

CHINO VALLEY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
FINANCIAL AUDIT AND PERFORMANCE PROCEDURES
JUNE 30, 2008

CHINO VALLEY UNIFIED SCHOOL DISTRICT

GENERAL OBLIGATION BONDS

FINANCIAL AUDIT

JUNE 30, 2008

CHINO VALLEY UNIFIED SCHOOL DISTRICT

**BUILDING FUND
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JUNE 30, 2008**

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INDEPENDENT AUDITORS' REPORT

Governing Board
Chino Valley Unified School District
Chino, California

We have audited the accompanying financial statements of the Building Fund of the Chino Valley Unified School District, as of and for the year ended June 30, 2008, 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. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund of the Chino Valley Unified School District at June 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

VAVRINEK, TRINE, DAY & CO., LLP

Rancho Cucamonga, California
December 22, 2008

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND BALANCE SHEET JUNE 30, 2008

ASSETS

Investments	\$ 52,756,527
Accounts receivable	514,806
Due from other funds	409
Total Assets	<u><u>\$ 53,271,742</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 1,222,176
Due to other funds	18,614
Total Liabilities	<u><u>1,240,790</u></u>

FUND BALANCES

Unreserved:	
Undesignated	
Capital projects funds	52,030,952
Total Fund Balances	<u><u>52,030,952</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 53,271,742</u></u>

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

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2008

REVENUES

Local income	
Interest income	\$ 2,670,288
Other State sources	398,060
Total Revenues	3,068,348

EXPENDITURES

Salaries and benefits	
Classified salaries	65,569
Employee benefits	20,182
Services and operating expenditures	
Professional/Consulting services	108,366
Communications	1,509
Admission, fees, miscellaneous	1,872
Capital outlay	
Land improvement	412,873
Construction management	651,851
Architect fees on buildings	970,420
Prints and plan	18,091
DSA plan check fees	54,484
CDE plan check fees	2,853
Building improvements	5,886,708
Preliminary testing/inspection	7,748
Construction testing	73,564
Building inspections	211,292
Other costs	407,823
Equipment	52,430
Total Expenditures	8,947,635

EXCESS OF EXPENDITURES OVER REVENUES

(5,879,287)

Other Financing Sources (Uses):

Transfers in	75,186
Net Financing Sources	75,186

NET CHANGE IN FUND BALANCES

(5,804,101)

FUND BALANCE - BEGINNING

57,835,053

FUND BALANCE - ENDING

\$ 52,030,952

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

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local income			
Interest income	\$ 2,670,288	\$ 2,670,288	\$ -
Other State sources	398,060	398,060	-
Total Revenues	3,068,348	3,068,348	-
EXPENDITURES			
Salaries and benefits			
Classified salaries	62,730	65,569	(2,839)
Employee benefits	16,648	20,182	(3,534)
Services and operating expenditures			
Professional/Consulting services	108,366	108,366	-
Communications	1,509	1,509	-
Admission, fees, miscellaneous	-	1,872	(1,872)
Capital outlay			
Land improvement	412,873	412,873	-
Construction management	651,851	651,851	-
Architect fees on buildings	970,420	970,420	-
Prints and plan	18,091	18,091	-
DSA plan check fees	54,484	54,484	-
CDE plan check fees	2,853	2,853	-
Building improvements	5,886,708	5,886,708	-
Preliminary testing/inspection	7,748	7,748	-
Construction testing	73,564	73,564	-
Building inspections	211,292	211,292	-
Other costs	407,823	407,823	-
Equipment	52,430	52,430	-
Total Expenditures	8,939,390	8,947,635	(8,245)
EXCESS OF EXPENDITURES OVER REVENUES	(5,871,042)	(5,879,287)	8,245
Other Financing Sources:			
Transfers in	75,186	75,186	-
Net Financing Sources	75,186	75,186	-
NET CHANGE IN FUND BALANCES	(5,795,856)	(5,804,101)	8,245
FUND BALANCE - BEGINNING	57,835,053	57,835,053	-
FUND BALANCE - ENDING	\$ 52,039,197	\$ 52,030,952	\$ 8,245

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

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Chino Valley Unified School District Building Fund 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.

