Chula Vista Elementary School District

PROPOSITION E
INDEPENDENT CITIZENS OVERSIGHT COMMITTEE

Meeting Minutes
March 19, 2014 – 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 6:06 P.M.

2. Roll Call

Members Present:
Ami Abbott
Marina Diaz
Sean R. Dunbar
Dr. Diane Gerken
Mary I. Helvie
Karyn Koenig

Members Absent:
Debbie Sanders

Others Present:
Oscar Esquivel, Asst. Supt. for Business Services and Support
Mike Mears, Senior Audit Manager, Wilkinson Hadley King & Co. LLP
Rudy Valdez-Romero, Director of Maintenance and Operations
Theresa Villanueva, Director of Fiscal Services
Angie Barton, Office Manager (Meeting Recorder)

3. Approve Minutes

November 20, 2013, Regular Meeting
MSCU Helvie, Koenig that the minutes of the November 20, 2013, regular meeting of the Independent Citizens Oversight Committee (ICOC) be approved as presented.

February 20, 2014, Special Meeting
MSCU Koenig, Helvie that the minutes of the February 20, 2014, special meeting of the ICOC be approved as presented.

4. Approve Proposition E Building Fund Audit as of June 30, 2013
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 a first year report for the period ending June 30, 2013. 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); and (2) a performance 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 audit," which is the highest opinion 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 deficiencies. Mr. Mears highlighted the following areas of the report.

Page Number(s)	***Comments***
4	Proposition E Building Fund Balance Sheet. This states the proceeds from the Proposition E fund transactions, assets, liabilities, and the fund balance. Mr. Mears said that dollars in the fund balance are restricted funds due to the bond measure.
5	Statement of Revenues, Expenditures, and Changes in Fund Balance. This is a starting point and shows the revenues and expenses for the first year. Numbers will be significantly higher next year with the upcoming modernization projects planned for Summer 2014.
6-13	Notes to the Financial Statements. These pages provide explanations for the financial statements and support the financial data contained in the audit report.
14-15	Internal Controls. This section states that during its audit, WHK did not identify any deficiencies in the District's internal control of transactions within the specific funds that they consider to be material weaknesses.
16-18	Auditor's Report on Performance. These pages provide information on the procedures conducted by WHK during the audit. WHK reviewed procedures on the ICOC (bylaws, minutes, etc.), tested expenditures to make sure that proceeds from Proposition E bond sales were used only for transactions as stated in the ballot measure, and reviewed costs to make sure they were appropriate. Mr. Mears informed the Committee that this is a critical area to review. 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. Because this is a first year audit, no findings or responses were noted in this section.

Mr. Mears stated that a financial and performance audit on the Proposition E Bond Building Fund will be conducted every year until all proceeds have been expended. He answered specific questions from ICOC Members relating to interest income, the County Investment Pool, bond proceeds, expenditures,

interfund transactions, long-term debt, and principal payments. The District's Bond Interest and Redemption Fund (Fund 51) is held at the County and is managed independently by the San Diego County Treasurer's Office. This fund is included in the Chula Vista Elementary School District's financial audit.

MSCU Helvie, Abbott that the Proposition E Building Fund Audit as of June 30, 2013, be approved as presented. (Audit is identified as Exhibit "A" and made a part of these minutes.)

5. Modernization of Castle Park, Lilian J. Rice, and Rosebank Elementary Schools

Bid Awards: Item 6.B., March 12, 2014, CVESD Board of Education Agenda

Mr. Esquivel provided an informational presentation on Proposition E that addressed the following items. (Presentation is identified as Exhibit "B" and made a part of these minutes.)

- Summary of the Series A Building Fund.
- Current estimated costs for the Summer 2014 modernization sites (Castle Park, Rice, and Rosebank) as well as the Summer 2015 sites (Ella B. Allen, Hilltop Drive, and Vista Square).
- Awards for Bid Packages Nos. 2 through 12 for the first three sites as approved by the Board on March 12, 2014. Payments for work performed will be made by the District to each vendor. Options are being considered for Bid Package No. 1 (Storm Water Pollution Prevention Plan [SWPPP]). Due to the fact that the bid received for the SWPPP was higher than anticipated, the Package No. 1 bid was rejected by the Board. This package may be rebid, accomplished in-house, or completed as a reimbursable expense through the District's construction manager.
- Updated timeline for the Summer 2014 modernization projects.

