

**MEASURE "V" GENERAL OBLIGATION  
BOND BUILDING FUND OF  
VICTOR VALLEY UNION  
HIGH SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2013**



**MEASURE "V" GENERAL OBLIGATION BOND BUILDING FUND OF  
VICTOR VALLEY UNION HIGH SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2013*

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## *Introduction*

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**MEASURE "V" GENERAL OBLIGATION BOND BUILDING FUND OF  
VICTOR VALLEY UNION HIGH SCHOOL DISTRICT**

*Introduction and Citizens' Oversight Committee Member Listing  
June 30, 2013*

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Victor Valley Union High School District (the District) consists of four high schools, three middle schools, and one alternative education center supported by a District Office and an operations center. The District serves approximately 9,600 students.

On November 4, 2008, the voters of the Victor Valley Union High School District approved by more than 55% Measure "V", authorizing the issuance and sale of \$500,000,000 of general obligation bonds. On October 7, 2009, the District issued Series 2009 of the Election of 2008 General Obligation Bonds in the amount of \$69,999,600. The bonds were issued to finance the acquisition, construction, modernization, and equipping of school facilities and to pay costs of issuance of the bonds.

Measure "V" was a Proposition 39 bond, issued pursuant to the provisions of the Education Code of the State of California and pursuant to a resolution adopted by the Board of Education of the District.

On September 1, 2010, the District issued General Obligation Bond Anticipation Notes in the amount of \$74,500,000. The Notes are being issued to finance costs of renovating, acquiring, constructing, repairing and equipping of District buildings and other facilities in anticipation of proceeds from general obligation bonds to be issued by the District.

The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. 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 for facilities projects.

Upon passage of Proposition 39, an accompanying piece of legislation, AB1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond Proposition 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 the improper expenditure of bond revenues.

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2013.

Name	Title	Representation
Scott Priester	Chairperson	Parent/ Guardian of Child in District
Jiles Smith	Chairperson	Business Organization Representative
Charley Glasper	Member	At-Large Community Member, Taxpayer Organization Member & Senior Citizen Group Representative
Rosalio Hinojos	Member	Senior Citizen Group Representative
Latonya Myers	Member	Parent/ Guardian of Child in District - Active in Parent Teacher Organization
Leslie Haynes	Member	Taxpayer Organization Member
Allison Fine Johnson	Member	At-Large Community Member

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees and the Citizens' Bond Oversight Committee  
Victor Valley Union High School District  
Victorville, California

We have audited the accompanying financial statements of the Measure "V" General Obligation Bond Building Fund of Victor Valley Union High School District, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

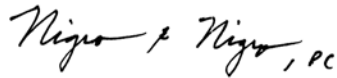
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure "V" General Obligation Bond Building Fund of Victor Valley Union High School District, as of June 30, 2013, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Measure "V" General Obligation Bond Building Fund and do not purport to, and do not, present fairly the financial position of the Victor Valley Union High School District, as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014 on our consideration of the 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 the District's internal control over financial reporting and compliance.



Murrieta, California  
February 24, 2014

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***Financial Section***

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**MEASURE "V" GENERAL OBLIGATION BOND BUILDING FUND OF  
VICTOR VALLEY UNION HIGH SCHOOL DISTRICT**

*Balance Sheet*

*June 30, 2013*

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	<u>Measure "V"</u>
<b>ASSETS</b>	
Cash	\$ 6,274,830
Accounts receivable	<u>5,618</u>
<b>Total Assets</b>	<u><u>\$ 6,280,448</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 2,252,647
<b>Fund Balance</b>	
Restricted for capital projects	<u>4,027,801</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 6,280,448</u></u>



**MEASURE "V" GENERAL OBLIGATION BOND BUILDING FUND OF  
VICTOR VALLEY UNION HIGH SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Fiscal Year Ended June 30, 2013*

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	<b>Measure "V"</b>
<b>REVENUES</b>	
Interest earnings	\$ 89,362
Other local revenue	2,786,851
	<b>2,876,213</b>
<b>EXPENDITURES</b>	
Current:	
Plant services	303,050
Capital Outlay	18,160,432
Debt Service:	
Principal	74,500,000
Interest	3,051,266
Issuance Costs	2,362,739
	<b>98,377,487</b>
<b>Total Expenditures</b>	<b>98,377,487</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(95,501,274)</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Interfund transfer in	20,814,869
Proceeds from bond issuance	36,839,953
Premiums from bond issuance	2,137,739
	<b>59,792,561</b>
<b>Total Other Financing Sources (Uses)</b>	<b>59,792,561</b>
Net Change in Fund Balance	<b>(35,708,713)</b>
Fund Balance, July 1, 2012	39,951,219
Adjustment for restatement	<b>(214,705)</b>
Fund Balance, July 1, 2012, as restated (note 7)	<b>39,736,514</b>
Fund Balance, June 30, 2013	<b>\$ 4,027,801</b>

