

CHINO VALLEY UNIFIED SCHOOL DISTRICT
Facilities, Planning, and Operations Division
Greg Stachura, Assistant Superintendent
Phone (909) 628-1201, Ext. 1200 ♦ Fax (909) 548-6034

CITIZENS' BOND OVERSIGHT COMMITTEE

Meeting Minutes
March 5, 2012

Call to Order: Chairman Mike Kreeger called the meeting to order at 5:30 p.m.

Members present were Mike Kreeger, Art Bennett, Sheila Mautz, Roman Nava, Ted Athans, Dave Tennes, Chuck Antuna, Valerie James, and Patti Arlt. Greg Stachura represented District staff.

Ms. Mautz led the group in the Pledge of Allegiance.

1. Public Comment

None.

2. Approval of Minutes from December 5, 2011

Mr. Antuna moved to approve the December 5, 2011 minutes; Mr. Tennes seconded the motion; all members present approved.

3. 2002 General Obligation Bonds Audit Report Presentation

Mr. Royce Townsend from Vavrinek, Trine, Day & Co., LLP, addressed the committee regarding the Prop 39 Measure M bond performance and financial audits performed for the District. Members received copies of the audit report (attached). Mr. Townsend provided an overview of the report. He stated there were no exceptions as a result of the audits.

4. Expenditure Report for Period ending December 31, 2011

The report for expenditures made during the period ending February 29, 2012 (attached), was distributed to committee members and reviewed by Mr. Stachura. In addition to the bond measure amount of \$150,000,000.00, \$10,371,225.43 in interest was earned as of December 31, 2011; \$950,326.03 was transferred from San Bernardino County for construction of county classrooms, bringing the net total receipts to \$161,321,550.66. \$147,744,213.26 has been spent, leaving a balance of \$13,577,337.40.

Mr. Stachura reported that based on calculation of expenditures, there may not be enough money left to complete the Magnolia project. Discussion regarding the prioritization of eligible projects was held.

Mr. Tennes commented that, having been to Magnolia a number of times, the school is one that is in the worst shape and suggested deferring expenses at some of the more modern schools in order to complete the project at Magnolia. He believes the community will not like seeing what would be considered a luxury project going forward instead of needed projects at a school in a less economically advantageous area.

Mr. Kreeger said the district never thought it would get as far down list as it has, and many projects have been done that were way down on the wish list when it first came out. He said that Magnolia received early modernization before other schools. Mr. Tennes said that work was done 10 years ago and was to repair regulatory requirements like leaking roofs and asbestos, and there is a lot of wear and tear since then.

Mr. Bennett mentioned that when you look at the Chino Hills High School program and the fact that all three of the other high schools have pools, that's where equalization comes in.

Mr. Tennes said he wanted to put the point out there and doesn't know if anything can be changed, but it rubs a lot of people in district the wrong way. He recognizes the pool is a done deal but wonders if it's possible to find way to stretch dollars and use some of the money at Magnolia

Mr. Stachura agreed that it won't set well with the public and the district and the committee will hear about it from the public but it's important to remember that it's not money that can be used for salaries or to balance the budget.

5. Report to Board of Education

Mr. Stachura reported that the committee's meeting minutes will suffice for the quarterly reports to the Board of Education.

6. Advertising for New Members

Discussion was held regarding the need to advertise for new members for the next term. There are still openings on the committee for representatives of a senior citizen's organization and a bona fide taxpayer organization. Mr. Bennett said he could represent as a senior citizen and the City of Chino Hills council could select someone else to represent the city. Mr. Tennes also said he would qualify as a senior citizen if the age limit is 55. Mr. Antuna reported that his child will graduate this year so he will no longer be eligible to represent as a parent/guardian of a student who attends a school in the district. However, he would be willing to serve as an at-large member.

Advertisements will soon be placed in the newspaper requesting new interested applicants. All members eligible to return and who are interested are encouraged to submit letters of interest with their resumes attached.

7. Construction/Planning Update

Mr. Stachura reviewed the construction update for March 5, 2012, which was prepared for the meeting (attached).

8. Member Communications

Members reviewed current events and issues concerning the communities included within the Chino Valley Unified School District boundaries.

9. Other Topics

Meeting was adjourned at 6:26 p.m. The next meeting is scheduled for June 4, 2012.

