</u>	<u>6,931,935</u>
-	-	15,000
-	-	277,176
-	-	4,121,723
-	-	18,100,673
10,162,965	-	20,490,537
-	1,469,567	1,469,567
-	3,551,939	3,551,939
-	4,480,677	4,480,677
<u>10,162,965</u>	<u>9,502,183</u>	<u>52,507,292</u>
<u>\$ 10,200,713</u>	<u>\$ 9,950,832</u>	<u>\$ 59,439,227</u>

CAJON VALLEY UNION SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances - governmental funds balance sheet \$ 52,507,292

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:	267,696,943	
Accumulated depreciation	<u>(63,889,828)</u>	
	Net	203,807,115

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:

302,521

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:

(1,264,709)

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	70,685,000	
Net OPEB Obligation	1,724,399	
Compensated absences payable	1,087,911	
Certificates of participation payable	16,145,000	
Capital leases payable	<u>514,448</u>	
	Total	(90,156,758)

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:

1,661,136

Net assets of governmental activities - statement of net assets \$ 166,856,597

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, 2008

	General Fund	Cafeteria Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ 62,162,701	\$ -
Local Sources	25,662,484	-
Federal Revenue	9,132,225	3,704,760
Other State Revenue	22,887,020	345,593
Other Local Revenue	19,607,260	2,021,336
Total Revenues	<u>139,451,690</u>	<u>6,071,689</u>
Expenditures:		
Instruction	91,311,804	-
Instruction - Related Services	14,804,716	-
Pupil Services	10,162,606	6,286,044
Community Services	93,327	-
General Administration	6,780,513	48,565
Plant Services	12,190,849	65,695
Other Outgo	38,464	-
Debt Service:		
Principal	316,252	-
Interest	44,797	-
Total Expenditures	<u>135,743,328</u>	<u>6,400,304</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,708,362</u>	<u>(328,615)</u>
Other Financing Sources (Uses):		
Transfers In	1,053,000	264,800
Transfers Out	(1,647,427)	-
Total Other Financing Sources (Uses)	<u>(594,427)</u>	<u>264,800</u>
Net Change in Fund Balance	3,113,935	(63,815)
Fund Balance, July 1	29,605,983	186,041
Fund Balance, June 30	<u>\$ 32,719,918</u>	<u>\$ 122,226</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 62,162,701
-	-	25,662,484
-	3,464	12,840,449
-	3,045,074	26,277,687
<u>1,752,382</u>	<u>5,267,013</u>	<u>28,647,991</u>
<u>1,752,382</u>	<u>8,315,551</u>	<u>155,591,312</u>
-	1,985,736	93,297,540
-	185,693	14,990,409
-	-	16,448,650
-	-	93,327
-	297,585	7,126,663
15,370,358	2,014,393	29,641,295
7,947	-	46,411
764,926	1,300,000	2,381,178
<u>622,506</u>	<u>3,298,355</u>	<u>3,965,658</u>
<u>16,765,737</u>	<u>9,081,762</u>	<u>167,991,131</u>
(15,013,355)	(766,211)	(12,399,819)
80,020	1,307,627	2,705,447
-	(1,133,020)	(2,780,447)
<u>80,020</u>	<u>174,607</u>	<u>(75,000)</u>
(14,933,335)	(591,604)	(12,474,819)
25,096,300	10,093,787	64,982,111
<u>\$ 10,162,965</u>	<u>\$ 9,502,183</u>	<u>\$ 52,507,292</u>

CAJON VALLEY UNION SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ (12,474,819)

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

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

	Expenditures for capital outlay	17,552,822	
	Depreciation expense	(5,835,799)	
	Net	11,717,023	11,717,023

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:

2,381,178

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:

(87,628)

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:

(191,314)

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:

(1,724,399)

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

(24,412)

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or discount 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:

(10,358)

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

201,887

Change in net assets of governmental activities - statement of activities \$ (212,842)

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUND

JUNE 30, 2008

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 2,022,873
Accounts Receivable	8,993
Total Current Assets	<u>2,031,866</u>
Total Assets	<u>\$ 2,031,866</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 31,152
Due to Other Funds	2,571
Total Current Liabilities	<u>33,723</u>
Noncurrent Liabilities:	
Other General Long-Term Debt	<u>337,008</u>
Total Noncurrent Liabilities	<u>337,008</u>
Total Liabilities	<u>370,731</u>
NET ASSETS:	
Unrestricted Net Assets	1,661,135
Total Net Assets	<u>\$ 1,661,135</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, 2008