# MEASURE "V" GENERAL OBLIGATION BOND BUILDING FUND OF VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

*Notes to Financial Statements*

*June 30, 2013*

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## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

On November 4, 2008 the District voters authorized \$500 million in General Obligation Bonds (Measure "V") for the purpose of financing the acquisition, modernization, construction, and equipping of certain District schools, sites and facilities. The measure required a minimum 55% vote for passage. In response, an advisory committee to the District's Governing Board and Superintendent, the Citizens' Bond Oversight Committee, was established. The Committee's oversight goals include ensuring compliance with conditions of Measure "V".

The Bond proceeds are accounted for in the District's Building Fund, where they are expended for the approved projects. The statements presented are for the individual Measure "V" General Obligation Bond Building Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

### B. Accounting Policies

The Victor Valley Union High School 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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

### C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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 financial statements of the Measure "V" General Obligation Bond Building Fund are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

### D. 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.

### E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**MEASURE "V" GENERAL OBLIGATION BOND BUILDING FUND OF  
VICTOR VALLEY UNION HIGH SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2013*

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**NOTE 2 – CASH**

**Pooled Funds**

In accordance with Education Code Section 41001, the District maintains all of its Building Fund cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2013, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2013 in the amount of \$5,618 represents the amount due from the San Bernardino County Treasurer for interest earnings for the quarter ended June 30, 2013.

**NOTE 4 – INTERFUND ACTIVITIES**

**Transfers From Other Funds**

Transfers from other funds for the fiscal year ended June 30, 2013 consisted of the following:

County Schools Facilities Fund transfer to Building Fund to reimburse state funded expenditures	\$ 7,669,162
Debt Service Fund transfer to Building Fund for Bond Anticipation Note payments	2,145,707
Special Reserve Fund for Capital Outlay Projects transfer to Building Fund for BAN payments	<u>11,000,000</u>
Total	<u>\$ 20,814,869</u>

**MEASURE "V" GENERAL OBLIGATION BOND BUILDING FUND OF  
VICTOR VALLEY UNION HIGH SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2013*

**NOTE 5 – MEASURE "V" GENERAL OBLIGATION BONDS**

A summary of outstanding bonded debt issued by the District is shown below.

Series	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013
Measure "V" Bonds:				
Series 09	\$ 69,859,748	\$ -	\$ -	\$ 69,859,748
Series B	-	36,839,953	-	36,839,953
Sub-total General Obligation Bonds	69,859,748	36,839,953	-	106,699,701
Bond Anticipation Notes	74,500,000	-	74,500,000	-
Total	\$ 144,359,748	\$ 36,839,953	\$ 74,500,000	\$ 106,699,701

**Series 2009**

On October 7, 2009, the District issued Series 2009 of the Election of 2008 General Obligation Bonds in the amount of \$69,999,600. The issue consisted of: a) Current Interest Term Bonds of \$37,545,000 with a stated interest rate of 5% due August 1, 2034, b) Term Bonds of \$13,206,758 with a stated interest rate of 5.75% due August 1, 2031, and c) Capital Appreciation Serial Bonds of \$19,247,842 with stated yields ranging from 1.75% to 5.77% and fully maturing on August 1, 2028. At June 30, 2013, the outstanding principal balance of the bonds was \$69,859,748.

**Series B**

On February 26, 2013, the District issued Series B of the Election of 2008 General Obligation Bonds in the amount of \$36,839,953. The issue consisted entirely of Capital Appreciation Serial Bonds with stated yields ranging from 5.47% to 12.00% and fully maturing on August 1, 2052. At June 30, 2013, the outstanding principal balance of the bonds was \$36,839,953.

The requirements to amortize outstanding Measure "V" general obligation bonds are as follows:

Fiscal Year	Principal	Interest	Total
2013-14	\$ 709,053	\$ 1,877,250	\$ 2,586,303
2014-15	810,700	1,877,250	2,687,950
2015-16	827,860	2,074,586	2,902,446
2016-17	1,200,531	1,877,250	3,077,781
2017-18	1,498,980	1,877,250	3,376,230
2018-23	5,933,249	13,452,093	19,385,342
2023-28	8,090,649	16,010,250	24,100,899
2028-33	25,754,948	13,312,388	39,067,336
2033-38	31,021,265	21,575,735	52,597,000
2038-43	11,046,753	39,928,246	50,974,999
2043-48	10,408,645	55,426,355	65,835,000
2048-53	9,397,068	75,627,932	85,025,000
Total	\$ 106,699,701	\$ 244,916,585	\$ 351,616,286