An ICOC Member noted that the first six school projects total approximately $30 million and requested confirmation that the District is "on target" for Proposition E expenditures. Mr. Esquivel explained that the total bond measure is $90 million less costs of issuance, that the priority is on the first 11 schools, and that the ballot language provides authorization to the Board and the District to spend the majority of the funds on these 11 schools. However, the Board and the District are hopeful to use funds on all schools included in the ballot measure.

(NOTE: See Slides 15 and 16 of Exhibit "A" to the November 20, 2013, ICOC minutes for the prioritization of school sites.)

The following chart is included in response to an ICOC Member's question on the number of bids that were submitted for each bid package. It also provides

information on work that will be included in Bid Packages No. 8 (Finishes) and No. 9 (Specialties).

Bid Pkg. No.	***Trade***	***Number of Bids***
1	Storm Water Pollution Prevention Plan	1
2	Hazardous Materials and Demolition	3
3	Asphalt Paving	2
4	Concrete, Fencing, Grading, and Steel	3
5	Rough Carpentry	2
6	Roofing and Sheet Metal	1
7	Glass and Glazing	4
8	Finishes (door frames and hardware, drywall, paint, ceramic tile, suspended ceilings, stucco patching, and casework)	1*
9	Specialties (signage, restroom partitions and accessories, cubical curtains, and playground equipment and surfaces)	4*
10	Mechanical (heating, ventilation, and air-conditioning [HVAC])	4
11	Underground Utilities and Plumbing	4
12	Electrical	5
	TOTAL NUMBER OF BIDS SUBMITTED	34

*Bid Packages Nos. 8 and 9 were awarded as a combined bid package.

Mr. Esquivel and Mr. Valdez-Romero answered questions from ICOC Members relating to contractor performance, project costs, HVAC, electrical systems, lighting, windows, wireless technology, allowances and contingencies, and the responsibilities of Balfour Beatty Construction (the District's construction manager for the modernization projects). Vendors awarded the bid packages are locked in to their bids and were required to provide surety bonds as part of the bid process. In addition, financial analyses were conducted on these vendors.

Mr. Esquivel informed the Committee that the District is ordering 12 to 15 large cargo containers for each of the three Summer 2014 modernization sites. In the coming weeks, these containers will be delivered to Castle Park, Rice, and Rosebank so that staff can begin storing school equipment and supplies. The District's Purchasing Manager has met with the three School Principals to discuss the process and timelines needed to be ready for modernization this summer. Each Principal will discuss the information with his/her staff. Committee discussion continued on the packing and storing process, placement of containers on school campuses, procedures to return materials to the classrooms after modernization is complete, and preparation time for teachers.

2014-15 Calendar for Castle Park, Rice, and Rosebank Elementary Schools

On February 12, 2014, the Board of Education approved the 2014-15 school calendar for Castle Park, Rice, and Rosebank. 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 2014-15 school year to allow modernization during the summer months. These sites will return to the year-round schedule in 2015-16.

6. Form 700, Statement of Economic Interests
Filing Deadline for 2013-14: March 31, 2014

Chairperson Dr. Gerken reminded ICOC Members that the deadline to file their Form 700 is March 31. Individual meetings will be arranged for those needing assistance in completing their form. Angie Barton will notify Committee Members of available dates/times and will coordinate schedules.

7. Discussion: Annual Report to CVESD Board of Education on June 18, 2014

As stated in the Committee Bylaws, the ICOC will report at least once annually at a regularly scheduled Board of Education meeting. The Committee's first annual report will be presented by the Chairperson at the Board's June 18 meeting. Members were encouraged to be in attendance at the meeting, which will begin at 6 p.m. in the Dr. Lowell J. Billings Board Room. During discussion, Members expressed interest in addressing the following items in the ICOC's report.

