Chula Vista Elementary School District

PROPOSITION E
INDEPENDENT CITIZENS OVERSIGHT COMMITTEE

Meeting Minutes
March 18, 2015 – 6 P.M.
Dr. Lowell J. Billings Board Room
Education Service and Support Center

1. Call to Order

Chairperson Dr. Diane Gerken called the meeting to order at 6:02 P.M.

2. Introductions

Because this was the first meeting for Debbie Croshier (new Independent Citizens Oversight Committee [ICOC] Member representing the Community At-Large), introductions were made for ICOC Members, guests, and District staff in attendance. Ms. Croshier was appointed by District Superintendent Dr. Francisco Escobedo to fulfill the vacancy created by the resignation of former ICOC Member Debbie Sanders. Ms. Croshier will serve the remainder of Ms. Sanders' term.

3. Roll Call

Members Present:
Ami Abbott
Debbie Croshier
Marina Diaz
Dr. Diane Gerken
Mary I. Helvie

Members Absent:
Sean R. Dunbar
Karyn Koenig

Others Present:
Bernadette Faustino, Accounting Manager
John Heredia, Safety, Environmental, and Maintenance Manager
Mike Mears, Senior Audit Manager, Wilkinson Hadley King & Co. LLP
Michelle Reiner, Senior Project Manager, Balfour Beatty Construction
Carolyn Scholl, Facilities Planning Manager
Rudy Valdez-Romero, Director of Maintenance and Operations
Theresa Villanueva, Director of Fiscal Services
Angie Barton, Office Manager (Meeting Recorder)

4. Approve Minutes

November 12, 2014, Regular Meeting
MSCU Helvie, Croshier that the minutes of the November 12, 2014, regular meeting of the ICOC be approved as presented.

5. Approve Proposition E Building Fund Audit as of June 30, 2014
Mike Mears, Senior Audit Manager, Wilkinson Hadley King & Co. LLP

Mr. Mears was in attendance to present the Proposition E Building Fund Audit to the ICOC. The audit was the second year report for the period ending June 30, 2014. It involved a two-prong process to audit the financial statements of the Bond Building Fund under Proposition E that included: (1) a financial statements section (e.g., assets, liabilities, expenses) only on Proposition E; and (2) a performance and compliance section to make sure that funds were used only for items stated in the bond measure.

Mr. Mears informed the ICOC that the report resulted in an "unmodified opinion," which is a "clean audit opinion" and the highest rating that can be given. Wilkinson Hadley King & Co.'s (WHK) opinion is provided on page 3 of the audit report. There were no scope limitations or internal deficiencies. Mr. Mears highlighted the following areas of the report.

Page #s	***Comments***
4-5	Financial Section. This states how much cash is available in the Proposition E Building Fund.
14-15	Internal Controls. During its audit, WHK did not identify any instances of noncompliance within the specific funds. Mr. Mears stated that the District's internal controls were more than adequate for the Proposition E Bond Building Fund.
16-18	Auditor's Report on Performance. This is the second part of the two-prong report. These pages provide information on the procedures conducted by WHK during its facilities site review. WHK reviewed ICOC agendas/minutes and tested expenditures to make sure that proceeds from Proposition E bond sales were used only for transactions consistent with the bond project list. For each expenditure over $1,000, WHK reviewed the details of the invoice, purchase order, and requisition. Mr. Mears stated that approximately 95 percent of the expenditures are in this category of $1,000 or more. Although the remaining 5 percent of invoices is under $1,000 each, WHK includes a review of these expenses to ensure all expenditures are appropriate. No instances were found where expenditures were not in compliance with Proposition E bond language as presented to voters.
19-20	Findings and Responses Section. No findings were noted for the period ending June 30, 2014, or the first year ending June 30, 2013.

MSCU Abbott, Helvie that the Proposition E Building Fund Audit as of June 30, 2014, be approved as presented. (Audit is identified as Exhibit "A" and made a part of these minutes.)

6. Report on Summer 2014 Modernization Projects: Castle Park, Lilian J. Rice, and Rosebank Elementary Schools

Mrs. Villanueva shared a presentation that provided an expenditures summary for the first three schools modernized under Proposition E. (Presentation is identified as Exhibit "B" and made a part of these minutes.) She noted that amounts shown are as of January 31, 2015, and are not final costs for these projects. Remaining funds from the Series A issue are estimated at $10,101,090.