**MEASURE "V" GENERAL OBLIGATION BOND BUILDING FUND OF  
VICTOR VALLEY UNION HIGH SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2013*

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**NOTE 5 – MEASURE "V" GENERAL OBLIGATION BONDS (continued)**

**Bond Anticipation Notes (BAN)**

On September 1, 2010, the District issued General Obligation Bond Anticipation Notes in the amount of \$74,500,000. The Notes are payable from the proceeds of the General Obligation Bonds to be issued by the District pursuant to a duly called election of the registered voters of the District held on November 4, 2008. The Notes are being issued to finance costs of renovating, acquiring, construction, repairing and equipping of District buildings and other facilities in anticipation of proceeds from General Obligation Bonds to be issued by the District pursuant to the Authorization. The notes bear an interest rate of 2.259% and were scheduled to mature in two phases, with the first payment of \$27 million due in December of 2012 and the final payment of \$47.5 million due in September of 2014. The District fully repaid the bond anticipation notes in 2012-13.

**NOTE 6 – CONSTRUCTION COMMITMENTS**

At June 30, 2013, the District had commitments with respect to unfinished capital projects of approximately \$8.0 million to be paid from a combination of state and local funds.

**NOTE 7 – ADJUSTMENT FOR RESTATEMENT**

The beginning fund balance of the Building Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance has been reduced by (\$214,705) to remove expenditures paid during 2012-13 that were for expenditures for 2011-12.

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***Other Independent Auditors' Reports***

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**INDEPENDENT AUDITORS' 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**

The Board of Trustees and the Citizens' Bond Oversight Committee  
Victor Valley Union High School District  
Victorville, 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 the Measure "V" General Obligation Bond Building Fund of Victor Valley Union High School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Victor Valley Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Victor Valley Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Victor Valley Union High School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2013-3 to be a material weakness.

**Compliance and Other Matters**

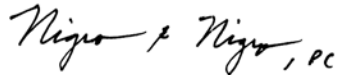
As part of obtaining reasonable assurance about whether Victor Valley Union High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Findings 2013-1 and 2013-2.

**Victor Valley Union High School District's Responses to Findings**

Victor Valley Union High School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Victor Valley Union High School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Murrieta, California  
February 24, 2014





## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Trustees and the Citizens' Bond Oversight Committee  
Victor Valley Union High School District  
Victorville, California

We have examined the Victor Valley Union High Unified School District's (the "District") compliance with the performance requirements for the Proposition 39 Measure "V" General Obligation Bond for the fiscal year ended June 30, 2013, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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.

### Objectives

The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure "V".
- Any discrepancies or weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens' Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

### Scope of the Audit

The scope of our performance audit covered the fiscal period from July 1, 2012 to June 30, 2013. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were also included within the scope of our audit. Expenditures incurred subsequent to June 30, 2013 were not reviewed or included within the scope of our audit or in this report.

### **Procedures Performed**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2013 for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure "V" with regards to the approved bond projects list. We performed the following procedures:

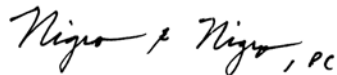
To meet our objectives, audit tests were performed and included, but were not limited to the following:

- We verified that bond funds were deposited in the District's name and invested in accordance with applicable legal requirements.
- We tested approximately \$13.1 million in bond fund invoices paid (approximately 71%). This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our test included payments made to subcontractors and other vendors.
- We reviewed the approved project listing as set out in the Measure "V" election documents.
- We verified that funds from the Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects, and we verified that funds held in the Building Fund were not used for salaries of school administrators or other operating expenses of the District.
- We reviewed a sample of projects to ensure that proper bidding procedures were followed under Uniform Construction Cost Accounting pursuant to Public Contract Code Section 22032. In order to qualify for these accounting and bidding procedures, the Governing Board elected to become subject to them in April of 2000.
- We sampled three contracts and verified compliance with Public Contract Code bid requirements, board approvals, that invoices paid were within the contract terms and change orders were approved.
- We verified that the District did not exceed change order limitations in excess of 10% pursuant to Public Contract Code.

Our audit of compliance made for the purpose set forth in the preceding paragraph would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the Measure "V" General Obligation Bond proceeds listed and tested above. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported and which are described in the accompanying schedule of findings and responses as Findings 2013-1 and 2013-2.

This report is intended for the information of the Board of Trustees, management and the Citizens' Bond Oversight Committee; however, this report is a matter of public record.



