

**CAJON VALLEY UNION SCHOOL DISTRICT**

**PROPOSITION C BUILDING FUND (21-00)  
PROPOSITION EE BUILDING FUND (21-10)  
GENERAL OBLIGATION BONDS**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2017**

**CAJON VALLEY UNION SCHOOL DISTRICT  
PROPOSITION C BUILDING FUND (21-00)  
PROPOSITION EE BUILDING FUND (21-10)  
GENERAL OBLIGATION BONDS  
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Independent Auditor'

**CAJON VALLEY UNION SCHOOL DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
PROPOSITION C AND PROPOSITION EE  
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING**

On February 5, 2008 the Cajon Valley Union School District was successful in obtaining authorization from District voters to issue up to \$156,500,000 in General Obligation Bonds pursuant to a 55% vote in Proposition D, a Bond election. The General Obligation Bonds are considered Proposition 39 bonds.

On November 8, 2016 the Cajon Valley Union School District was successful in obtaining authorization from District voters to issue up to \$20,000,000 in General Obligation Bonds (Ed-Tech Bonds) pursuant to a 55% vote in Proposition EE, a Bond election. The General Obligation Bonds are considered Proposition 39 bonds.

The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908, was also enacted which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

By approval of Proposition C (a re-authorization measure) on November 6, 2012, with at least 55 KW000y. Proceeds is not 49(is)-70

**CAJON VALLEY UNION SCHOOL DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
PROPOSITION C AND PROPOSITION EE  
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING**

The Cajon Valley Union School District Proposition C and Proposition EE Citizens' Oversight Committee as of June 30, 2017 was comprised of the following members:

Deanne Markle	Chair
Richard Nasif	Co-Chair
Peter Lupo	Member
Victor Garcia	Member
Timothy Zelt	Member
Robert Kiesling	Member
Brailyn Daniel	Member



## INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and  
Citizens' Bond Oversight Committee  
Cajon Valley Union School District  
El Cajon, California**

### **Report on Financial Statements**

We have audited the accompanying financial statements of Proposition C Building Fund (21-00) and Proposition EE Building Fund (21-10)

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition C Building Fund (21-00) and Proposition EE Building Fund (21-10) of Cajon Valley Union School District as of June 30, 2017, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2018 on our consideration of Cajon Valley Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cajon Valley Union School District's internal control over financial reporting and compliance.



El Cajon, California  
January 4, 2018

## **FINANCIAL STATEMENTS**

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**  
 Balance Sheet  
 June 30, 2017

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	Proposition C Building Fund (21-00)	Proposition EE Building Fund (21-10)	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash in county treasury	\$ 5,191,507	\$ 5,666,195	

The accompanying notes to the financial statements are an integral part of this statement.



**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2017

The accompanying notes to the financial statements are an integral part of this statement.

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**  
Notes to the

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**

Notes to the Financial Statements, Continued  
Year Ended June 30, 2017

*Basis of Accounting*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The Building Funds are maintained on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

*Budgets and Budgetary Accounting*

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revi

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**

Notes to the Financial Statements, Continued  
Year Ended June 30, 2017

Interest earned is deposited quarterly into participating funds. 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 §53648 et.seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the 2017-18 budget is available on the district website at [www.cajonvalleyunionschools.org](http://www.cajonvalleyunionschools.org).

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**

Notes to the Financial Statements, Continued

Year Ended June 30, 2017

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

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

*Deferred Inflows and Deferred Outflows of Resources*

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2017 the District's Proposition C Building Fund (21-00) and Proposition EE Building Fund (21-10) did not have any Deferred Inflows or Deferred Outflows of Resources.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

Change in Accounting Policies

The District has adopted accounting principles compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**

Notes to the Financial Statements, Continued  
Year Ended June 30, 2017

*GASB Statement No. 77 – Tax Abatement Disclosures*

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

The Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provision for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- 2.