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 14,667,703
Total Revenues	<u>14,667,703</u>
Operating Expenses:	
Classified Personnel Salaries	38,573
Employee Benefits	14,185
Services and Other Operating Expenses	14,488,058
Total Expenses	<u>14,540,816</u>
Income (Loss) before Contributions and Transfers	126,887
Interfund Transfers In	75,000
Change in Net Assets	<u>201,887</u>
Total Net Assets - Beginning	1,459,248
Total Net Assets - Ending	<u>\$ 1,661,135</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, 2008

	Nonmajor Internal Service Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 14,614,693
Cash Payments to Employees for Services	(38,573)
Cash Payments to Other Suppliers for Goods and Services	(14,463,683)
Net Cash Provided (Used) by Operating Activities	<u>112,437</u>
Cash Flows from Non-capital Financing Activities:	
Payments of Long-term Debt	(76,139)
Transfers From (To) Primary Government	75,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,139)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	53,010
Net Cash Provided (Used) for Investing Activities	<u>53,010</u>
Net Increase (Decrease) in Cash and Cash Equivalents	164,308
Cash and Cash Equivalents at Beginning of Year	1,858,565
Cash and Cash Equivalents at End of Year	<u>\$ 2,022,873</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 201,887
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	8,680
Increase (Decrease) in Accounts Payable	29,496
Increase (Decrease) in Long-Term Debt	(76,139)
Increase (Decrease) in Due to Other Funds	384
Total Adjustments	<u>(37,579)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 164,308</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, 2008

EXHIBIT A-10

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 249,273
Total Assets	<u>\$ 249,273</u>
LIABILITIES:	
Due to Student Groups	\$ 249,273
Total Liabilities	<u>249,273</u>
NET ASSETS:	
Total Net Assets	<u><u>\$ -</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, 2008

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, 2008

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.

Cafeteria Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program.

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, 2008

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 \$100,000 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, 2008

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, 2008

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, 2008

C. Excess of Expenditures Over Appropriations

As of June 30, 2008 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Community services	\$ 18,561

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$41,721,181 as of June 30, 2008). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$41,721,181. 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 (\$543,454 as of June 30, 2008) and in the revolving fund (\$15,000) are insured up to \$100,000 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, 2008 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
US Treasury Obligations	\$ 4,309,073
Total Investments	<u>\$ 4,309,073</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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

E. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 3,207,994	\$ 10,368,833	\$ -	\$ 13,576,827
Work in progress	60,169,144	16,032,937	61,683,280	14,518,801
Total capital assets not being depreciated	<u>63,377,138</u>	<u>26,401,770</u>	<u>61,683,280</u>	<u>28,095,628</u>
Capital assets being depreciated:				
Buildings	175,223,478	50,906,353	-	226,129,831
Land improvements	6,838,513	414,103	-	7,252,616
Equipment	4,730,565	1,489,303	-	6,219,868
Total capital assets being depreciated	<u>186,792,556</u>	<u>52,809,759</u>	<u>-</u>	<u>239,602,315</u>
Less accumulated depreciation for:				
Buildings	(49,896,870)	(5,122,665)	-	(55,019,535)
Land improvements	(4,606,009)	(192,026)	-	(4,798,035)
Equipment	(3,551,150)	(521,108)	-	(4,072,258)
Total accumulated depreciation	<u>(58,054,029)</u>	<u>(5,835,799)</u>	<u>-</u>	<u>(63,889,828)</u>
Total capital assets being depreciated, net	<u>128,738,527</u>	<u>46,973,960</u>	<u>-</u>	<u>175,712,487</u>
Governmental activities capital assets, net	<u>\$ 192,115,665</u>	<u>\$ 73,375,730</u>	<u>\$ 61,683,280</u>	<u>\$ 203,808,115</u>

Depreciation was charged to functions as follows:

Instruction	\$ 3,947,916
Instruction-Related Services	635,011
Pupil Services	411,500
Community Services	3,953
General Administration	272,977
Plant Services	562,813
Unallocated	1,629
	<u>\$ 5,835,799</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2008 consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Child Development Fund	\$ 51,117
General Fund	Cafeteria Fund	24,855
General Fund	Capital Facilities Fund	3,574
Child Development Fund	General Fund	210,635
Cafeteria Fund	General Fund	1,022,090
Capital Facilities Fund	General Fund	5,345
Self-Insurance Fund	General Fund	2,571
	Total	<u>\$ 1,320,187</u>