Murrieta, California  
February 24, 2014

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## *Findings and Responses*

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**MEASURE "V" GENERAL OBLIGATION BOND BUILDING FUND OF  
VICTOR VALLEY UNION HIGH SCHOOL DISTRICT**

*Schedule of Audit Findings*

*June 30, 2013*

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**Finding 2013-1: Bond Oversight Committee Term Limits**

We determined that three of the seven members of the Citizens' Oversight Committee have served more than three consecutive terms with each term length being two years. According to Education Code Section 15282(a), the Committee shall consist of at least seven members who shall serve for a minimum term of two years without compensation and for no more than three consecutive terms.

**Recommendation:** We recommend that the District replace the members who have served more than three consecutive terms. The District should perform its due diligence in seeking out new members to ensure that correct representation is present on the Oversight Committee along with the term requirements.

**District Response:** Although certain members served more than two years, the majority did change. It is very difficult to obtain members from the community.

**Finding 2013-2: Contract/ Bid Package Testing**

In accordance with Public Contract Code Section 22036, public agencies that adopt and contract under the Uniform Public Construction Cost Accounting Act (UCCA) shall be required to mail, e-mail, or fax a notice to the appropriate construction trade journals, of all informal and formal construction contracts being bid within the specified county (as provided in sections 22034 and 22037 of the Public Contract Code). The District did not have evidence of advertisement for bids with construction costs over \$175,000 published in the two required trade journals as specified under UCCA guidelines and did not notify two additional trade journals, as specified under UCCA. This was noted for all three of the contracts that we selected for review.

**Recommendation:** The District should have all advertisements and notifications of bids placed in the appropriate trade journals specified under UCCA guidelines. The trade journals that must be notified under UCCA guidelines for districts in San Bernardino County are: 1) Construction Bidboard (eBidboard) 2) McGraw-Hill Construction Dodge. In addition, the District must notify two of the following additional trade journals: A) Southern California Builders Association B) BidAmerica Online Planroom C) Associated General Contractors of America San Diego Chapter, Inc.

**District Response:** The District has advertised in McGraw-Hill and BidBoard for projects. The District's construction management firm has been advised to advertise further in the listed journals.

**Finding 2013-3: Unrecorded Liabilities**

In reviewing the accounts payable balance in the various funds of the District, we noted that there was a zero balance in Fund 21 for accounts payable. During our review of warrants disbursed during the 2013-14 fiscal year, we noted that 21 of the 52 warrants reviewed for Fund 21 were for expenditures incurred during the 2012-13 fiscal year that were not properly accrued as accounts payable for the 2012-13 fiscal year. This resulted in an understatement of accounts payable in Fund 21 of nearly \$2.3 million.

Furthermore, we also noted disbursements paid during 2012-13 that were for expenditures for 2011-12 that resulted in a restatement of nearly \$215,000. Audit adjustments have been recorded to correct these discrepancies.

**MEASURE "V" GENERAL OBLIGATION BOND BUILDING FUND OF  
VICTOR VALLEY UNION HIGH SCHOOL DISTRICT**

*Schedule of Audit Findings*

*June 30, 2013*

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**Finding 2013-3: Unrecorded Liabilities (continued)**

**Recommendation:** We recommend that management provide additional training to accounting staff in the process of identifying accruals. Additionally, we recommend that management review open purchase orders at year-end to identify accruals that could be missed, as well as contacting vendors for final billings prior to the closing of each fiscal year.

**District Response:** Staff assignments will be evaluated and reassigned as needed. Further training will be required of all staff.

**MEASURE "V" GENERAL OBLIGATION BOND BUILDING FUND OF VICTOR VALLEY UNION HIGH SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2013*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2012-1: Inappropriate Use of Bond Proceeds</i>	<p>Proceeds from the sale of bonds are to be used only for the construction, reconstruction, rehabilitation, or replacement of school facilities or the acquisition or lease of real property for school facilities in connection with specific school projects. The District expended \$999,275 for the purchase of seven school buses out of bond proceeds, which are not allowable under the bond language according to Resolution number 09-01 of the Victor Valley Union High School District.</p> <p>Also, due to continued state budget cuts and deferrals of state apportionments, the District borrowed \$12 million from the Measure "V" funds to meet cash flow shortages in the General Fund during 2010-11. According to Education Code section 42603, such borrowing is permitted, but the funds must be repaid during the following fiscal year. The District repaid the loan, but then re-borrowed it, which is in essence the same as not repaying it. Furthermore, during 2012-13, the District is required to repay a \$27 million obligation on Bond Anticipation Notes. This repayment will further limit the District's ability to repay the \$12 million loan and will require that even more Measure "V" bond funds will need to be borrowed.</p>	<p>We recommend that the District pay for the bus purchases out of the General Fund by repaying the Building Fund with the cost of the expenditures for the seven buses. In addition, the District will likely need to stop all construction projects, except for Adelanto and Silverado High Schools, so that cash is available. The District will need to develop a repayment plan to repay the Measure "V" funds with interest.</p>	Implemented.