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**  
Notes to the Financial Statements, Continued  
Year Ended June 30, 2017

C. Cash and Investments

1. *Cash in County Treasury*

The District maintains significantly all of its cash in the San Diego County Treasury as part of the common investment pool. As of June 30, 2017, the portion of cash in county treasury attributed to Building Fund (21-00) and Building Fund (21-10) was \$10,857,702. The fair value of Building Fund (21-00) and Building Fund (21-10)'s portion of this pool as of that date, as provided by the pool sponsor, was \$10,857,702. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**

Notes to the Financial Statements, Continued  
Year Ended June 30, 2017

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. At year end, the District's Building Fund (21-00) and Building Fund (21-10) were 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's Building Fund (21-00) and Building Fund (21-10) were not exposed to concentration of credit risk.

d. *Interest Rate Risk*

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

e. *Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District's Building Fund (21-00) and Building Fund (21-10) were not exposed to foreign currency risk.

f. *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 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 t on\_ o m



**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**

Notes to the Financial Statements, Continued  
Year Ended June 30, 2017

*General Authorizations*

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

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

**D. Accounts Receivable**

As of June 30, 2017 accounts receivable consisted of:

	Proposition C (21-00)	Proposition EE (21-10)	Total
Interest	\$ 16,411	\$ 16,257	\$ 32,668
Other local income	3,826	-	3,826
<b>Total Accounts Receivable</b>	<b>\$ 20,237</b>	<b>\$ 16,257</b>	<b>\$ 36,494</b>

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**  
Notes to the Financial Statements, Continued  
Year Ended June 30, 2017

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**E. Accounts Payable**

As of June 30, 2017 accounts payable consisted of:

**F. Interfund Transactions**

Interfund receivable and payable balances at June 30, 2017 are as follows:

	Proposition C (21-00)	Proposition EE (21-10)
	<u>\$</u>	<u>\$</u>
Due From Other Funds - General Fund	<u>1,640,422</u>	<u>32,354</u>
Due To Other Funds - General Fund	<u>3,147</u>	<u>-</u>

The amounts due from the General Fund is for reimbursement of construction costs and fees and the amount due to the General Fund is for reimbursement of the portion of other post-employment benefits (OPEB) designated to Building Fund (21-00) at year end. These expenses were attributed to the work necessary for the bond projects and in conjunction with the Bond Project List as listed in the full text of the ballot measure.

**G. General Obligation Bonds**

In July 2008, the District issued \$35,000,000, Series A General Obligation Bonds in order to finance the construction of new schools, classrooms, and instructional facilities in addition to financing the repair and renovation of existing schools. The bonds mature on August 1, 2032 and yield an interest rate of 3.00 to 4.80 %.

In May 2011, the District issued \$13,093,060, Series B General Obligation Bonds in order to finance the construction, rehabilitation or repair of public school facilities, which may include interest payments during the construction period. The bond proceeds received by the District is part of an \$18,000,000 General Obligation Revenue Bonds of the California Qualified School Bond Joint Powers Authority (QSCB). The bonds mature on September 1, 2025 and yield an interest rate of 4%.

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**  
Notes to the Financial Statements, Continued

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**  
Notes to the Financial Statements, Continued

In March 2017 the District issued \$6,000,000 2016 Election, Series A, General Obligation Ed-Tech Bonds for the purpose of increasing student computer/technology access and continuing to finance the renovation, construction, and improvement of school facilities. The issue consisted of \$6,000,000 in current interest bonds with an interest rate of 5.00% with annual maturities from August 2018

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**  
Notes to the Financial Statements, Continued  
Year Ended June 30, 2017

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2017 is as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2018	3,890,883	17,519	4,933,652	8,842,054
2019	6,223,257	102,461	4,941,460	11,267,178
2020	3,782,864	141,482	3,503,401	7,427,747
2021	4,087,319	268,691		

