

**PROPOSITION P BOND BUILDING FUND OF
ENCINITAS UNION SCHOOL DISTRICT**

AUDIT REPORT

**For the Year Ended
June 30, 2015**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**PROPOSITION P BOND BUILDING FUND
ENCINITAS UNION SCHOOL DISTRICT
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June 30, 2015**

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FINANCIAL SECTION

**PROPOSITION P BOND BUILDING FUND
ENCINITAS UNION SCHOOL DISTRICT
Introduction and Citizens' Oversight Committee Member Listing
June 30, 2015**

The Encinitas Union School District was formed in 1944 and encompasses 24.6 square miles. It is located in the north coastal portion of San Diego County and serves the City of Encinitas and the La Costa area of Carlsbad. The District began with a one room school, built in 1883. Presently, the District serves students in grades kindergarten through six, with nine elementary school facilities. All of the District's schools have been recognized as California Distinguished Schools, and La Costa Heights, Mission Estancia, Olivenhain Pioneer, and Park Dale Lane have been recognized as National Blue Ribbon Schools.

In November 2010, the District's voters approved by more than the required 55% favorable vote, Proposition P, authorizing the issuance and sale of general obligation bonds, not to exceed \$44,200,000. 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.

The Proposition 39 bonds were issued by the District, through the County of San Diego. On April 20, 2011, Election of 2010, Series 2011 of the Proposition P bond authorization was issued, which consisted of capital appreciation bonds and convertible capital appreciation bonds with an initial par amount of \$12,998,720 with stated interest rates of 5.43% to 6.75% and maturing through August 1, 2035. On February 5, 2013, Series 2013 bonds of the Proposition P bond authorization were issued, which consisted of current interest and capital appreciation bond with an initial par amount of \$9,998,411 with state interest rates of 3.0% to 4.35% and maturing through August 1, 2037. As of June 30, 2015, the principal balance outstanding on the Election of 2010 bond issuances was \$22,997,131, which does not include \$5,169,786 of accreted interest.

Upon passage of Proposition 39, an accompanying stated piece of legislation, AB 1908 (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 measure pursuant to the 55% majority authorized in Proposition P including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Oversight Committee had the following members as of June 30, 2015, all of whom were appointed by the District's Board of Education with two year terms of office:

Name	Title	Representation	Education Code Section
Alan Juliussen	Chairperson	Community -at- Large	15282(a)
Ringa Viskanta	Vice-Chairperson	Parent of Child Enrolled in District	15282(a)(4)
Amy Flicker	Member	Active in a Bona Fide Taxpayers' Organization	15282(a)(3)
Bill Berrier	Member	Community -at- Large	15282(a)
Kirstin Reece	Member	Parent of Child Enrolled in District and Active in a Parent-Teacher Organization	15282(a)(5)
Lloyd O'Connell	Member	Active in a Senior Citizens' Organization	15282(a)(2)
Brenda Annibali-Smith	Member	Active in a Business Organization	15282(a)(1)
Roger Bolus	Member	Community -at- Large	15282(a)
Alan Waskin	Member	Community -at- Large	15282(a)

INDEPENDENT AUDITORS' REPORT

Governing Board Members and
Proposition P Citizens' Oversight Committee
Encinitas Union School District
Encinitas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition P Bond Building Fund of Encinitas Union School District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Proposition Bond Building Fund's basic 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.

Auditor's Responsibility

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 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.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Proposition P general obligation bonds as issued by the District, through the County of San Diego, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition P Bond Building Fund of Encinitas Union School District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016 on our consideration of the Proposition P Bond Building Fund'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 Proposition P Bond Building Fund's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated February 22, 2016 on our consideration of the Proposition P Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Proposition 39 Bond Building Fund for the fiscal year ended June 30, 2015 and should be considered in assessing the results of our financial audit.