A. Financial Reporting Entity

The financial statements include only the Building Fund (Measure M) of the Chino Valley Unified School District. 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.

B. 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.

C. 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 balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

D. Investments

Investments held at June 30, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

E. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables".

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

F. 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. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. 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.

H. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10, and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes for the District. The District recognizes tax revenues when received.

J. 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 NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, consist of the following:

	Carrying Amount
San Bernardino County Investment Pool	<u>\$ 52,756,527</u>

B. 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 instruments; 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 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. 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 statements 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.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

D. 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
Short-Term Investments			
U.S. Treasury Bills	1 year	None	\$ 1,000,000
Money Market Mutual Funds	1 year	None	1,000,000
Commercial Paper	1 year	None	1,000,000
Banker's Acceptances	1 year	None	1,000,000
Certificates of Deposit	1 year	None	1,000,000
Repurchase Agreements	1 year	None	1,000,000
Guaranteed Investment Contracts	1 year	None	1,000,000
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Mid-Term Investments			
U.S. Government and Agency Securities			1,000,000
Corporate Notes and Bonds	5 years	95%	1,000,000
Collateralized Mortgage Obligations	5 years	95%	1,000,000
Guaranteed Investment Contracts	5 years	95%	1,000,000
Corporate Bonds	5 years	95%	1,000,000
Long-Term Investments			
U.S. Treasury Notes and Bonds	15 years	30%	1,000,000
U.S. Agency Securities	15 years	30%	1,000,000
Collateralized Mortgage Obligations	15 years	30%	1,000,000
Guaranteed Investment Contracts	15 years	30%	1,000,000

E. 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 to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county and state investment pools.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

F. Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Average days to maturity
San Bernardino County Investment Pool	\$ 52,825,383	341

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the county pool are not required to be rated, nor has it been rated as of June 30, 2008.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2008, consist of the following:

Interest	\$ 514,806
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NOTE 4 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2008, are as follows:

The balance of \$18,614 due to General Fund from the Building Fund (Measure M) was for operating cost.

The balance of \$409 due to the Building Fund (Measure M) from the General Fund was for an accrual of benefits.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consists of the following:

Service	\$ 4,908
Capital outlay	1,217,268
	<u>\$ 1,222,176</u>

NOTE 6 – FUND BALANCES

Fund balance is composed of the following element:

Unreserved	
Undesignated, reported in	
Capital projects	<u>\$ 52,030,952</u>

NOTE 7 – LONG-TERM OBLIGATIONS

A. Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds	<u>\$ 145,634,999</u>	<u>\$ 1,847,941</u>	<u>\$ 970,000</u>	<u>\$ 146,512,940</u>	<u>\$ 1,190,000</u>

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

B. General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2007	Accreted	Redeemed	Outstanding June 30, 2008
7/1/2002	8/1/2027	3.25-5.50%	\$ 40,000,000	\$ 36,870,000	\$ -	\$ 700,000	\$ 36,170,000
2/1/2004	8/1/2029	2.00-5.00%	35,000,000	33,905,000	-	70,000	33,835,000
12/7/2005	8/1/2030	3.50-5.25%	25,000,000	24,845,000	-	200,000	24,645,000
11/8/2006	8/1/2031	3.00-5.125%	49,999,999	50,014,999	1,847,941	-	51,862,940
				<u>\$ 145,634,999</u>	<u>\$ 1,847,941</u>	<u>\$ 970,000</u>	<u>\$ 146,512,940</u>

2002 General Obligations Bonds, Series M

The Election of 2002 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 Election of 2002 Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County (the "Resolution"), pursuant to a request of the District made by a resolution, adopted by the Board of education of the District on 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 million to finance specific construction and renovation projects approved by eligible voters within the District. The measure required approval by at least 55 percent of the votes cast by eligible voters within the District. The general obligation bonds are paid from property taxes deposited into the Bond Interest and Redemption Fund.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