- Financial information including the bond amount, expenditures to date, bid awards for the first three modernization sites, and results of the Proposition E audit report.
- Summary of work planned for the classrooms and at the sites. Because the report will be presented June 18, the presentation could include photos of the start of work (e.g., demolition).
- Site visits by the ICOC to Castle Park, Rice, and Rosebank.

Mr. Esquivel will meet with Chairperson Dr. Gerken to prepare a draft report. A copy of the draft will be presented to the ICOC at its next meeting.

8. Approve Next Two Meeting Dates

May 14, 2014
September 17, 2014 (Possible Site Visits to Castle Park, Rice, and Rosebank Elementary Schools)

MSCU Helvie, Koenig that the May 14 and September 17, 2014, meeting dates be approved. The May 14 meeting time will be 6 P.M. The September 17

meeting time is tentatively scheduled for 9 A.M. so that the ICOC can tour Castle Park, Rice, and Rosebank after these schools have been modernized.

9. Other Items/Open Discussion

The ICOC and District staff briefly discussed the use of wireless/mobile devices in classrooms. A request was made that Matthew Tessier (CVESD's Executive Director of Technology and Instruction) attend the May 14 ICOC meeting to discuss and possibly demonstrate the use of technology devices. Committee Members also expressed interest in keeping the current document cameras available at school sites for "an overlap of technology."

10. Adjournment

Chairperson Dr. Gerken adjourned the meeting at 7:17 P.M.

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Exhibit "A"
to ICOC Minutes of
March 19, 2014

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

AUDIT REPORT

JUNE 30, 2013

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, 2013 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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

Aubrey W. King, CPA
Richard K. Savage, 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, 2013, 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.

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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 2013, the District adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* 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, 2013, 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 24, 2014, 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 24, 2014

FINANCIAL SECTION

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
PROPOSITION E BUILDING FUND
GENERAL OBLIGATION BONDS
BALANCE SHEET
JUNE 30, 2013

ASSETS		
CURRENT ASSETS		
Cash in County Treasury	$	30,775,000
Investments - Cash With Fiscal Agent		75,508
Accounts Receivable		1,338
TOTAL ASSETS	$	30,851,846
LIABILITIES AND FUND BALANCE		
Accounts Payable	$	106,620
Due to General Fund		380
Due to Capital Facilities Fund		107,062
TOTAL LIABILITIES		214,062
FUND BALANCE		
Restricted for Capital Projects		30,637,784
TOTAL LIABILITIES AND FUND BALANCE	$	30,851,846

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, 2013

REVENUES	
Interest Income	$ 1,338
TOTAL REVENUES	1,338
EXPENDITURES	
Other Operating Expenses	380
Capital Outlay:	
Survey Fees	44,620
Network Infrastructure	107,062
TOTAL EXPENDITURES	152,062
EXCESS OF EXPENDITURES OVER REVENUES	(150,724)
OTHER FINANCING SOURCES (USES)	
Proceeds From Sale of Bonds	31,000,000
Bond Issuance Costs	(211,492)
TOTAL OTHER FINANCING SOURCES (USES)	30,788,508
NET CHANGE IN FUND BALANCE	30,637,784
FUND BALANCE, BEGINNING OF YEAR	-
FUND BALANCE, END OF YEAR	$ 30,637,784

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, 2013

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 63 Implementation

The District has implemented GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The purpose of this pronouncement is to improve financial reporting by standardizing the presentation of deferred inflows and outflows or resources and their effects on a government's net position. Transactions that result in consumption or acquisition of net assets in one period that are applicable to future periods are deferred outflows and inflows of resources are distinguished from assets and liabilities. Net position is the difference between 1) assets and deferred outflows of resources; and 2) liabilities and deferred inflows of resources. For the year ended June 30, 2013 the District did not have any items which would be considered deferred outflows and inflows 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, 2013, the portion of cash in county treasury attributed to Building Fund (21-39) was $30,775,000. The fair value of Building Fund (21-39)'s portion of this pool as of that date, as provided by the pool sponsor, was $30,775,000. 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.