Christy White Associates

San Diego, California
February 22, 2016

**PROPOSITION P BOND BUILDING FUND
ENCINITAS UNION SCHOOL DISTRICT
Balance Sheet
June 30, 2015**

ASSETS	
Cash in county treasury	\$ 1,255,573
Accounts receivable	1,433
Due from other funds	<u>2,158,847</u>
Total Assets	<u>\$ 3,415,853</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 1,451,930
Due to other funds	<u>1,663,921</u>
Total Liabilities	<u>3,115,851</u>
Fund Balance	
Restricted for capital projects	<u>300,002</u>
Total Fund Balance	<u>300,002</u>
Total Liabilities and Fund Balance	<u>\$ 3,415,853</u>

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

**PROPOSITION P BOND BUILDING FUND
ENCINITAS UNION SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2015**

REVENUES	
Interest income	\$ 11,435
	<hr/>
Total Revenues	11,435
	<hr/>
EXPENDITURES	
Facilities acquisition and construction	8,727,198
	<hr/>
Total Expenditures	8,727,198
	<hr/>
OTHER FINANCING SOURCES AND USES	
Interfund trasfers in	2,158,847
	<hr/>
Total Other Financing Sources and Uses	2,158,847
	<hr/>
Net Change in Fund Balance	(6,556,916)
Fund Balance, July 1, 2014	6,856,918
	<hr/>
Fund Balance, June 30, 2015	\$ 300,002
	<hr/>

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

**PROPOSITION P BOND BUILDING FUND
ENCINITAS UNION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Encinitas Union School District (the “District”) was established in 1944. The District serves approximately 5,297 students in nine elementary schools.

On November 2, 2010 the District voters authorized \$44,200,000 in general obligation bonds (Proposition P) to improve the quality of education, upgrade computers and technology, improve energy efficiency/water conservation, replace aging roofs, upgrade inadequate electrical, plumbing, heating/ventilation/air-conditioning systems, renovate outdated classrooms, restrooms, and school facilities, and make health, safety and handicapped accessibility improvements.

An oversight committee to the District’s Governing Board and Superintendent, called the Citizens’ Oversight Committee (COC), was established pursuant to the requirements of state law and the provisions of the Proposition P bond. The COC is required by state law to actively review and report on the proper expenditure of taxpayers’ money for school construction. The COC provides oversight and advises the public whether the District is spending the Proposition P Bond funds for school capital improvements within the scope of projects outlined in the Proposition P Bond project list. In fulfilling its duties, the COC reviews, among other things, the District’s annual performance and financial audits of Proposition P activity.

The statements presented are for the individual Proposition P Bond Building Fund of the District, consisting of the net construction proceeds of Election of 2010, Series 2011 and Series 2013 general obligation bonds as issued by the District, through the County of San Diego, and are not intended to be a complete presentation of the District’s financial position or results of operations. There are no related parties or component units included in this financial statement presentation.

B. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the California 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).

**PROPOSITION P BOND BUILDING FUND
ENCINITAS UNION SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2015**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The five classifications are Nonspendable, Restricted, Committed, Assigned and Unassigned. The category applicable to Proposition 39 bonds is the Restricted classification. The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

D. 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 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.

E. 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.

F. Deposits and Investments

In accordance with *Education Code Sections 15357 and 41001*, the District maintains a portion of 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. Any investment losses are proportionately shared by all funds in the pool.

**PROPOSITION P BOND BUILDING FUND
ENCINITAS UNION SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2015**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as cash in county treasury for \$1,255,573.

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

Cash in County Treasury – 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 (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**PROPOSITION P BOND BUILDING FUND
OF ENCINITAS UNION SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies examples of the investment types permitted in the investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
Agency Obligations	5 years	None	25%
Local Agency Obligations	5 years	15%	10%
Bankers' Acceptances	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	40%	10-15%
Reverse Repurchase Agreements	92 days	20%	10%
Local Agency Investment Fund (LAIF)	N/A	10%	10%
Corporate Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	15%	10%
Bond Funds	N/A	2.5%	2.5%
Pass-Through Securities	5 years	20%	5%

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market 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 Treasury. The District maintains an investment with the San Diego County Investment Pool with a fair value of approximately \$1,255,711 and an amortized book value of \$1,255,573. The weighted average maturity for this pool as of June 30, 2015 was 356 days.

**PROPOSITION P BOND BUILDING FUND
OF ENCINITAS UNION SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2015, the pooled investments in the San Diego County Investment Pool were rated AAAs/S1 by Standard & Poor's.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable amounting to \$1,433 as of June 30, 2015 consists of interest earned on the District's investment in the County Treasury.

