

***CHINO VALLEY UNIFIED SCHOOL  
DISTRICT***

***BOND MEASURE M PROGRAM  
WITH ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
JUNE 30, 2004***

**CHINO VALLEY UNIFIED SCHOOL DISTRICT  
BOND MEASURE M PROGRAM  
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GLENN M. GELMAN, C.P.A., M.S.-Tax  
WARREN E. HENNAGIN, C.P.A., M.S.-Tax  
LARRY M. KANE, C.P.A.

1940 East 17th Street  
Santa Ana, California 92705-8606  
714-667-2600  
714-667-2636 Fax  
www.gmgcpa.com

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## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

Board of Trustees  
Chino Valley Unified School District

and

The Citizens' Bond Oversight Committee  
5130 Riverside Drive  
Chino, CA 91710

We have performed the agreed-upon procedures enumerated in Exhibit A, which were agreed to by Chino Valley United School District of San Bernardino County, solely to assist the users in identifying finding and recommendations in the areas with respect to the Measure M General Obligation Bonds for the year ended June 30, 2004. This engagement to perform agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants and meets the compliance requirements to perform an "audit" as outlined in subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated results, finding and recommendations are described in this report as Exhibits A and B, respectively.

We were not engaged to, and did not, perform an audit of all financial statements of the District, the objective of which would be the expression of an opinion relating to the matters included in the agreed-upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

*Glenn M. Gelman & Associates*

Santa Ana, California  
January 21, 2005

**CHINO VALLEY UNIFIED SCHOOL DISTRICT  
BOND MEASURE M PROGRAM  
AGREED-UPON PROCEDURES  
JUNE 30, 2004**

**EXHIBIT A**

The Chino Valley Unified School District requested that the following agreed-upon procedures be performed:

- A. Obtain an understanding of the internal control over the procurement system for the Bond Measure M Fund, and adherence thereof, including a review of the controls exercised over approval of change orders.
- B. Determine that the procurement procedures were in accordance with procurement laws and regulations.
- C. Review compliance with the expenditure provisions/restrictions in the Measure M Obligation Bonds Initiative, including observing that administrative costs have not been charged to the Fund.
- D. Observe support for the allocations of bond expenditures to the bond fund expenditure classifications (programs and objects of expenditure).
- E. Review the controls exercised over approval of change orders, including an observation that the approval of purchase orders, as amended by change orders, are approved in accordance with the District's policies and procedures and the Public Contract Code.

**CHINO VALLEY UNIFIED SCHOOL DISTRICT  
BOND MEASURE M PROGRAM  
FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2004**

**EXHIBIT B**

Based upon the performance of the agreed-upon procedures, as discussed in Exhibit A, the following results were noted:

**Agreed-Upon Procedure (A)**

*Procedure*

Obtain an understanding of the internal control over the procurement system for the Bond Measure M Fund, and adherence thereof, including a review of the controls exercised over approval of change orders and contracts.

*Results:* 20 exceptions and 13 deviations.

		<u># of Invoices Affected</u>
Official start date and Notice to proceed letter date predates Board Approval.	Exception	6
Documents verifying receipt was obtained but unavailable.	Exception	1
Expenditure is in dispute with the County. Pay application has not been paid because County believes work performed therein are not included on change orders.	Exception	3
Review of Certified Payroll indicates work began prior to Notice To Proceed.	Exception	1
Pay application not signed by Architect, DSA, or CM.	Exception	1
No source documents were available for this expenditure.	Exception	1
Only one informal RFP was issued.	Exception	<u>7</u>
		<u>20</u>
No documentation was on file stating at least 3 quotes were obtained.	Deviation	<u>13</u>

**CHINO VALLEY UNIFIED SCHOOL DISTRICT  
BOND MEASURE M PROGRAM  
FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2004**

**EXHIBIT B**

**Agreed-Upon Procedure (B)**

*Procedure*

Determine that the procurement procedures were in accordance with procurement laws and regulations, and policies.

*Results:* 29 exceptions and 36 deviations.