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

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, 2008 consisted of the following:

Transfers From	Transfers To	Amount
General Fund	Cafeteria Fund	\$ 264,800
General Fund	Deferred Maintenance Fund	100,000
General Fund	Special Reserve Fund	500,000
General Fund	Self-Insurance Fund	75,000
General Fund	Deferred Maintenance Fund	707,627
Special Reserve Fund	General Fund	1,053,000
Special Reserve Fund	Building Fund	80,020
	Total	<u>\$ 2,780,447</u>

G. 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, 2008 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 71,985,000	\$ -	\$ 1,300,000	\$ 70,685,000	\$ 1,490,000
Capital leases	830,700	-	316,252	514,448	338,504
Certificates of participation	16,910,000	-	765,000	16,145,000	835,000
Other long-term debt	413,147	1,928,948	2,005,087	337,008	337,008
Compensated absences *	896,597	191,314	-	1,087,911	1,087,911
Net OPEB obligation	-	3,409,866	1,685,467	1,724,399	-
Total governmental activities	<u>\$ 91,035,444</u>	<u>\$ 5,530,128</u>	<u>\$ 6,071,806</u>	<u>\$ 90,493,766</u>	<u>\$ 4,088,423</u>

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation, at June 30, 2008 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2009	\$ 4,977,822	\$ 3,233,339	\$ 8,211,161
2010	1,740,944	3,127,129	4,868,073
2011	1,630,000	3,039,280	4,669,280
2012	1,710,000	2,958,997	4,668,997
2013	1,795,000	2,884,197	4,679,197
2014-2018	10,160,000	13,264,545	23,424,545
2019-2023	12,750,000	10,842,851	23,592,851
2024-2028	16,055,000	7,566,090	23,621,090
2029-2033	19,185,000	3,311,000	22,496,000

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

2034-2038	4,345,000	263,378	4,608,378
Totals	<u>\$ 74,348,766</u>	<u>\$ 50,490,806</u>	<u>\$ 124,839,572</u>

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2008 are as follows:

<u>Year Ending June 30:</u>	
2009	\$ 364,234
2010	181,220
Total Minimum Lease Payments	545,454
Less Amounts Representing Interest	(31,006)
Net Present Value of Minimum Lease Payments	<u>\$ 514,448</u>

4. Certificates of Participation

Future commitments for certificates of participation as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 835,000	\$ 612,353	\$ 1,447,353
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
2014-2018	6,625,000	1,334,237	7,959,237
2019-2023	3,030,000	175,000	3,205,000
Totals	<u>\$ 16,145,000</u>	<u>\$ 4,190,000</u>	<u>\$ 20,335,000</u>

H. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRM). 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, 2008 is as follows:

Total Assets	\$ 3,429,758
Total Liabilities	3,103,222
Total Fund Balance	326,536
Total Cash Receipts	2,849,047
Total Cash Disbursements	2,391,448
Net Change in Fund Balance	457,599

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

I. Employee Retirement Systems

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

PERS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-08 was 9.32% 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, 2008, 2007 and 2006 were \$2,063,660, \$1,882,596 and \$1,712,196, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$0.

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 2007-08 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, 2008, 2007 and 2006 were \$5,596,768, \$5,298,098 and \$5,066,514, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$4,426,169.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

J. 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.

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 offer a self insured Delta Dental Plan and a fully insured Safeguard Prepaid Dental Plan.

The following table summarizes the current monthly 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 December 1, 2006 and are guaranteed to December 31, 2007.

Medical Benefits

	Kaiser HMO	PacifiCare HMO	PacifiCare POS
Employee only	\$296.99	\$343.88	\$410.13
Employee plus one	\$623.68	\$675.63	\$803.74
Employee plus family	\$950.37	\$954.19	\$1,135.67

Dental Benefits

	Delta Dental Plan	Safeguard Dental Plan
Employee only	\$61.20	\$11.48
Employee plus one	\$122.40	\$25.60
Employee plus family	\$141.37	\$25.60
Composite	N/A	\$25.60

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

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, 2008 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, 2008, the amount actually contributed to the plan, and charges in the District's net OPEB obligation to the plan:

Annual required contribution	<u>\$3,409,866</u>
Contributions made	1,685,467
Increase in net OPEB obligation	1,724,399
Net OPEB obligations-beginning of year	<u>-</u>
Net OPEB obligations-end of year	<u><u>\$1,724,399</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2008 is as follows:

Fiscal Year Ended June 30,	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$3,409,866	49.40%	\$1,724,399

Funded Status and Funding Progress: As of June 30, 2008, the accrued liability for benefits was \$3,409,866, of which \$1,724,399 is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,900,471, and the ratio of unfunded actuarial accrued liability to the covered payroll was 18.2 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.