Attachments: 2002 General Obligation Bonds Financial and Performance Audit Report, June 30, 2011
Expenditure Report for Period Ending February 29, 2012
Construction Update for March 5, 2012

CHINO VALLEY UNIFIED SCHOOL DISTRICT

**MEASURE M
2002 GENERAL OBLIGATION BONDS
AUDIT REPORT**

JUNE 30, 2011

CHINO VALLEY UNIFIED SCHOOL DISTRICT

**MEASURE M
2002 GENERAL OBLIGATION BONDS
FINANCIAL AUDIT**

JUNE 30, 2011

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

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JUNE 30, 2011**

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INDEPENDENT AUDITORS' REPORT

Governing Board and
Citizens Oversight Committee
Chino Valley Unified School District
Chino, California

We have audited the accompanying financial statements of the Chino Valley Unified School District (the District), Building Fund (Measure M), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure M and are not intended to present fairly the financial position and results of operations of the Chino Valley Unified School District in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure M) of the Chino Valley Unified School District at June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011, on our consideration of the District Building Fund's (Measure M) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 conjunction with this report in considering the results of our audit.

VAVRINEK, TRINE, DAY & CO., LLP

Rancho Cucamonga, California
December 16, 2011

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**BALANCE SHEET
JUNE 30, 2011**

ASSETS

Deposits and investments	\$ 19,880,973
Accounts receivable	41,510
Due from other funds	12
Total Assets	\$ 19,922,495

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 781,889
Due to other funds	29,632
Total Liabilities	811,521

FUND BALANCE

Restricted	
Capital projects fund	19,110,974
Total Liabilities and Fund Balance	\$ 19,922,495

The accompanying notes are an integral part of these financial statements.

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

REVENUES

Local income

Interest income	\$ 225,416
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EXPENDITURES

Current

Salaries and benefits	131,392
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Services

Rentals and leases	31,378
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Transfers	28,219
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Audit expense	8,000
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Contracted services	891
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Other administrative expense	5,000
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Capital outlay

Environmental studies	206,910
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Land improvements	830,549
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Playground or shade structures	151,314
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Site improvement testing	54,359
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Other site costs	130,775
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Consulting fees	85,197
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Other planning costs	8,948
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Additions to buildings	13,424
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Building improvements	4,291,285
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Building improvement testing	11,063
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Building inspections	41,656
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Other building improvement costs	149,450
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Books and media	249,429
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Equipment	106,016
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Architects fees	837,510
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DSA/Plan check fees	127,370
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Equipment technology/other	273,098
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Total Expenditures	7,773,233
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NET CHANGE IN FUND BALANCE

(7,547,817)

FUND BALANCE - BEGINNING

26,658,791

FUND BALANCE - ENDING

\$ 19,110,974

The accompanying notes are an integral part of these financial statements.

CHINO VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE M)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Chino Valley Unified School District Building Fund (Measure M) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Chino Valley Unified School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund of the Chino Valley Unified School District used to account for Measure M projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2002. These financial statements are not intended to present fairly the financial position and results of operations of the Chino Valley Unified School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Building Fund (Measure M) are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Building Fund (Measure M) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. 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 balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget 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.

CHINO VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE M)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Fund Balances - Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Spending Order

When an expenditure is incurred for purposes 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, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Use of Estimates

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

CHINO VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE M)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Changes in Accounting Principles

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this Statement for the year ended June 30, 2011.

CHINO VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE M)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

NOTE 2 - INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instrument; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; 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.

CHINO VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE M)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly 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.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Investment Pool. The District maintains a building fund investment of \$19,880,973 with the San Bernardino County Investment Pool. The fair value of this investment is approximately \$19,941,072 with an average maturity of 360 days.

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011, consisted of the following:

Interest	<u>\$ 41,510</u>
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NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

Services	\$ 2,395
Capital outlay	779,313
Other vendor payables	181
	<u>\$ 781,889</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable balance at June 30, 2011, was as follows:

Due from other funds - General Fund

The General Fund owes the Building Fund for reimbursement of payroll related benefits.

<u>\$ 12</u>

Interfund payable balance at June 30, 2011, was as follows:

Due to other funds - General Fund

The Building Fund owes the General Fund for payroll related benefits and operating costs.