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.

C. Cash and Investments (Continued)

The District's investments attributed to Building Fund (21-39) at June 30, 2013 are shown below.

Investment or Investment Type	Fair Value
Money Market Funds	$ 75,508

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 was not exposed to custodial credit risk.

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. At year end, the District was not exposed to concentration of credit risk.

C. Cash and Investments (Continued)

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 Treasury. The District maintains an investment with the San Diego County Investment Pool with a fair value of $30,775,000 and a book value of $30,775,000 for Building Fund (21-39). The weighted average days to maturity for this investment pool is 370 days.

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, 2013 consisted of:

Interest	$ 1,338

E. Accounts Payable

Accounts payable at June 30, 2013 consisted of:

Vendor payables	$ 106,620

F. Interfund Transactions

Interfund receivable and payable balances at June 30, 2013 are as follows:

Due to other funds - General Fund	$ 380
Due to other funds - Capital Facilities Fund	$ 107,062

The amount due to the General Fund is for reimbursement of fire construction fees and the amount due to the Capital Facilities Fund is for reimbursement of network infrastructure costs. 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, 2013 is as follows:

Date of Issuance	Interest Rate	Maturity Date	Amounts Outstanding Issue	Amounts Outstanding July 1, 2012	Issued Current Year	Redeemed Current Year	Amounts Outstanding June 30, 2013
06/13/13	3.00-5.00%	08/01/37	$ 31,000,000	$ -	$ 31,000,000	$ -	$ 31,000,000
06/13/13	Premium	08/01/37	$ 960,059	$ -	$ 960,059	$ -	$ 960,059
			Totals	$ -	$ 31,960,059	$ -	$ 31,960,059

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)

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2013 is as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 746,596	$ 746,596
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
2019-2023	3,040,000	4,655,525	7,695,525
2024-2028	4,395,000	3,908,128	8,303,128
2029-2033	7,025,000	2,809,641	9,834,641
2034-2038	10,535,000	1,118,500	11,653,500
Total	$ 31,000,000	$ 17,592,565	$ 48,592,565

H. Construction Commitments

As of June 30, 2013, the Building Fund had the following commitments with respect to unfinished capital projects:

Construction in Process:	Commitments	Expected Date of Final Completion
Modernization Rice	$ 5,903,031	August 2014
Modernization Castle Park	$ 5,052,767	August 2014
Modernazation Rosebank	$ 4,241,000	August 2014
Modernization Vista Square	$ 3,892,330	August 2015
Modernization Hilltop	$ 4,167,007	August 2015
Moderniazation Allen	$ 4,140,208	August 2015

I. Subsequent Events

Effective for the fiscal year beginning July 1, 2013 the District is implementing GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities.* The purpose of this pronouncement is to improve financial reporting by clarifying the appropriate use of the financial statement elements of deferred inflows and outflows of resources to ensure consistency in financial reporting. With implementation of this pronouncement, the District will recognize certain items previously reported as assets or liabilities as outflows of resources or inflows or resources.

OTHER INDEPENDENT AUDITOR'S REPORTS

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

Aubrey W. King, CPA
Richard K. Savage, 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, 2013, 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 24, 2014.

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.

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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 24, 2014

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

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, 2013 and have issued our report thereon dated February 24, 2014. 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, 2013. 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

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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, 2013 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 approximately $705,435 or approximately 100% of total expenditures for the year. Our testing included $151,683 of capital outlay expenditures which was 100% of capital outlay expenses.

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, 2013.

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 24, 2014

FINDINGS AND RESPONSES SECTION

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
PROPOSITION E BUILDING FUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013

There were no findings to report.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
PROPOSITION E BUILDING FUND
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

The audit ending June 30, 2013 is the first year audit for the Proposition E Building Fund.