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

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.

K. 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.

L. 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 \$337,008 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, 2008 are indicated below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments and Adjustments	Ending Fiscal Year Liability
Internal Service Fund:				
Year 2007-08	\$ 413,147	\$ 1,928,948	\$ 2,005,087	\$ 337,008

Required Supplementary Information

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

CAJON VALLEY UNION SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 61,692,313	\$ 61,699,087	\$ 62,162,701	\$ 463,614
Local Sources	26,457,150	26,462,502	25,662,484	(800,018)
Federal Revenue	10,044,843	11,742,794	9,132,225	(2,610,569)
Other State Revenue	20,882,490	22,488,953	22,887,020	398,067
Other Local Revenue	15,446,195	20,979,543	19,607,260	(1,372,283)
Total Revenues	<u>134,522,991</u>	<u>143,372,879</u>	<u>139,451,690</u>	<u>(3,921,189)</u>
Expenditures:				
Instruction	90,426,444	111,450,317	91,311,804	20,138,513
Instruction - Related Services	14,192,732	16,154,597	14,804,716	1,349,881
Pupil Services	9,566,824	11,070,320	10,162,606	907,714
Community Services	70,666	74,766	93,327	(18,561)
General Administration	8,759,418	9,146,952	6,780,513	2,366,439
Plant Services	12,267,596	13,150,848	12,190,849	959,999
Other Outgo	13,370	38,470	38,464	6
Debt Service:				
Principal	316,252	316,252	316,252	-
Interest	44,797	44,797	44,797	-
Total Expenditures	<u>135,658,099</u>	<u>161,447,319</u>	<u>135,743,328</u>	<u>25,703,991</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,135,108)</u>	<u>(18,074,440)</u>	<u>3,708,362</u>	<u>21,782,802</u>
Other Financing Sources (Uses):				
Transfers In	1,053,000	1,053,000	1,053,000	-
Transfers Out	(1,039,800)	(1,647,427)	(1,647,427)	-
Total Other Financing Sources (Uses)	<u>13,200</u>	<u>(594,427)</u>	<u>(594,427)</u>	<u>-</u>
Net Change in Fund Balance	(1,121,908)	(18,668,867)	3,113,935	21,782,802
Fund Balance, July 1	29,605,983	29,605,983	29,605,983	-
Fund Balance, June 30	<u>\$ 28,484,075</u>	<u>\$ 10,937,116</u>	<u>\$ 32,719,918</u>	<u>\$ 21,782,802</u>

CAJON VALLEY UNION SCHOOL DISTRICT

CAFETERIA FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 3,537,860	\$ 3,689,657	\$ 3,704,760	\$ 15,103
Other State Revenue	261,743	348,574	345,593	(2,981)
Other Local Revenue	2,362,470	2,343,004	2,021,336	(321,668)
Total Revenues	<u>6,162,073</u>	<u>6,381,235</u>	<u>6,071,689</u>	<u>(309,546)</u>
Expenditures:				
Pupil Services	6,222,015	6,295,157	6,286,044	9,113
General Administration	125,000	48,565	48,565	-
Plant Services	73,500	73,500	65,695	7,805
Total Expenditures	<u>6,420,515</u>	<u>6,417,222</u>	<u>6,400,304</u>	<u>16,918</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(258,442)</u>	<u>(35,987)</u>	<u>(328,615)</u>	<u>(292,628)</u>
Other Financing Sources (Uses):				
Transfers In	264,800	264,800	264,800	-
Total Other Financing Sources (Uses)	<u>264,800</u>	<u>264,800</u>	<u>264,800</u>	<u>-</u>
Net Change in Fund Balance	6,358	228,813	(63,815)	(292,628)
Fund Balance, July 1	186,041	186,041	186,041	-
Fund Balance, June 30	<u>\$ 192,399</u>	<u>\$ 414,854</u>	<u>\$ 122,226</u>	<u>\$ (292,628)</u>