An ICOC Member asked about the change order amounts on Slide 3 of the presentation. Mr. Valdez-Romero stated that a change order is for work that is not within the scope of contract documents. These documents have to be modified when there are unforeseen circumstances (such as dry rot or termites) that are not discovered until work has begun. Mr. Valdez-Romero added that a change order could also be a change in scope that reduces costs such as in Bid Package 5 (Rough Carpentry) and Bid Package 10 (Mechanical).

An ICOC Member shared a comment that the $140,357 change order for Bid Packages 8 and 9 (Finishes and Specialties) appeared to be excessive. However, another Committee Member stated that the base bid was for nearly $3.9 million and that the change order was less than 4 percent. There were also concerns that more than $32 million of the $90 million will be spent on the first six schools but 31 schools are on the Proposition E projects list. A Committee Member stated that the priority of projects has been placed on the oldest schools not modernized during the District's prior general obligation bond. Based on the final cost of the prioritized projects, work at the newer sites may be delayed or may not be completed.

7. Report on Summer 2015 Modernization Projects: Ella B. Allen, Hilltop Drive, and Vista Square Elementary Schools

Bid Awards – CVESD Board of Education March 11, 2015, Agenda: Item 7.D.

Ms. Reiner shared a Balfour Beatty Construction (BBC) presentation from the March 11 Board of Education meeting. (Presentation is identified as Exhibit "C" and made a part of these minutes.) BBC is the construction manager for the Summer 2014 and Summer 2015 modernization projects. The presentation also included information on Proposition E's major categories for improvement; before and after photos of Castle Park, Rice, and Rosebank; and bid facts, project information, and a tentative timeline for the upcoming modernization projects at Allen, Hilltop Drive, and Vista Square.

2015-16 Calendar for Allen, Hilltop Drive, and Vista Square

On February 26, 2015, the Board of Education approved the 2015-16 school calendar for Allen, Hilltop Drive, and Vista Square. A copy was provided to each ICOC Member. The calendar for the three schools has been changed to a

traditional schedule (September to June) for the 2015-16 school year to allow modernizations during Summer 2015. These sites will return to the year-round schedule in 2016-17.

8. Final Cost Summary of Proposition E, Series B, General Obligation Bond Issue

(NOTE: The Series B cost summary was included in the presentation shared under Item 9 of these minutes.)

9. Discussion: Annual Report to CVESD Board of Education on June 10, 2015

Mrs. Barton shared a draft presentation for the ICOC's annual report to the Board scheduled on the June 10. The report will be presented to the Board by ICOC Chairperson Dr. Gerken and will include historical information on Proposition E; major categories for improvements; estimated expenditures, tentative timeline, and contract awards for the Summer 2015 modernization projects at Allen, Hilltop Drive, and Vista Square; duties of the ICOC; and information on the Proposition E Building Fund Audit. On May 13, the ICOC will visit Allen, Hilltop Drive, and Vista Square to tour these sites before the start of construction. Photos of these site visits will be included in the presentation. With the annual report scheduled for the June 10 Board meeting, photos of the early modernization work will also be added.

Mrs. Barton addressed the Series B bond issue authorized by the Board in September 2014 in an amount not to exceed $14 million. The following information was shared with the ICOC.

Sources	Amount
Par Amount, Series B Bonds	$14,000,000.00
Original Issue Premium (Discount)	764,271.75
Total Sources	$14,764,271.75

Uses	Amount
Construction Fund, Series B	$13,832,000.00*
Underwriter's Discount	280,000.00**
Debt Service Fund	484,271.75
Total Uses	$14,764,271.75

* Amount shown in the Construction Fund is the result of the $14,000,000 Series B issue less $168,000 in costs of issuance. These costs include fees for the financial advisor, bond counsel, District counsel, Standard & Poor's credit rating, paying agent, publication and printing costs, etc.

** It was noted that this is paid by the Underwriter and can only be used by the District for debt service payments on the bonds. These funds cannot be used to pay for construction costs.

As stated under Item 6 of these minutes, remaining funds from the Series A issue are estimated at $10,101,090. These funds will be combined with the Series B bond issue for an estimated total of $23,933,090 to pay for the Summer 2015 modernizations at Allen, Hilltop Drive, and Vista Square.

Sources	Amount
Projected Remaining Series A Funds	$10,101,090
Construction Fund, Series B	13,832,000
Total Sources	$23,933,090

One ICOC Member requested a revision on Slide 17 regarding representative information. This change will be made for the next draft of this report shared with the ICOC.

