

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS**

**AUDIT REPORT**

**JUNE 30, 2014**

***Approved by  
Proposition E  
Independent Citizens Oversight Committee  
on March 18, 2015***

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS  
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**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
PROPOSITION E  
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING**

On November 6, 2012 the Chula Vista Elementary School District was successful under Proposition E in obtaining District voters to issue up to \$90,000,000 in General Obligation Bonds pursuant to a 55% vote in 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 Independent Citizens' Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

The Chula Vista Elementary School District Proposition E Independent Citizens' Oversight Committee as of June 30, 2014 was comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Dr. Diane Gerken	Chairperson - Business Representative	June 2015
Ami Abbott	Vice Chair - PTA/School Site Council Representative	June 2015
Sean R. Dunbar	Taxpayer Association Representative	June 2015
Mary I. Helvie	Senior Citizen Representative	June 2015
Marina Diaz	Parent of Student Representative	June 2015
Karyn Koenig	At Large Member Representative	June 2015
Debbie Sanders	At Large Member Representative	June 2015



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA  
Natalie C. Azzam, CPA

Aubrey W. King, CPA  
Richard K. Savage, CPA  
Kevin A. Sproul, CPA

## INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and  
Citizens' Oversight Committee  
Chula Vista Elementary School District  
Chula Vista, California**

### **Report on Financial Statements**

We have audited the accompanying financial statements of Proposition E Building Fund (21-39) of Chula Vista Elementary School District, which comprise the balance sheet as of June 30, 2014, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

### **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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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 consolidated financial statements.

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

## **Emphasis of Matter**

As discussed in Note B, the financial statements present only the Building Fund (21-39) which is specific to Proposition E and is not intended to present fairly the financial position and results of operations of Chula Vista Elementary School District in conformity with accounting principles generally accepted in the United States of America.

Also, described in Note B to the financial statements, in 2014, the District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition E Building Fund (21-39) of Chula Vista Elementary School District as of June 30, 2014, and the results of its operations for the year then ended in conformity 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 16, 2015, on our consideration of Chula Vista Elementary School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
February 16, 2015

**FINANCIAL SECTION**

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS  
BALANCE SHEET  
JUNE 30, 2014**

**ASSETS**

**CURRENT ASSETS**

Cash in County Treasury	\$ 27,515,386
Accounts Receivable	27,742
Due from General Fund	43,977
	43,977

**TOTAL ASSETS**

**\$ 27,587,105**

**LIABILITIES AND FUND BALANCE**

Accounts Payable	\$ 5,700,265
Due to General Fund	2,768
	2,768

**TOTAL LIABILITIES**

5,703,033

**FUND BALANCE**

Restricted for Capital Projects	21,884,072
	21,884,072

**TOTAL LIABILITIES AND FUND BALANCE**

**\$ 27,587,105**

The accompanying notes are an integral part of these financial statements

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>REVENUES</b>	
Interest Income	\$ <u>101,170</u>
<b>TOTAL REVENUES</b>	101,170
<b>EXPENDITURES</b>	
Non-capitalized Equipment	940,129
Other Operating Expenses	62,135
Capital Outlay:	
Soil Testing	16,655
Inspection Services	46,250
Survey Fees	598,317
Architect Planning	1,769,708
Building Improvements	4,799,307
Building Tests and Exams	50,000
Office of State Architect	163,392
Construction Management	395,680
Equipment	<u>13,309</u>
<b>TOTAL EXPENDITURES</b>	8,854,882
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>(8,753,712)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>30,637,784</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 21,884,072</u></u>

The accompanying notes are an integral part of these financial statements

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**A. Definition of the Fund**

The Building Fund (21-39) was formed to account for property acquisition and construction of new schools as well as renovation of current schools for the Chula Vista Elementary School District (District), through expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2012. Fund (21-39) is one of the Building Funds of the District.

**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 Fund (21-39) specific to Proposition E as defined in Note A and are not intended to present fairly the financial position and results of operations of Chula Vista Elementary 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.

Building Fund (21-39) is maintained on the modified accrual basis of accounting. Its 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.

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**B. Summary of Significant Accounting Policies (Continued)**

*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.

*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 reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

*Cash in County Treasury*

In accordance with Education Code §41001, the District maintains a substantial amount 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 fair value, in accordance with the requirements of GASB Statement No. 31.

Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code §53648 et.seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the 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.

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**B. Summary of Significant Accounting Policies (Continued)**

*Fund Balance Reserves and Designations*

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 process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**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 has been restricted, committed or assigned.

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

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**B. Summary of Significant Accounting Policies (Continued)**

*GASB 65 Implementation*

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

*Deferred Inflows and Deferred Outflows of Resources*

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2014 the District's Building Fund (21-39) did not have any Deferred Inflows or Deferred Outflows of Resources.