CAJON VALLEY UNION SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 CAJON VALLEY SCHOOL DISTRICT HEALTH PROGRAM
 YEAR ENDED JUNE 30, 2008

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)
2008	\$ -	\$ 31,438,536	\$ 31,438,536	-	\$ 94,900,471	33.1%

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, 2008

EXHIBIT C-1

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 1,723,167	\$ 3,551,939	\$ 4,471,763	\$ 9,746,869
Accounts Receivable	106,715	-	42,557	149,272
Due from Other Funds	51,117	-	3,574	54,691
Total Assets	<u>\$ 1,880,999</u>	<u>\$ 3,551,939</u>	<u>\$ 4,517,894</u>	<u>\$ 9,950,832</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 15,959	\$ -	\$ 31,872	\$ 47,831
Due to Other Funds	210,635	-	5,345	215,980
Deferred Revenue	184,838	-	-	184,838
Total Liabilities	<u>411,432</u>	<u>-</u>	<u>37,217</u>	<u>448,649</u>
Fund Balance:				
Unreserved, reported in nonmajor:				
Special Revenue Funds	1,469,567	-	-	1,469,567
Debt Service Funds	-	3,551,939	-	3,551,939
Capital Projects Funds	-	-	4,480,677	4,480,677
Total Fund Balance	<u>1,469,567</u>	<u>3,551,939</u>	<u>4,480,677</u>	<u>9,502,183</u>
Total Liabilities and Fund Balances	<u>\$ 1,880,999</u>	<u>\$ 3,551,939</u>	<u>\$ 4,517,894</u>	<u>\$ 9,950,832</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, 2008

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 3,464	\$ -	\$ -	\$ 3,464
Other State Revenue	2,988,861	56,213	-	3,045,074
Other Local Revenue	53,831	4,629,614	583,568	5,267,013
Total Revenues	<u>3,046,156</u>	<u>4,685,827</u>	<u>583,568</u>	<u>8,315,551</u>
Expenditures:				
Instruction	1,985,736	-	-	1,985,736
Instruction - Related Services	185,693	-	-	185,693
General Administration	129,179	-	168,406	297,585
Plant Services	1,223,267	-	791,126	2,014,393
Debt Service:				
Principal	-	1,300,000	-	1,300,000
Interest	-	3,298,355	-	3,298,355
Total Expenditures	<u>3,523,875</u>	<u>4,598,355</u>	<u>959,532</u>	<u>9,081,762</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(477,719)</u>	<u>87,472</u>	<u>(375,964)</u>	<u>(766,211)</u>
Other Financing Sources (Uses):				
Transfers In	807,627	-	500,000	1,307,627
Transfers Out	-	-	(1,133,020)	(1,133,020)
Total Other Financing Sources (Uses)	<u>807,627</u>	<u>-</u>	<u>(633,020)</u>	<u>174,607</u>
Net Change in Fund Balance	329,908	87,472	(1,008,984)	(591,604)
Fund Balance, July 1	1,139,659	3,464,467	5,489,661	10,093,787
Fund Balance, June 30	<u>\$ 1,469,567</u>	<u>\$ 3,551,939</u>	<u>\$ 4,480,677</u>	<u>\$ 9,502,183</u>

CAJON VALLEY UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

EXHIBIT C-3

	Child Development Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 265,769	\$ 1,457,398	\$ 1,723,167
Accounts Receivable	94,112	12,603	106,715
Due from Other Funds	51,117	-	51,117
Total Assets	<u>\$ 410,998</u>	<u>\$ 1,470,001</u>	<u>\$ 1,880,999</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 15,525	\$ 434	\$ 15,959
Due to Other Funds	210,635	-	210,635
Deferred Revenue	184,838	-	184,838
Total Liabilities	<u>410,998</u>	<u>434</u>	<u>411,432</u>
Fund Balance:			
Unreserved, reported in nonmajor:			
Special Revenue Funds	-	1,469,567	1,469,567
Total Fund Balance	<u>-</u>	<u>1,469,567</u>	<u>1,469,567</u>
Total Liabilities and Fund Balances	<u>\$ 410,998</u>	<u>\$ 1,470,001</u>	<u>\$ 1,880,999</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, 2008