NOTE 4 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

- As of June 30, 2015, the balance of \$2,158,847 was due to the Proposition P Building Fund from the Special Reserve Fund for Capital Outlay Projects to cover the negative balance in 2014-15 and 2015-16.
- As of June 30, 2015, the balance of \$1,663,921 was due to the Special Reserve Fund for Capital Outlay Projects from the Proposition P Building Fund to cover Apple iPad Air purchases.

Interfund Transfers

As of June 30, 2015, the balance of \$2,158,847 was transferred to the Proposition P Building Fund from the Special Reserve Fund for Capital Outlay Projects to cover the negative balance in 2014-15 and 2015-16.

NOTE 5 – CONSTRUCTION COMMITMENTS

The Proposition P Bond Building Fund had commitments with respect to unfinished Proposition P projects of \$7,106,144 as of June 30, 2015.

**PROPOSITION P BOND BUILDING FUND
ENCINITAS UNION SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2015**

NOTE 6 – PROPOSITION P GENERAL OBLIGATION BONDS

On April 20, 2011, Series 2011 bonds of the Proposition P bond authorization were issued, which consisted of current interest and capital appreciation bonds with an initial par amount of \$12,998,720, with stated interest rates of 5.43% to 6.75% and maturing through August 1, 2035.

On February 5, 2013, Series 2013 bonds of the Proposition P bond authorization were issued, which consisted of current interest and capital appreciation bond with an initial par amount of \$9,998,411 with state interest rates of 3.0% to 4.35% and maturing through August 1, 2037.

As of June 30, 2015, the principal balance outstanding on the District’s Proposition P general obligation bonds is indicated as follows:

	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Additions	Deletions	Outstanding June 30, 2015
Election 2010, Series 2011	4/20/2011	5.43% - 6.75%	8/1/2035	\$ 12,998,720	\$ 16,016,348	\$ 1,078,696	\$ -	\$ 17,095,044
Election 2010, Series 2013	2/5/2013	3.0% - 4.35%	8/1/2037	9,998,411	10,619,885	451,988	-	11,071,873
					<u>\$ 26,636,233</u>	<u>\$ 1,530,684</u>	<u>\$ -</u>	<u>\$ 28,166,917</u>

The annual requirements to amortize all Proposition P general obligation bonds payable outstanding as of June 30, 2015, are as follows:

Year Ended June 30,	Principal*	Interest	Total
2016	\$ -	\$ -	\$ -
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021-2025	3,173,054	6,488,017	9,661,071
2026-2030	5,329,035	13,075,036	18,404,071
2031-2035	9,059,992	14,337,001	23,396,993
2036-2040	5,435,050	7,580,384	13,015,434
Total	<u>\$ 22,997,131</u>	<u>\$ 41,480,438</u>	<u>\$ 64,477,569</u>

* Principal excludes \$5,169,786 of accreted interest as of June 30, 2015.

OTHER INDEPENDENT AUDITORS' REPORTS

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board Members and
Proposition P Citizens' Oversight Committee
Encinitas Union School District
Encinitas, California

We have audited the financial statements of the Proposition P Bond Building Fund of Encinitas Union School District (the "District") as of and for the year ended June 30, 2015, and have issued our report thereon dated February 22, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Encinitas Union School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Proposition P Bond Building Fund of Encinitas Union School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Proposition P Bond Building Fund of Encinitas Union School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Proposition P Bond Building Fund of Encinitas Union School District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Proposition P Bond Building Fund of Encinitas 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 the District's Governing Board, the Proposition P Citizens' Oversight Committee, management, others within the entity, and the taxpayers of Encinitas Union School District, and is not intended to be and should not be used by anyone other than these specified parties.

Christy White Associates

San Diego, California
February 22, 2016

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board Members and
Proposition P Citizens' Oversight Committee
Encinitas Union School District
Encinitas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition P Bond Building Fund, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Proposition P Bond Building Fund's basic 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.

Auditor's Responsibility

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 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.