<u>\$ 29,632</u>

CHINO VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE M)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 6 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2011, the Building Fund (Measure M) had the following commitments with respect to unfinished capital projects:

MEASURE M PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Briggs Fundamental - renovation	\$ 4,742,765	9/30/2012
Briggs Fundamental - interim housing	146,762	10/6/2011
Gird Site/Borba Fundamental - restroom upgrade	199,105	1/5/2012
Eagle Canyon Elementary - computer lab	13,499	12/8/2011
Newman Elementary - restroom upgrade	206,351	1/5/2012
Cattle Elementary - new classroom addition	3,674,511	9/30/2012
Cattle Elementary - interim housing	216,477	9/22/2011
Marshall Elementary - restroom upgrade	200,691	1/5/2012
Oak Ridge Elementary - security fence and gate	18,085	12/8/2011
Walnut Elementary - computer lab	24,477	12/8/2011
Rolling Ridge Elementary - HVAC replacement	54,624	10/6/2011
Glenmeade Elementary - renovation	2,076,645	9/1/2013
Glenmeade Elementary - landscape rehabilitation	258,690	6/30/2012
Ramona Junior High - restroom upgrade	197,777	1/5/2012
Magnolia Junior High - renovation	3,237,197	9/1/2013
Townsend Junior High - computer lab furniture	9,231	8/24/2011
Ayala High - shade structure	791,516	1/5/2012
Ayala High - relocate classrooms and gymnasium HVAC replacement	864,809	9/22/2011
Chino Hills High - swimming pool facility	6,178,789	12/1/2013
	<u>\$ 23,112,001</u>	

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

INDEPENDENT AUDITORS' REPORT



**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 and
Citizens Oversight Committee
Chino Valley Unified School District
Chino, California

We have audited the accompanying financial statements of the Chino Valley Unified School District (the District) Building Fund (Measure M), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 16, 2011. 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.

Internal Control Over Financial Reporting

The management of the District's Building Fund (Measure M) is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's Building Fund (Measure M) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's Building Fund (Measure M) internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's Building Fund (Measure M) internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Building Fund (Measure M) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing board, management, and the Measure M Citizen's Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

VAJRNEX, TRNS, DAT W, UP

Rancho Cucamonga, California
December 16, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2011**

None reported.

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

None reported.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

**MEASURE M
2002 GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2011

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
MEASURE M
2002 GENERAL OBLIGATION BONDS**

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INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board and
Citizens Oversight Committee
Chino Valley Unified School District
Chino, California

We were engaged to conduct a performance audit of the Chino Valley Unified School District (the District), Measure M General Obligation Bond funds for the year ended June 30, 2011.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure M General Obligation Bond funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 16, 2011

CHINO VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE M)

JUNE 30, 2011

AUTHORITY FOR ISSUANCE

The Measure M Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County on March 5, 2002 (the Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District in December 6, 2001.

The District received authorization at an election held on March 5, 2002, to issue bonds of the District in an aggregate principal amount not to exceed \$150,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2002 Authorization).

PURPOSE OF ISSUANCE

"To relieve overcrowding; repair, upgrade, construct, acquire, equip neighborhood schools/classrooms; install fire doors; replace outdated plumbing sewer and decayed drainage systems, leaking, rundown roofs/bathrooms; upgrade electrical wiring for technology; improve student safety conditions; and qualify for State funds by issuing \$150,000,000 of bonds at legal rates, requiring annual audits, citizen oversight, and no money for administrators' salaries."

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizen's oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

CHINO VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE M)

JUNE 30, 2011

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure M.
2. Determine whether salary transactions charged to the Building Fund were in support of Measure M and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2010 to June 30, 2011. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2011, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011 for the Building Fund (Measure M). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure M as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2010 and ending June 30, 2011, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$3,711,331. This represents 48 percent of the total expenditures of \$7,773,233, including expenditures related to transferred funds.
3. We verified that funds from the Building Fund (Measure M) were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held in the Building Fund (Measure M) were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

CONCLUSION

The results of our tests indicated that, in all significant respects, the Chino Valley Unified School District has properly accounted for the expenditures held in the Building Fund (Measure M) and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Building Fund (Measure M), and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

None reported.