**C. Cash and Investments**

*Cash in County Treasury*

The District maintains significantly all of its cash in the San Diego County Treasury as part of the common investment pool. As of June 30, 2014, the portion of cash in county treasury attributed to Building Fund (21-39) was \$27,515,386. The fair value of Building Fund (21-39)'s portion of this pool as of that date, as provided by the pool sponsor, was \$27,550,812. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).

The fair value of the District's investment in the pool is reported in the accounting financial statement 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.

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**C. Cash and Investments (Continued)**

*Investments*

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 deposits 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.

The District’s investments attributed to Building Fund (21-39) at June 30, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Average Days to Maturity*</u>	<u>Amount Reported</u>	<u>Fair Value</u>
San Diego County Pooled Investment Funds	366 Days	<u>\$ 27,515,386</u>	<u>\$ 27,550,812</u>

\*Represents an average of the days to maturity.

*Analysis of Specific Deposit and Investment Risks*

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. *Credit Risk*

Credit risk is the risk that an issuer or their counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk. The San Diego County Investment Pool is rated AAA by Standard & Poors.

b. *Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name. At year end, the District’s Building Fund (21-39) was not exposed to custodial credit risk.

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**C. Cash and Investments (Continued)**

*c. Concentration of Credit Risk*

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District's Building Fund (21-39) was not exposed to concentration of credit risk.

*d. Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 exposures to interest rate risk by investing in the county pool.

*e. Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

*f. Investment Accounting Policy*

The District is required by GASB statement No. 31 to disclose its policy for determining which investments, if any are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts using a cost-based measure; however, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**D. Accounts Receivable**

Accounts receivable at June 30, 2014 consisted of:

Accrued Interest	<u>\$ 27,742</u>
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**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**E. Accounts Payable**

Accounts payable at June 30, 2014 consisted of:

Vendor Payables	\$ 5,700,265
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**F. Interfund Transactions**

Interfund receivable and payable balances at June 30, 2014 are as follows:

Due From Other Funds - General Fund	\$ 43,977
Due To Other Funds - General Fund	\$ 2,768

The amount due from the General Fund is for reimbursement of construction costs and fees and the amount due to the General Fund is for reimbursement of the portion of use tax designated to Building Fund (21-39) at year end. These expenses were attributed to the work necessary for the bond projects and in conjunction with the Bond Project List as listed in the full text of the Proposition E ballot measure.

**G. Long-Term Debt**

The outstanding bonded debt as of June 30, 2014 is as follows:

Date of Issuance	Interest Rate	Amounts Outstanding Issue	Amounts Outstanding July 1, 2013	Issued Current Year	Redeemed Current Year	Amounts Outstanding June 30, 2014
06/13/13	3.00-5.00%	08/01/37	\$ 31,000,000	\$ -	\$ -	\$ 31,000,000
06/13/13	Premium	08/01/37	960,059	-	38,402	921,657
Total			\$ 31,960,059	\$ -	\$ 38,402	\$ 31,921,657

*General Obligation Bonds*

In June 2013, the District issued \$31,000,000, 2012 Election, Series A, General Obligation Bonds. The issue consisted of \$31,000,000 of current interest bonds with interest rates ranging from 3.00% to 5.00% with annual maturities from August 2014 through August 2037. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2014. The bonds were authorized at an election of the registered voters of Improvement District No. 1 held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of the bonds in order to finance the renovation, acquisition, construction, repair, and equipping of classrooms, schools, sites, and facilities as approved by the voters for schools in Improvement District No. 1.

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**G. Long-Term Debt (Continued)**

Debt service requirements on the general obligation bonds, net of premium, as of June 30, 2014 is as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,005,000	\$ 1,186,100	\$ 3,191,100
2016	2,345,000	1,109,125	3,454,125
2017	810,000	1,046,025	1,856,025
2018	845,000	1,012,925	1,857,925
2019	945,000	977,125	1,922,125
2020-2024	2,800,000	4,538,725	7,338,725
2025-2029	4,860,000	3,706,360	8,566,360
2030-2034	7,645,000	2,536,684	10,181,684
2035-2039	8,745,000	732,900	9,477,900
Totals	<u>\$ 31,000,000</u>	<u>\$ 16,845,969</u>	<u>\$ 47,845,969</u>

**H. Construction Commitments**

As of June 30, 2014, the Building Fund (21-39) had the following commitments with respect to unfinished capital projects:

Construction in Process:	Commitments	Expected Date of Final Completion*
Modernization Allen	\$ 4,140,208	October 2015
Modernization Castle Park	\$ 4,431,438	October 2014
Modernization Hilltop	\$ 4,167,007	October 2015
Modernization Rice	\$ 5,126,178	October 2014
Modernization Rosebank	\$ 4,712,366	October 2014
Modernization Vista Square	\$ 3,892,330	October 2015

\*Expected date of completion subject to change.