		<u># of Invoices Affected</u>
Work completed before School Board approval.	Exception	8
Approval of reimbursable expenditures obtained after work had been performed.	Exception	2
First Certified Payroll is not available.	Exception	2
Work performed one month before School Board approval.	Exception	1
Contractor was prequalified after the opening of bids.	Exception	3
Competitive bids not obtained.	Exception	<u>13</u>
		<u>29</u>
Contractor was prequalified after start of contract.	Deviation	21
Contractors were never prequalified.	Deviation	<u>15</u>
		<u>36</u>

**Agreed-Upon Procedure (C)**

*Procedure*

Reviewed compliance with the expenditure provisions/restrictions in the ballot measure. Performed observations to determine whether administrative costs have been charged to the Fund.

*Results*

There were no exceptions noted.

**CHINO VALLEY UNIFIED SCHOOL DISTRICT  
BOND MEASURE M PROGRAM  
FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2004**

**EXHIBIT B**

**Agreed-Upon Procedure (D)**

*Procedure*

Reviewed the support for the allocation of bond expenditures to the bond fund expenditure classifications.

*Results*

There were no exceptions noted.

**Agreed-Upon Procedure (E)**

*Procedure*

Reviewed the controls exercised over approval change orders, including an observation that the approval of purchase orders, as amended by change orders, are approved in accordance with the District's policies and procedures and the Public Contract Code.

*Results*

There were no exceptions noted.

**CHINO VALLEY UNIFIED SCHOOL DISTRICT  
(Chino, California)  
Bond Measure M Program**

**THE BONDS**

**Authority for Issuance**

The Bonds were issued pursuant to the provisions of the California Education Code commencing with Section 15264 and pursuant to resolutions adopted by the Board of Trustees of the District and by the Board of Supervisors of the County. The District received authorization at an election held on March 5, 2002, by fifty-five percent of the votes cast by eligible voters within the District, to issue general obligation bonds not to exceed the aggregate amount of \$150,000,000. The first series of bonds in the amount of \$40,000,000 was issued June 1, 2002. The second series of bonds in the amount of \$35,000,000 was issued July 25, 2003, for a total of \$75,000,000.

**Purpose of Issue**

As required by the California Constitution, the proceeds from the sale of the bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

The specific school facilities projects to be funded are as follows:

**PRIORITY PROJECTS**

The District intends to complete the following projects, using a combination of funding sources, totaling approximately \$210 million. It is anticipated that bond proceeds will contribute \$150 million to said total cost. Other anticipated sources include developer fees, interest on investments, reimbursements from other agencies, and available capital facility funds.

The District's Facilities Assessment Report has outlined a number of projects to be accomplished within the next years, with priorities such as: to relieve severe overcrowding by building new schools and adding classrooms, to improve health and safety for children, infrastructure repair, structural preservation and improvements, energy conservation, renovation of classrooms, repairing of roofs, plumbing, and heating/cooling systems, site improvements, acquiring furniture and equipment for instruction, improving security, and providing for technology.

Major projects concluded this year include construction of new schools such as Wickman, Rhodes, and Liberty Elementary Schools, and Ayala High School Stadium. Schools currently in construction are Walnut, Chapparral Elementary Schools, Woodcrest Jr. High School, and Don Lugo High School.

Special projects in process include SDC building at Liberty, Chino Hills High School Stadium, and Chino High School Stadium Renovation.

Construction commences in the future for Cortez and Dickson Elementary Schools and Buena Vista High School.



**CHINO VALLEY UNIFIED SCHOOL DISTRICT  
BOND MEASURE M PROGRAM  
STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH  
(CASH BASIS)  
FOR THE YEAR ENDING JUNE 30, 2004**

(Unaudited)

**Receipts**

Interest received	\$ 973,911
Proceeds from issuance of bonds	<u>35,000,000</u>
Total Receipts	<u>35,973,911</u>

**Disbursements**

New construction/adds to buildings	9,442,791
Other construction costs and improvements	5,002,025
Building inspections (capitalized)	395,899
Contracted services	1,266,840
Other costs of construction	2,088,984
Equipment	<u>2,410,185</u>
Total Disbursements	<u>20,606,724</u>

<b>Increase in cash</b>	15,367,187
<b>Cash, beginning of period</b>	<u>27,574,436</u>
<b>Cash, end of period</b>	<u><u>\$ 42,941,623</u></u>