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

Objectives

In connection with our audit, we also performed an audit of compliance as required in the performance requirements for the Proposition P General Obligation Bonds for the fiscal year ended June 30, 2015. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds of the sale of the Proposition P General Obligation Bonds were only used for the purposes set forth in the Proposition P ballot language and not for any other purpose, such as teacher and administrative salaries.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

Internal Control Evaluation

Procedures Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud or waste regarding Proposition P projects, including budgetary controls
- Ensure adequate separation of duties exists in the fiscal services department for Proposition P funds
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper fund(s)
- To follow applicable regulations, including regulations related to bidding and contract management

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the fiscal year 2014-2015 financial statement balances for the Proposition P Bond Building Fund are not materially misstated.

Results of Procedures Performed:

The result of our audits tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unmodified opinion was expressed on the financial statements.

Facilities Site Walk

Procedures Performed:

We performed a site walk to verify that Proposition P funds expended for the fiscal year ended June 30, 2015 were for valid facilities acquisition and construction purposes. We performed site walks at Olivenhain Pioneer Elementary School and Mission Estancia Elementary School on January 15, 2016, in order to observe completed projects performed and funds expended associated with Proposition P in the fiscal year 2014-15.

Results of Procedures Performed:

Results of the site walks indicate that the major 2014-2015 Proposition P construction projects at Olivenhain Pioneer Elementary School and Mission Estancia Elementary School were successfully completed and advanced into 2015-2016 expenditure/construction phases where applicable. HVAC units were installed in all buildings at Olivenhain Pioneer ES, including a 'cool roof' which is a white roof that decreases energy costs during the summer time. A new lunch shelter was constructed and completed at Mission Estancia Elementary School which provides shaded sitting areas for the students. The original roofs constructed 20 years ago were replaced at both elementary schools. Solar panels and solatubes were installed at both elementary schools for increased energy efficiency and to provide power to the solatubes.

Test of Expenditures

Procedures Performed:

The following performance tests of expenditures and transfers were performed:

We tested approximately \$1.89 million (22%) of the 2014-2015 expenditures for validity, allowability and accuracy. Expenditures sampled in our test included payments made to contractors, consultants and other vendors.

Results of Procedures Performed:

We found the expenditures and transfers tested to be in compliance with the terms of the Proposition P ballot measure, Facilities Plan, and applicable state laws and regulations without exception.

Test of Contracts and Bid Procedures

Procedures Performed:

For the year ended June 30, 2015, we performed testing of the prime construction contracts awarded for the following project, to determine compliance with District policy and *Public Contract Code* provisions related to contracting and bidding:

- Project: Flora Vista Flooring
Original Contract Award Amount: \$57,660

Results of Procedures Performed:

We found that the contract tested followed proper bidding procedures, and was awarded to the lowest responsible bidder. No change orders were noted in the testing of the above project.

Citizens' Oversight Committee

Procedures Performed:

In accordance with AB 1908 (Assembly Bill) and Education Code Section 15278, the District is required to establish a bond oversight committee for Prop 39 bonds including one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. The CBOC is to meet pursuant to Education Code Section 15280.

Results of Procedures Performed:

We found that the Proposition P Citizens' Bond Oversight Committee was in compliance with the applicable provisions set forth by Education Code, as outlined above.

Our audit of compliance was made for the purposes set forth in the Objectives section of this report and would not necessarily disclose all instances of noncompliance.

Opinion

In our opinion, based on the fieldwork described above as well as the other tests that we conducted, the District complied with the compliance requirements for the Proposition P General Obligation Bonds as listed and tested above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on accountability requirements pursuant to the passage of Proposition 39 and the enactment of AB 1908 (Chapter 44, Statutes of 2000). Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
February 22, 2016

**SCHEDULE OF FINDINGS AND
RECOMMENDATIONS**

**PROPOSITION P BOND BUILDING FUND
ENCINITAS UNION SCHOOL DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2015**

There were no findings or recommendations related to the audit of the Proposition P Bond Building Fund of Encinitas Union School District for the year ended June 30, 2015.

**PROPOSITION P BOND BUILDING FUND
ENCINITAS UNION SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015**

There were no prior year findings or questioned costs related to the audit of the Proposition P Bond Building Fund of Encinitas Union School District for the year ended June 30, 2014.