**OTHER INDEPENDENT AUDITOR'S REPORTS**



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA  
Natalie C. Azzam, CPA

Aubrey W. King, CPA  
Richard K. Savage, CPA  
Kevin A. Sproul, CPA

**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***

**Governing Board Members and  
Citizens Oversight Committee  
Chula Vista Elementary School District  
Chula Vista, 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 E Building Fund (21-39) of Chula Vista Elementary School District, which comprise the balance sheet as of June 30, 2014, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Chula Vista Elementary 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chula Vista Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chula Vista Elementary 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 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*.

## **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.

*Wilkinson Radley King & Co., LLP*

El Cajon, California  
February 16, 2015



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA  
Natalie C. Azzam, CPA

Aubrey W. King, CPA  
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## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

**Governing Board Members and  
Citizens Bond Oversight Committee  
Chula Vista Elementary School District  
Chula Vista, California**

We have audited the financial statements of the Proposition E Building Fund (21-39) of Chula Vista Elementary School District as of and for the fiscal year ended June 30, 2014 and have issued our report thereon dated February 16, 2015. 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 E General Obligation Bonds for the fiscal year ended June 30, 2014. The objective of the audit of compliance applicable to Chula Vista Elementary School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Proposition E 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, will 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 of compliance, we performed procedures including but not limited to those listed as follows:

### **Internal Control Evaluation**

#### Procedure Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding Proposition E resources
- Prevent material misstatement in the Proposition E Building Fund (21-39) financial statements
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of Proposition E funds

All purchase requisitions are reviewed for proper supporting documentation. The Director of Maintenance and Operations, the Manager of Facilities and Planning, the Manager of Purchasing, and/or the Manager of Network and Equipment Services assures that all expenditures under their supervision are allowable projects in accordance with the Proposition E ballot measure initiative. Each director and/or manager gives direction to the appropriate staff member to initiate a purchase requisition.

The Director of Maintenance and Operations, the Manager of Facilities and Planning, the Manager of Purchasing, and/or the Manager of Network and Equipment Services electronically approves each requisition. The requisition is forwarded electronically to the accounting department where the accounting manager verifies the budget string and project account number. After this approval, the purchasing department is electronically notified and they convert the requisition to a purchase order and route it to the appropriate vendor/contractor, who proceeds to provide the requested services or goods. A copy of each purchase order is also submitted to the accounts payable staff in the accounting department.

After services and/or materials are received and the work is approved by the appropriate director and/or manager, an invoice is submitted by contractor and/or supplier. The Director of Maintenance and Operations, the Manager of Facilities and Planning, the Manager of Purchasing and/or the Manager of Network and Equipment Services verifies the charges are consistent with the purchase order and approves the invoice. The invoice is subsequently forwarded to the Chief Business Official for approval.

Once the Chief Business Official has approved the invoice, it is routed to the accounts payable staff within the accounting department for processing. The staff verifies the approval and matches invoices for materials with packing slips and processes the invoices through the District's accounts payable system. The commercial warrants, along with copies of invoices and support documents, are submitted to the San Diego County Office of Education's Commercial Warrant Unit (SDCOE). SDCOE audits the warrants to ensure compliance with procurement regulations and good business practices before payment is released. The commercial warrants are routed back to the District accounting department for appropriate distribution.

#### Results of Procedures Performed

The results of our audit determined the internal control procedures as implemented are sufficient to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations.

#### **Facilities Site Review**

##### Procedures Performed:

We reviewed the Independent Citizens' Oversight Committee minutes and agenda and other pertinent information on Proposition E designated projects and determined that Proposition E funds expended for the year ended June 30, 2014 were for valid facilities acquisition and construction purposes as stated in the Bond Project List.

##### Results of Procedures Performed:

Based on our review of the minutes and agenda of the Independent Citizens' Oversight Committee, the documentation and pertinent information of the Proposition E designated projects, and the explanation of management, it appears the construction work performed was consistent with the Bond Project List.

## **Tests of Contracts and Bid Procedures**

### Procedures Performed:

We reviewed the District's board minutes for approval of construction contracts and change orders, if any, to determine compliance with the District's policy and Public Contract Code provisions related to biddings and contracting.

### Results of Procedures Performed:

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

## **Tests of Expenditures**

### Procedures Performed:

We tested expenditures to determine whether Proposition E funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project List and the Proposition E ballot measure language. Our testing included a sample of vendor payments totaling \$8,400,836 or 95% of total expenditures for the year. Our testing included \$7,467,154 of capital outlay expenditures which was 95% of the total capital outlay expenditures for the year.

### Results of Procedures Performed:

We found no instances where expenditures tested were not in compliance with the terms of the Proposition E ballot measure and applicable state laws and regulations.

## **Citizens' Oversight Committee**

### Procedures Performed:

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

### Results of Procedures Performed:

We have determined the Chula Vista Elementary School District's Proposition E Independent 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 E Building Fund (21-39), for the fiscal year ended June 30, 2014.

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

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
February 16, 2015

## **FINDINGS AND RESPONSES SECTION**

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

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There were no findings to report.

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT  
PROPOSITION E BUILDING FUND  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2014**

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There were no audit findings noted for the fiscal year ended June 30, 2013.