

CAJON VALLEY UNION SCHOOL DISTRICT

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

JUNE 30, 2016

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
PROPOSITION C**

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. 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 percent of the registered voters voting on the measure, the District will be authorized to issue and sell bonds of up to \$88.4 million in aggregated principal at interest rates not in excess of the legal limit and to provide financing for the specific school facilities projects listed in the Bond Project List, subject to all the accountability requirements as specified.

The Bonds may be issued under the provisions of the California Education Code (starting at Section 15100), under the provisions of the California Government Code (starting at Section 53506), or under any other provision of law authorizing the issuance of general obligation bonds by school districts. The Bonds may be issued in series by the District from time to time, and each series of BoDso9.4 (i)6.9 (h)12 (eov)12 ((o9.4 (t)6.9 (i)6.9 ()6.9 ((h)12 (er)1.6 (a)16.3 of)13.7

Emphasis of Matter

As discussed in Note B, the financial statements present Building Fund (21-00) which is specific to Proposition C, and is not intended to present fairly the financial position and results of operations of Cajo

Other Reporting Required by

FINANCIAL STATEMENTS

CAJON VALLEY UNION SCHOOL DISTRICT

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)**

Notes to the Financial Statements
Year Ended June 30, 2016

A. Definition of the Fund

Proposition C, was approved by local voters in November 2012. As Proposition C bonds are issued, an equal amount of Proposition D authorization is retired; therefore, no additional debt is incurred beyond the original Proposition D authorization. The Building Fund (21-00) was formed to account for revenues and expenditures under Proposition C.

Proposition C was placed on the November 2012 ballot giving voters the option to support re-authorization of the remaining bonds.

This \$88,400,000 re-authorization initiative:

- (1) Allows for completion of all bond projects without delay;
- (2) Minimizes project cost escalation;
- (3) Allows the voters who approved Proposition C to benefit from the projects;
- (4) Provides local construction jobs when they are needed most; and
- (5) Saves taxpayers millions of dollars in interest compared to issuing capital appreciation bonds.

B. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

Fund Structure

The accompanying financial statements are used to account for the transactions of the Building Funds specific to Proposition C as defined in Note A and are not intended to present fairly the financial position and results of operations of Cajon Valley Union School District in conformity with accounting principles generally accepted in the United States of America.

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.

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

Notes to the Financial Statements, Continued
Year Ended June 30, 2016

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 revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

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

Notes to the Financial Statements, Continued
Year Ended June 30, 2016

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 amount of dollars invested in derivatives with San Diego County Treasury was not available.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due

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

Notes to the Financial Statements, Continued
Year Ended June 30, 2016

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

CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION C BUILDING FUND (21-00)
Notes to the Financial Statements, Continued
Year Ended June 30, 2016

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

Notes to the Financial Statements, Continued
Year Ended June 30, 2016

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background, in public finance. In addition, the County Treasury is audited annually by an independent auditor.

2. 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

CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION C BUILDING FUND (21-00)
Notes to the Financial Statements, Continued
Year Ended June 30, 2016

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
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**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION C BUILDING FUND (21**

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PROPOSITION C BUILDING FUND (21-00)**

Notes to the Financial Statements, Continued
Year Ended June 30, 2016

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PROPOSITION C BUILDING FUND (21-00)
Notes to the Financial Statements, Continued
Year Ended June 30, 2016

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement

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

Notes to the Financial Statements, Continued
Year Ended June 30, 2016

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has adopted the provisions of GASB Statement No. 78 effective for the 2016-17 fiscal year.

GASB Statement No. 79

In December 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 79 Certain External Investment Pools and Pool Participants This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has adopted the provisions of GASB Statement No. 79 effective for the 2016-17 fiscal year.

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

Notes to the Financial Statements, Continued
Year Ended June 30, 2016

GASB Statement No. 80

In January 2016 the Governmental Accounting Standards Board (GASB) issued Statement No. 80 Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District has adopted the provisions of GASB Statement No. 80 effective for the 2016-17 fiscal year.

OTHER INDEPENDENT AUDITORS' REPORTS

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

**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) of Cajon Valley Union School District, which comprise the balance sheet as of June 30, 2016, 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 oave rtandcieldi

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cajon Valley Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

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

We have audited the financial statements of the Proposition C Building Fund (21-00) of Cajon Valley Union School District as of and for the fiscal year ended June 30, 2016 and have issued our report thereon dated January 5, 2017. Our audit was made in accordance with generally accepted auditing standards in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition 39 Proposition C General Obligation Bond for the fiscal year ended June 30, 2016. The objective of the audit of compliance applicable to Cajon Valley Union School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Proposition C Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure to modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve facilities of the District as noted in the bond project list.

In performing our audit 1.217 8-1.71.2 (t)-2.6 (1.217 8-na65 (he)-1.7 (.8 (l) 10.9 (e)-1.6 (Ef (.8 (l) 1r)-4n(l) 1r)-4n(l)-3

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-Range Planning Director verifies that the requested purchase is an allowable project cost in accordance with the Proposition C ballot initiative approved by local voters, as well as the Board approved budget, and that all expenditures are properly recorded by project and expense category. All requisitions are routed for review and electronic approval as follows: (1) Construction Accountant; (2) Assistant Superintendent of Business Services; (3) Long-Range Planning Director; (4) Account Analyst;

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 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), for the fiscal year ended June 30, 2016.

This report is intended solely for the information and use of the District's Governing Board, the Proposition C Citizens' Oversight Committee, management, others within the entity, and the taxpayers of

FINDINGS AND RECOMMENDATION

CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION C BUILDING FUND (21-00)
Schedule of Findings and Responses
Year Ended June 30, 2016

CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION C BUILDING FUND (21-00)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

There were no findings reported for the year ended June 30, 2015.

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION C BUILDING FUND (21-00)
GENERAL OBLIGATION BONDS
BOND PROJECT LIST
JUNE 30, 2016**

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

Blossom Valley Elementary - Built in 1993

Cajon Valley Home School

Chase Elementary - Built in 1979

Crest Elementary - Built in 1956

Avocado Elementary - Built in 1970

Bostonia Elementary - Built in 1995

Cajon Valley Middle School - Built in 1953

Community Day - Built in 2007

Cuyamaca Elementary - Built iuyatary (t)9.2C2476.7 (

CAJON VALLEY UNION SCHOOL DISTRICT

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