Exhibit "B"
to ICOC Minutes of
March 19, 2014

Chula Vista Elementary School District

Proposition E Independent Citizens Oversight Committee

March 19, 2014

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: Estimated Budget for First Six SFID No. 1 Sites	(27,046,343)
Less: Estimated WiFi Installation Budget for 31 SFID No. 1 Sites	(1,738,800)
Equals: Estimated Remaining Series A Building Fund	$ 1,989,857

School Facilities Improvement District (SFID) No. 1

Facilities: Year Constructed, Year Modernized, and Estimated Costs

	School	Year Constructed	Year Modernized	SFID GO Bond Estimated Improvement Cost
2014	RICE ELEMENTARY SCHOOL	1938	1996	$5,903,031
	CASTLE PARK ELEMENTARY SCHOOL	1952	1996	$5,052,767
	ROSEBANK ELEMENTARY SCHOOL	1952	1996	$4,241,000
2015	VISTA SQUARE ELEMENTARY SCHOOL	1953	1996	$3,892,330
	HILLTOP DRIVE ELEMENTARY SCHOOL	1943	1997	$4,167,007
	ALLEN ELEMENTARY SCHOOL	1947	1997	$4,140,208

Modernization in 1996 and 1997 was minimal scope and excluded the following major items: Underground Utilities, Window Replacements, Asphalt Resurfacing, HVAC Replacements, Irrigation Upgrades, Interior Finishes, and Cafeteria/Food Services. Estimates are subject to change.

Summer 2014 Modernization Projects

Original Budget Estimates

School Site	Construction Hard Costs	Soft Costs (Architect, Construction Manager, Etc.)	Total Costs
Castle Park	$ 3,828,589	$ 1,224,178	$ 5,052,767
Rice	4,783,794	1,119,237	5,903,031
Rosebank	3,437,634	803,366	4,241,000
TOTALS	$12,050,017	$ 3,146,781	$15,196,798

Contract Awards

Modernization/Renovation of Castle Park, Rice, and Rosebank

Bid Pkg. No.	Description of Work	Contractor Name	Amount
1	Storm Water Pollution Prevention Plan	Bid Package No. 1 bids rejected.	
2	Demolition and Hazmat	The HVAC Exchange	$ 925,634
3	Asphalt and Paving	J&S Asphalt, Paving, Sealing, and Striping Co.	204,824
4	Concrete	Western Rim Constructors, Inc.	1,414,000
5	Rough Carpentry	Cuyamaca Construction, Inc.	815,000
6	Roofing and Sheet Metal	A Good Roofer, Inc.	149,140
7	Glass and Glazing	Queen City Glass Co.	848,214
8 and 9	Finishes and Specialties	Brady SoCal, Inc.	3,883,291
10	Mechanical (HVAC)	Paradigm Mechanical Corp.	1,497,500
11	Plumbing	Strelic Plumbing, Inc., dba Advanced Plumbing Co.	1,810,700
12	Electrical	Baker Electric, Inc.	2,367,600
	TOTAL AWARD		**$13,915,903**

Construction Budget vs. Construction Contract

Construction Contract Award	**$13,915,903**
Less: Proposition E Construction Budgets for Castle Park, Rice, Rosebank	**(12,050,017)**
Less: Proposition 39 Clean Energy Jobs Act Funds for 2013-14	**(1,100,000)**
Less: Estimated Redevelopment Funds for Rice Library Reconstruction (net insurance reimbursement)	**(600,000)**
Less: Redevelopment/Other Capital Funds/ Allowance (approximately $264,000 allowance in contract award amount)	**(165,886)**
Remaining Contract Award Over Sources	**$ 0**

Major Categories for Improvement

- **Infrastructure Improvements**
  Electrical, sewer, water and storm drains, 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.



Allen Elementary School

Updated Schedule

Summer 2014 Modernization Projects
Castle Park, Rice, and Rosebank

Activity	Date
Issue Proposition E, Series A, Bonds	June 2013
Commence Bidding on Trades	January 8 and 15, 2014
Trade Contractor Bid Dates	February 12, 2014
Award Bids	March 12, 2014
Site Packing and Moving	Ongoing March – June 8, 2014
Modernization Construction Period	June 10 – August 25, 2014

Questions and Comments