ACTIVE CAPITAL FACILITIES PROJECT LIST - Measure M Funded					
Prepared: 3/2/2012					
		Measure M	OPSC & OTHER	C O M B I N E D	
Project	Facilities Assessment Report Estimates	Budget / Contracted	Received	As of 2/29/12 Expended	Balance
MEASURE M GENERAL EXPENSE					
1. Program Manager - PCM3		2,227,780.32		2,227,780.32	0.00
2. Bond Performance Audit		204,062.36		180,062.36	24,000.00
3. Bond Misc. Cost		94,514.83		63,317.98	31,196.85
4. Legal Fees		12,573.23		12,573.23	0.00
5. CVUSD Payroll		903,195.90		607,796.84	295,399.06
SUBTOTAL	0.00	3,442,126.64		3,091,530.73	350,595.91
NEW CONSTRUCTION - Measure M Match					
1. CHHS	0.00				
2. Preserve	0.00				
3. Rhodes ES	12,400,000.00	6,444,257.23	8,416,259.96	14,860,517.19	0.00
4. Chaparral ES	12,000,000.00	8,811,832.00	7,544,362.14	16,356,194.14	0.00
5. Woodcrest JH	17,200,000.00	14,372,387.28	12,331,223.09	26,703,610.37	0.00
6. Liberty ES	14,500,000.00	9,921,394.06	9,701,147.76	19,622,541.82	0.00
7. Wickman ES	12,200,000.00	5,940,956.37	9,023,621.76	14,964,578.13	0.00
8. Super-Wickman Addition	2,000,000.00	417,127.40	1,487,802.82	1,904,930.22	0.00
	70,300,000.00	45,907,954.34	48,504,417.53	94,412,371.87	0.00
MODERNIZATION PHASE I - Measure M Match					
1. Glenmeade ES	0.00				
2. Magnolia JH	0.00				
3. Don Lugo HS (Red Ph & Bldg A) DM	1,900,000.00	4,249,923.18	6,026,899.42	10,276,822.60	0.00
4. Walnut ES	1,200,000.00	2,286,011.74	2,922,350.88	5,208,362.62	0.00
5. Cortez ES	1,100,000.00	1,375,765.25	3,388,274.16	4,764,039.41	0.00
6. Dickson ES	1,400,000.00	2,009,604.13	2,336,324.51	4,345,928.64	0.00
7. Buena Vista HS	500,000.00	2,799,908.01	1,264,913.39	4,060,481.11	0.00
	6,100,000.00	12,721,212.31	15,938,762.36	28,655,634.38	0.00
MODERNIZATION PHASE II - Measure M Match					
1. Borba ES	0.00	986,159.90	1,474,834.77	2,460,994.67	0.00
2. El Rancho ES DM	400,000.00	798,456.07	1,463,120.66	2,261,576.73	0.00
3. Gird ES DM	500,000.00	747,371.75	1,540,085.98	2,287,457.73	0.00
4. Los Serranos ES DM	400,000.00	696,474.66	1,132,004.22	1,828,478.88	0.00
5. Marshall ES DM	300,000.00	552,244.27	1,094,206.21	1,646,450.48	0.00
6. Newman ES DM	300,000.00	530,914.71	1,166,105.50	1,697,020.21	0.00
7. Ramona JH	700,000.00	1,240,626.94	1,215,466.85	2,456,093.79	0.00
8. Don Lugo HS (Yellow Phase) DM	0.00	1,953,525.26	4,357,195.67	6,309,376.80	0.00
	2,600,000.00	7,505,773.56	13,443,019.86	20,947,449.29	0.00
SUBTOTAL - Projects w/ State Funding	79,000,000.00	66,134,940.21	77,886,199.75	144,015,455.54	0.00
MEASURE M WORK - Fully Measure M Funded					
1. Ayala HS	8,380,361.00	8,727,100.12		8,643,760.82	83,339.30
2. Walnut ES	6,367,503.00	6,207,567.41	431,428.18	6,638,995.59	0.00
3. Buena Vista HS (MM added to Mod)	1,385,280.00	622,530.23		622,530.23	0.00
4. Cortez ES	1,760,587.00	2,735,866.27		2,735,866.27	0.00
5. Dickson ES	1,464,875.00	2,928,918.17		2,928,918.17	0.00
6. Don Lugo HS (Blue Phase + Ag)	15,541,162.00	22,471,536.00	767,981.46	23,238,685.97	831.49
7. Borba ES	2,179,726.00	21,178.72		21,178.72	0.00
8. El Rancho ES	2,485,974.00	99,391.66		99,391.66	0.00
9. Gird ES	1,509,084.00	232,808.19		212,303.29	20,504.90
10. Los Serranos ES	1,289,896.00	197,389.12		197,389.12	0.00
11. Newman ES	2,055,455.00	361,268.67		339,179.75	22,088.92
12. Marshall ES	5,297,450.00	3,386,961.14		3,366,290.37	20,670.77
13. Ramona JHS (Phase II Mod) Msr M	7,885,431.00	2,728,140.11	829,578.69	3,517,462.36	40,242.75
14. Chino HS	6,438,165.00	13,832,876.50		13,829,876.50	3,000.00
15. Dickey ES	2,023,655.00	1,042,256.92	1,567,460.99	2,598,821.80	10,896.11
16. Canyon Hills JH	3,990,600.00	2,677,460.59		2,676,880.97	579.62
17. Cattle ES	1,236,125.00	4,314,621.46		1,730,424.34	2,584,197.12
18. Townsend JH	1,509,041.00	1,801,554.50		1,800,965.42	589.08
19. Briggs FS	1,414,025.00	5,554,561.83		2,113,776.42	3,440,785.41
20. Butterfield ES	946,998.00	351,738.13		350,515.86	1,222.27
21. Eagle Canyon ES	1,151,450.00	453,825.12		453,825.12	0.00
22. Country Springs	1,927,884.00	936,410.59		935,075.53	1,335.06
23. Glenmeade + (CHS Mod Reimb)	600,533.00	482,741.53	3,777,978.00	397,296.53	85,445.00
24. Hidden Trails	194,900.00	210,521.04		210,521.04	0.00
25. Litel	685,937.00	630,404.91		630,404.91	0.00
26. Magnolia JH	3,298,958.00	3,298,958.00		133,704.51	3,165,253.49
27. Oak Ridge ES	1,398,046.00	387,741.16		387,741.16	0.00
28. Rolling Ridge ES	1,736,100.00	735,669.84		734,816.84	853.00
29. Woodcrest JH	1,334,950.00	0.00		0.00	0.00
30. Chino Hills HS	2,205,000.00	7,337,241.43		567,483.41	6,769,758.02
				0.00	0.00
SUBTOTAL	89,695,151.00	94,769,239.36	7,374,427.32	82,114,082.68	16,251,592.31
TOTAL MEASURE M BOND	168,695,151.00	164,346,306.21	85,260,627.07	229,221,068.95	16,602,188.22