	Child Development Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 3,464	\$ -	\$ 3,464
Other State Revenue	2,330,386	658,475	2,988,861
Other Local Revenue	16,758	37,073	53,831
Total Revenues	<u>2,350,608</u>	<u>695,548</u>	<u>3,046,156</u>
Expenditures:			
Instruction	1,985,736	-	1,985,736
Instruction - Related Services	185,693	-	185,693
General Administration	129,179	-	129,179
Plant Services	50,000	1,173,267	1,223,267
Total Expenditures	<u>2,350,608</u>	<u>1,173,267</u>	<u>3,523,875</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(477,719)</u>	<u>(477,719)</u>
Other Financing Sources (Uses):			
Transfers In	-	807,627	807,627
Total Other Financing Sources (Uses)	<u>-</u>	<u>807,627</u>	<u>807,627</u>
Net Change in Fund Balance	-	329,908	329,908
Fund Balance, July 1	-	1,139,659	1,139,659
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 1,469,567</u>	<u>\$ 1,469,567</u>

CAJON VALLEY UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2008

	<u>Capital Facilities Fund</u>	<u>State School Building Fund</u>
ASSETS:		
Cash in County Treasury	\$ 2,179,961	\$ 9,565
Accounts Receivable	18,919	82
Due from Other Funds	3,574	-
Total Assets	<u><u>\$ 2,202,454</u></u>	<u><u>\$ 9,647</u></u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 31,741	\$ -
Due to Other Funds	5,345	-
Total Liabilities	<u><u>37,086</u></u>	<u><u>-</u></u>
Fund Balance:		
Unreserved, reported in nonmajor:		
Capital Projects Funds	<u>2,165,368</u>	<u>9,647</u>
Total Fund Balance	<u><u>2,165,368</u></u>	<u><u>9,647</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 2,202,454</u></u>	<u><u>\$ 9,647</u></u>

EXHIBIT C-5

County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 1,425	\$ 2,280,812	\$ 4,471,763
3,433	20,123	42,557
-	-	3,574
<u>\$ 4,858</u>	<u>\$ 2,300,935</u>	<u>\$ 4,517,894</u>
\$ 131	\$ -	\$ 31,872
-	-	5,345
<u>131</u>	<u>-</u>	<u>37,217</u>
<u>4,727</u>	<u>2,300,935</u>	<u>4,480,677</u>
<u>4,727</u>	<u>2,300,935</u>	<u>4,480,677</u>
<u>\$ 4,858</u>	<u>\$ 2,300,935</u>	<u>\$ 4,517,894</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, 2008

	Capital Facilities Fund	State School Building Fund
Revenues:		
Other Local Revenue	\$ 423,089	\$ 430
Total Revenues	<u>423,089</u>	<u>430</u>
Expenditures:		
General Administration	168,406	-
Plant Services	219,901	-
Total Expenditures	<u>388,307</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>34,782</u>	<u>430</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	34,782	430
Fund Balance, July 1	2,130,586	9,217
Fund Balance, June 30	<u>\$ 2,165,368</u>	<u>\$ 9,647</u>

County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 24,877	\$ 135,172	\$ 583,568
<u>24,877</u>	<u>135,172</u>	<u>583,568</u>
-	-	168,406
571,225	-	791,126
<u>571,225</u>	<u>-</u>	<u>959,532</u>
<u>(546,348)</u>	<u>135,172</u>	<u>(375,964)</u>
-	500,000	500,000
-	(1,133,020)	(1,133,020)
<u>-</u>	<u>(633,020)</u>	<u>(633,020)</u>
(546,348)	(497,848)	(1,008,984)
551,075	2,798,783	5,489,661
<u>\$ 4,727</u>	<u>\$ 2,300,935</u>	<u>\$ 4,480,677</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 Ranch 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

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Jane Cruz Alfano	President	Four Year Term Expires December 2010
Jill D. Barto	Vice President	Four Year Term Expires December 2010
Marsha Saben	Clerk	Four Year Term Expires December 2010
Jeff Kover	Member	Four Year Term Expires December 2008
Laoma Dana Davidson	Member	Four Year Term Expires December 2008

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, 2008

TABLE D-1

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	1,463.69	1,496.00
Grades 1 through 3	4,650.16	4,659.57
Grades 4 through 6	4,963.86	4,968.76
Grades 7 and 8	3,613.57	3,613.34
Home and hospital	11.21	5.49
Community day school	21.65	25.76
Special education	736.81	745.80
Elementary totals	<u>15,460.95</u>	<u>15,514.72</u>
ADA totals	<u>15,460.95</u>	<u>15,514.72</u>
	<u>Hours of Attendance</u>	
<u>Summer School</u>		
Elementary	14,949	