10. Approve Change in Start Time for September 2015 Meeting

- **Dates, Time, and Location for Next Two Meetings**
  - **May 13, 2015 (*9:30 a.m., Dr. Lowell J. Billings Board Room)***
  - ***September 16, 2015 (9:30 a.m., Dr. Lowell J. Billings Board Room)***

Mrs. Barton stated that the change in the September meeting time is requested in order for the ICOC to tour Allen, Hilltop Drive, and Vista Square after their modernizations. There is no change requested for the May 13 meeting.

MSCU Abbott, Helvie that the start time for the September 16 meeting be changed to 9:30 a.m.

11. Discussion: Form 700, Statement of Economic Interests

Chairperson Dr. Gerken reminded ICOC Members that the deadline to file their 2014-15 Form 700 is April 1, 2015. Individual meetings will be arranged for those needing assistance in completing their form. Mrs. Barton will notify Committee Members of available dates/times and will coordinate schedules.

12. Other Items / Open Discussion

The remainder of the meeting included comments on security at construction sites (which is arranged through construction manager BBC and is paid under the "reimbursables" of their contract), lessons learned from the Summer 2014 modernization projects, and how students at Rice are enjoying the new library at their school.

13. Adjournment

Chairperson Dr. Gerken adjourned the meeting at 7:11 P.M.

ab

Exhibit "A"
to ICOC Minutes of
March 18, 2015

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
TABLE OF CONTENTS

INTRODUCTION **Page**

Introduction and Citizens' Oversight Committee Member Listing 1

Independent Auditor's Report 2

FINANCIAL SECTION

Balance Sheet 4

Statement of Revenues, Expenditures, and Changes in Fund Balance 5

Notes to the Financial Statements 6

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 14

Independent Auditors' Report on Performance 16

FINDINGS AND RESPONSES SECTION

Schedule of Findings and Responses 19

Schedule of Prior Audit Findings 20

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:

Name	Position	Term Expiration
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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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
TOTAL ASSETS	$	27,587,105
LIABILITIES AND FUND BALANCE		
Accounts Payable	$	5,700,265
Due to General Fund		2,768
TOTAL LIABILITIES		5,703,033
FUND BALANCE		
Restricted for Capital Projects		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

REVENUES		
Interest Income	$	101,170
TOTAL REVENUES		101,170
EXPENDITURES		
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		13,309
TOTAL EXPENDITURES		8,854,882
EXCESS OF EXPENDITURES OVER REVENUES		(8,753,712)
FUND BALANCE, BEGINNING OF YEAR		30,637,784
FUND BALANCE, END OF YEAR	$	21,884,072

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.

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.

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.

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.

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.

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

*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.

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	$ 27,742

E. Accounts Payable

Accounts payable at June 30, 2014 consisted of:

Vendor Payables	$ 5,700,265

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.

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	$ 31,000,000	$ 16,845,969	$ 47,845,969

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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 Hadley King & Co., LLP

El Cajon, California
February 16, 2015

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

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

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

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

Exhibit "B"
to ICOC Minutes of
March 18, 2015

Chula Vista Elementary School District

Proposition E Independent Citizens Oversight Committee

March 18, 2015

Summer 2014 Modernization Projects

Proposition E Expenditures Summary for Castle Park, Rice, and Rosebank

Expenditure Type	*Costs as of 01/31/2015*
Soft Costs (Architect, Construction Management, Testing, Inspection)	$ 4,182,519
Flooring, Network Infrastructure, Equipment	2,310,557
Construction Costs (Less Rice Library Costs and Proposition 39 Energy Costs)	13,714,768
TOTAL	$ 20,207,844

Contract Awards
Modernization/Renovation of Castle Park, Rice (including Library Replacement), and Rosebank

Bid Pkg. No.	Description of Work	Contractor Name	Base Bid Amounts	Change Order No. 1 Amounts	Final Contract Amounts
1	Storm Water Pollution Prevention Plan	Bid Package No. 1 bids rejected.			
2	Demolition and Hazmat	The HVAC Exchange	$ 925,634	$ 12,203	$ 937,837
3	Asphalt and Paving	J&S Asphalt, Paving, Sealing, and Striping	204,824	20,379	225,203
4	Concrete	Western Rim Constructors	1,414,000	69,802	1,483,802
5	Rough Carpentry	Cuyamaca Construction	815,000	<30,000>	785,000
6	Roofing and Sheet Metal	A Good Roofer, Inc.	149,140	4,193	153,333
7	Glass and Glazing	Queen City Glass Co.	848,214	8,521	856,735
8 and 9	Finishes and Specialties	Brady SoCal, Inc.	3,883,291	140,357	4,023,648
10	Mechanical (HVAC)	Paradigm Mechanical	1,497,500	<6,409>	1,491,091
11	Plumbing	Strelic Plumbing, Inc., dba Advanced Plumbing	1,810,700	10,441	1,821,141
12	Electrical	Baker Electric, Inc.	2,367,600	29,988	2,397,588
	TOTALS		**$13,915,903**	**$259,475**	**$14,175,378**