149,999,999.20 Bonds Issued

10,371,225.43 Interest Earned 12/31/11

950,326.03 Walnut SDC & Campaign

161,321,550.66 Total Receipts

147,744,213.26 Total Expended

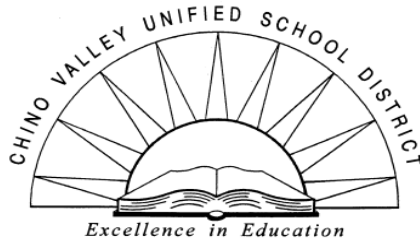
13,577,337.40 Cash Balance

as of 2/29/12

13,577,337.40

Facilities Planning Dept. - MP

0.00



Citizen's Oversight Committee Meeting
Construction Update Overview, March 5, 2012
(Updates since Dec. 5, 2011 meeting are in bold)
Prepared and Presented by Bill Childress,
Construction Coordinator

Restroom Upgrades - Borba, Ramona, Marshall, Newman

Contract awarded to De La Riva Construction and began July 25th, 2011.
This project is 100% complete Board approved and closed out.

New Lunch Shelter at Ayala HS

All bids rejected; project was rebid
Contract awarded to WCCR Construction and began July 25th, 2011.
This project is 100% complete, Board approved and closed out.

New Classroom Wing Addition at Cattle ES

Contract awarded to PacWest Construction; project began June 30, 2011.
Construction period is June 2011 through August 2012.
Framing is 98% complete. Interior mechanical, plumbing and electrical work is 99% complete. Exterior stucco work to begin next week and all building should be dried in by March 26, at which time interior drywall work will begin.
Project is currently on schedule.

Modernization & HVAC Replacement at Briggs FS

Bids opened June 2
Contract awarded to Harik Construction, work began July 25.
Construction is on schedule and in the 6th phase with phase 7 scheduled to begin March 17.

Swimming Pool at Chino Hills HS

This project will be awarded at the March 15, 2012 Board meeting. A ground breaking ceremony will be scheduled and held within the next few weeks with construction expected to begin April 2, 2012 with completion by January 31, 2013.

Interior Modernization Work at Glenmeade ES

Currently advertising for bids with construction expected to begin June 11, 2012 and completion by August 24, 2012.

Exterior Modernization Work at Glenmeade ES

Currently advertising for bids with construction expected to begin June 11, 2012 and completion by August 24, 2012.

Miscellaneous Modernization Work / Library Expansion at Magnolia JHS

DSA Approved November 1, 2011 (pending funding availability)

***Miscellaneous District-Wide Furniture and Equipment Upgrades
(Pending funding availability)***