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, 2008

TABLE D-2

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2007-08 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	31,680	36,000	54,360	180	-	Complied
Grade 1	42,380	50,400	54,360	180	-	Complied
Grade 2	42,380	50,400	54,360	180	-	Complied
Grade 3	42,380	50,400	55,260	180	-	Complied
Grade 4	51,890	54,000	55,260	180	-	Complied
Grade 5	51,890	54,000	55,260	180	-	Complied
Grade 6	51,890	54,000	64,680	180	-	Complied
Grade 7	51,890	54,000	64,680	180	-	Complied
Grade 8	51,890	54,000	64,680	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, 2008

TABLE D-3

General Fund	(Budget) 2009	2008	2007	2006
Revenues and other financial sources	\$ 131,703,460	\$ 140,504,690	\$ 139,719,008	\$ 129,219,097
Expenditures, other uses and transfers out	134,921,984	137,390,755	134,312,445	124,067,285
Change in fund balance (deficit)	(3,218,524)	3,113,935	5,406,563	5,151,812
Ending fund balance	\$ 29,501,394	\$ 32,719,918	\$ 29,605,983	\$ 24,199,420
Available reserves	\$ 29,209,218	\$ 32,427,742	\$ 29,282,358	\$ 23,913,811
Available reserves as a percentage of total outgo	21.6%	23.6%	21.8%	19.3%
Total long-term debt	\$ 86,405,343	\$ 90,493,766	\$ 91,036,603	\$ 86,273,667
Average daily attendance at P-2	15,024	15,461	15,723	15,907

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 \$13,672,310 over the past three years. The fiscal year 2008-09 budget projects a decrease of \$3,218,524. 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 \$32,497,073 over the past three years.

Average daily attendance (ADA) has decreased by 1,196 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, 2008

TABLE D-4

The fund balances for all funds as reported in the accompanying audited financial statements are in agreement with the fund balances reported by the district in their unaudited financial statements.

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, 2008

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 EXCESS SICK LEAVE
YEAR ENDED JUNE 30, 2008

TABLE D-6

The following disclosure is made for excess sick leave as that term is defined in subdivision (c) of Education Code Section 22170.5:

Titles of Employees Exhibiting Excess Sick Leave	Is Excess Sick Leave Authorized By Employee's Contract?	Was Excess Sick Leave Found To Be Accrued For Employee?	Contract Authorizing Excess Sick Leave	Is Excess Sick Leave Authorized In Teachers' Contract?
None	N/A	N/A	N/A	N/A

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

TABLE D-7

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	-	\$ 11,460
Total U. S. Department of the Interior			<u>11,460</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Medi-Cal *	93.778	-	10,443
Passed Through California Department of Education:			
Child Care and Development *	93.575	50324	3,464
Total U. S. Department of Health and Human Services			<u>13,907</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through California Department of Education:			
Title I	84.010	03064	3,763,601
Special Education *	84.027	03379	2,979,218
Preschool *	84.173	03430	204,744
Special Education Early Intervention	84.181		29,547
Title IV Drug Free	84.186	03453	71,957
Title V Innovative	84.298	04110	27,515
Title II EETT	84.318	04046	128,563
Reading First	84.357	03030	519,242
Title III Immigrant	84.365	04201	26,463
Title III LEP	84.365	04203	253,341
Title II Teacher Quality	84.367	04035	1,044,662
Cal serve-Learn & Serve America	94.004		61,468
Total Passed Through California Department of Education			<u>9,110,321</u>
Total U. S. Department of Education			<u>9,110,321</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	3,704,761
Total U. S. Department of Agriculture			<u>3,704,761</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>12,840,449</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, 2008

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	\$ 20,635
Title II - Teacher Quality	84.367	13,105
Title V - Innovative	84.298	16,341
Total Provided to Subrecipients		<u>\$ 50,081</u>

Other Independent Auditor's Reports

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
250 E Douglas Ave.
El Cajon, CA 92020
Ph (619) 447-6700 Fax (619) 447-6707

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, 2008, which collectively comprise the Cajon Valley Union School District's basic financial statements and have issued our report thereon dated December 5, 2008. 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 Hobbs King & Co., LLP

El Cajon, California
December 5, 2008

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
250 E Douglas Ave.
El Cajon, CA 92020
Ph (619) 447-6700 Fax (619) 447-6707

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, 2008. 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, 2008.