Note: Amounts represented in the repayment schedule of accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have been accrued as of June 30, 2017. Accreted interest is the process of systematically increasing the carrying amount of capital appreciation bonds to their estimated value at the maturity

**CAJON VALLEY UNION SCHOOL DISTRICT  
PROPOSITION C BUILDING FUND (21-00)  
PROPOSITION EE BUILDING FUND (21-10)**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Governing Board Members and  
Citizens' Bond Oversight Committee  
Cajon Valley Union School District  
El Cajon, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Proposition C Building Fund (21-00) and Proposition EE Building Fund (21-10) of Cajon Valley Union School District, which comprise the balance sheet as of June 30, 2017, and the related statements of revenues, expenditures, and change in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereo



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether

El Cajon Office

218 W. Douglas Avenue • El Cajon, CA 92020

Imperial Valley Office

1000 B Street • San Diego, CA 92101

All purchase requisitions are reviewed for proper supporting documentation. The Project Manager or appropriate Director submits back up information to the Construction Accountant to initiate a purchase requisition. The Long-

Results of Procedures Performed:

We noted no instances where the District was out of compliance with respect to contracts and bidding procedures.

**Citizens' Oversight Committee**

Procedures Performed:

We have reviewed the minutes of the Citizens' Oversight Committee meetings and have attended committee meetings to verify compliance with Education Code sections 15278 through 15282.

Results of Procedures Performed:

We have determined the Cajon Valley Union School District's Proposition C and Proposition EE Citizens' Oversight Committee and its involvement is in compliance with Education Code sections 15278 through 15282.

Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied, in all material respects, with the compliance requirements for the Proposition C Building Fund (21-00) and Proposition EE Building Fund (21-10), for the fiscal year ended June 30, 2017.

This report is intended solely for the information and use of the District's Governing Board, the Proposition C and Proposition EE Citizens' Oversight Committee, management, others within the entity, and the taxpayers of Cajon Valley Union School District and is not intended to be and should not be used by anyone other than these specified parties.



El Cajon, California  
January 4, 2018

## **FINDINGS AND RECOMMENDATION**

**CAJON VALLEY UNION SCHOOL DISTRICT**  
**PROPOSITION C BUILDING FUND (21-00)**  
**PROPOSITION EE BUILDING FUND (21-10)**  
Schedule of Findings and Responses  
Year Ended June 30, 2017

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There were no findings to report.



**CAJON VALLEY UNION SCHOOL DISTRICT  
 PROPOSITION C BUILDING FUND (21-00)  
 PROPOSITION EE BUILDING FUND (21-10)  
 GENERAL OBLIGATION BONDS  
 BOND PROJECT LIST  
 JUNE 30, 2017**

Bond proceeds will be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the District located at the following locations:

- |   |  |
|---|--|
| Anza Elementary - Built in 1960           | Avocado Elementary - Built in 1970         |
| Blossom Valley Elementary - Built in 1993 | Bostonia Elementary - Built in 1995        |
| Cajon Valley Home School                  | Cajon Valley Middle School - Built in 1953 |
| Chase Elementary - Built in 1979          | Community Day - Built in 2007              |
| Crest Elementary - Built in 1956          | Cuyamaca Elementary - Built in 1948        |
| Emerald Middle - Built in 1958            | Flying Hills Elementary - Built in 1959    |
| Fuerte Elementary - Built in 1959         | Greenfield Middle - Built in 1959          |
| Hillsdale Middle - Built in 1995          | Jamacha Elementary - Built in 1991         |
| Johnson Elementary - Built in 1954        | Lexington Elementary - Built in 1956       |

Project Number	Project Name	School Name
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**CAJON VALLEY UNION SCHOOL DISTRICT  
PROPOSITION C BUILDING FUND (21-00)  
PROPOSITION EE BUILDING FUND (21-10)  
BOND PROJECT LIST  
(CONTINUED)**