Bond Sales: Series A

Summary of Series A Building Fund

Building Fund ($31,000,000 Par Amount Less $225,000 Costs of Issuance)	**$30,775,000**
Less: Projected Costs for Castle Park, Rice, and Rosebank as of 01/31/2015	**(20,207,844) Costs not final**
Less: WiFi Installation Costs for SFID No. 1 Sites (Summer 2013)	**(466,066)**
Equals: Projected Remaining Series A Building Fund	**$10,101,090**

Questions and Comments



Chula Vista Elementary School District

Board of Education Meeting
March 11, 2015







Exhibit "C"
to ICOC Minutes of
March 18, 2015

Balfour Beatty Construction

By the Numbers

17-year history with CVESD

29 projects completed or in progress

9 new campuses

20 modernizations/renovations

$200+ million in construction cost

100% on-time delivery record

Zero litigation/claims

- Local firm with **4** offices in Southern California.
- Balfour Beatty Headquarters is just **23** miles from CVESD.
- **245** employees in Southern California. Many employees and some team members were raised in or currently live in the South Bay.

Meet Your Balfour Beatty Construction Team





Brian Cahill
President, Southwest Division
28 years of experience



David Kuhle
Assistant Project Manager
7 years of experience



Michelle Reiner
Senior Project Manager
20 years of experience



Wayne Kibbe
Superintendent
28 years of experience

...instilling hope for the future so that today's children will share their vision with future generations.

Balfour Beatty Construction

Partnerships in the Community



Green Apple Day of Service
Montgomery Elementary School

Junior Achievement Day
Juarez-Lincoln Elementary School



Proposition E
Major Categories for Improvement

- Infrastructure Improvements
  Electrical, sewer, water and storm drains, roofs, fire alarms, electrical closets, and structural.
- Energy Enhancements/Other Areas
  HVAC, window replacements, energy efficient site lighting, classroom upgrades, ADA compliance, and other upgrades.
- Wireless Technology Upgrades
  Wireless hardware, network cabling, and equipment. Provided access for new online state testing.



Allen Elementary School

Major Categories for Improvement

Infrastructure Improvements to Sustain Schools for the Next 30 Years








Before Photos




After Photos

Major Categories for Improvement

Enhance Energy Efficiency of Facilities





Before Photos





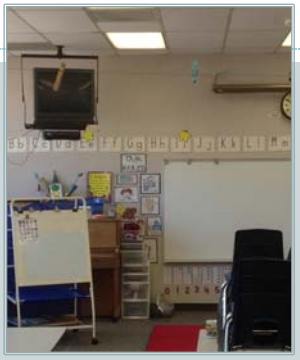

After Photos

Major Categories for Improvement

Wireless Technology Upgrades







Before Photos



After Photos



Castle Park, Lilian J. Rice, and Rosebank Modernizations

Student Restrooms







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Playgrounds and Landscaping





- New landscaping emphasizing drought tolerance, playground surfaces, and benches.

Ella B. Allen, Hilltop Drive, and Vista Square Modernizations
Bid Facts

- Bidding commenced on January 5, 2015.
- Public bid opening was held on February 18, 2015.
- 69 total bids were received from 64 bidders.
- 87% of the successful low bidders are local San Diego County companies.
- 27% of the successful low bidders are local, South County San Diego companies.

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Ella B. Allen, Hilltop Drive, and Vista Square Modernizations
Project Information

- 86 days for summer work to take place.
- 73 calendar days on the schedule for work to be performed.
- 150,000+ man hours to perform work.
- 13 weeks start to finish with classrooms ready for teachers/office staff.
- Prevailing wages to be paid for all labor.

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Ella B. Allen, Hilltop Drive, and Vista Square Modernizations
Tentative Timeline: Summer 2015

Activity	Tentative Date
Award Bids by Board of Education	March 11, 2015
Packing and Storage	Ongoing – June 5, 2015
Modernization Construction Period	June 6 – August 28, 2015
Teachers Return	September 1, 2015
Students Return	September 8, 2015

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Questions and Answers







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