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
December 5, 2008

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors

250 E Douglas Ave.

El Cajon, CA 92020

Ph (619) 447-6700 Fax (619) 447-6707

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, 2008, and have issued our report thereon dated December 5, 2008. 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 2007-08*, 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:

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Not Applicable
Adult Education	9	Not Applicable
Regional Occupational Centers and Programs	6	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Not Applicable
Instructional Materials:		
General Requirements	12	Yes
Grades K-8 Only	1	Yes
Grades 9-12 Only	1	Not Applicable
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes

School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Excess Sick Leave	2	Yes
Notice of Right to Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Only One School Serving Grades K-3	4	Not Applicable
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	Not Applicable
Mode of Instruction, for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	Not Applicable

The term "Not Applicable" is used above to mean either that the District did not offer the program during the current fiscal year or that the program applies only to a different type of local education agency.

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
December 5, 2008

Findings and Recommendations Section

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

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 No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? 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? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I

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

Auditee qualified as low-risk auditee? Yes No

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

3. State Awards

Internal control over state programs:

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

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

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2008-1 (40000)
After School Education and Safety

Criteria or Specific Requirement

- A. For the After School program determine if elementary students participated in the full day of the program and determine whether middle school students attended a minimum of nine hours and three days a week, except as consistent with the early release policy.
- B. For the Before School program determine whether attendance by pupils for less than one-half of the daily program hours was included in the report of students served.
- C. For the Before School program determine whether elementary pupils participated the full day of the program and determine whether middle school students attended a minimum of six hours and three days a week, except as consistent with the early release policy.

Condition

- A. Elementary and middle school students at Johnson Elementary, Naranca Elementary, and Cajon Valley Middle School were released early without documentation of the reason for early release. We were unable to determine if the early release was consistent with the district's early release policy. In addition, middle school students who had not attended a minimum of nine hours and three days a week were included in the number of days students served. We were unable to determine if the early releases were consistent with the district's early release policy.
- B. In our review of students participating in the before school program for Johnson Elementary, Naranca Elementary, and Cajon Valley Middle School, we determined that attendance for pupils who attended less than one half of the daily program hours was included in the report of students served.
- C. Elementary and middle school students at Johnson Elementary, Naranca Elementary, and Cajon Valley Middle School arrived late without documentation of the reason for late arrival. In addition, middle school students who had not attended a minimum of six hours and three days a week were included in the number of days students served. We were unable to determine if the late arrivals were consistent with the district's late arrival policy.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Questioned Costs

After School Component:

For the third quarter tested the following days students served is questioned:

Johnson Elementary School - 1,721 days students served

Naranca Elementary School - 1,512 days students served

Cajon Valley Middle School - 3,146 days students served

Total third quarter questioned - 6,379 days students served

Before School Component:

For the third quarter tested the following days students served is questioned:

Johnson Elementary School - 678 days students served

Naranca Elementary School - 1,296 days students served

Cajon Valley Middle School - 789 days students served

Total third quarter questioned - 2,763 days students served

Recommendation

We recommend the district implement procedures to document the reason for early release from the after school program and late arrival to the before school program. The district should review whether the reason for early release or late arrival is consistent with their early release/late arrival policy in order to determine if the student should be included in the report of students served. The district should also evaluate whether middle school students have attended a minimum of nine hours and three days for the after school program and six hours and three days to the before school program. Students who do not attend at least one half of the before school program should not be included in the report of students served.

LEA's Response

Requirements regarding procedures for early release and late arrival were not made clear to the District by the San Diego County ASES program coordinator prior to the 2008 audit. Since the audit, a District policy and procedures for early release and late arrival, corresponding forms, and a letter to parents have been developed. The new procedures and forms will be implemented in January 2009. This information will also be included in all Fall registration packets. The District is using the San Diego County attendance forms and their web based system to record attendance in the program. This system includes an area for parents to indicate the reason for early release or late arrival.

CAJON VALLEY UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2007-1 (40000) K-3 Class Size Reduction</p> <p>A clerical error resulted in an understatement in the number of eligible students for class size reduction of one student under Option 2.</p>	<p>Implemented</p>	
<p>We recommended the district file an amended J-7CSR.</p>		