C. Debt Service Requirements to Maturity

The 2002 bonds mature through 2032 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Interest to Maturity	Total
2009	\$ 1,190,000	\$ -	\$ 5,895,125	\$ 7,085,125
2010	1,055,000	-	5,855,038	6,910,038
2011	1,075,000	-	5,812,438	6,887,438
2012	1,945,000	-	5,750,975	7,695,975
2013	2,340,000	-	5,655,513	7,995,513
2014-2018	17,835,525	1,014,475	26,104,313	44,954,313
2019-2023	29,287,762	5,562,238	21,243,503	56,093,503
2024-2028	43,645,495	12,004,505	14,395,453	70,045,453
2029-2032	48,139,158	15,785,842	4,316,738	68,241,738
Total	<u>\$ 146,512,940</u>	<u>\$ 34,367,060</u>	<u>\$ 95,029,096</u>	<u>\$ 275,909,096</u>

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

NOTE 8 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2008, the Building Fund had the following commitments with respect to unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Fund 21 - Measure M Building Fund		
Borba Elementary - Modernization	\$ 37,608	07/17/08
El Rancho Elementary - Modernization	6,901	07/17/08
Gird Elementary - Modernization	21,839	07/17/08
Los Serranos Elementary - Modernization	5,400	01/01/09
Newman Elementary - Modernization	834	07/17/08
Ramona Junior High - Modernization I	19,400	01/01/09
Dickey Elementary - Modernization	822,432	06/01/10
Litel Elementary - Computers Measure M	35,229	01/01/09
Marshall Elementary - New Addition	2,210,800	06/01/09
Ramona Junior High - Modernization II	1,727,801	06/01/09
Chino High School - Renovation	4,386,911	06/01/09
Don Lugo High - Agriculture Farm Fence	18,815	10/02/08
	<u>\$ 9,293,970</u>	

These commitments include all outstanding obligations to date. The commitments do not necessarily include the full cost of completing these modernization and construction projects.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

**GENERAL OBLIGATION BONDS
PERFORMANCE PROCEDURES
JUNE 30, 2008**

CHINO VALLEY UNIFIED SCHOOL DISTRICT
REVIEW OF MEASURE M
GENERAL OBLIGATION BONDS
2002 ELECTION
WITH
ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
JUNE 30, 2008

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

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VALUE THE DIFFERENCE

ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Governing Board
Chino Valley Unified School District

and

The Chino Valley Citizens' Bond Oversight Committee

We have performed the agreed-upon procedures enumerated in Exhibit A, which were agreed to by Chino Valley Unified School District of San Bernardino County, solely to assist the users in identifying findings and recommendations in the areas, with respect to the Measure M, General Obligation Bonds, 2002 Election, for the period ended June 30, 2008. 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 are described in this report as Exhibits A and B, respectively.

We were not engaged to, and did not perform an audit of the 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.

VAVRINEK, TRINE, DAY & CO., LLP

Rancho Cucamonga, California
December 22, 2008

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
MEASURE M
GENERAL OBLIGATION BONDS, 2002 ELECTION
AGREED-UPON PROCEDURES
JUNE 30, 2008**

EXHIBIT A

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

1. Obtain an understanding of the internal control over the procurement system for the Bond Fund, including a review of the controls exercised over approval of Change Orders.
2. Verify that a separate Building Fund of the District has been established to account for the receipt of bond proceeds and expenditure of the funds for the period July 1, 2007, through June 30, 2008.
3. Through examination of the bond issue settlement statement and accounting records, verify that the net proceeds from the sale of the General Obligation Bonds were recorded in the separate fund of the District and any amounts set aside for debt service were deposited into the related Bond Interest and Redemption fund.
4. Select all materially significant expenditures and at least 30 percent of the total expenditures. Obtain supporting documentation (invoices, purchase orders, receiving documentation, contracts, etc.) and verify that the funds expended complied with the purpose that was specified to the registered voters of the District. Election materials, District resolutions, master plan, and other documents available at the District will be used to determine purpose of expenditures for this purpose.
5. For those expenditures selected in item 4, verify that the District's normal purchasing (including quotation and bid requirements) and accounts payable policies and procedures were complied with.

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
MEASURE M
GENERAL OBLIGATION BONDS, 2002 ELECTION
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2008**

EXHIBIT B

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

Agreed-Upon Procedure (1)

Procedure

Obtain an understanding of the internal control over the procurement system for the Building Fund, including a review of the controls exercised over the approval of Change Orders.

Results

There were no exceptions noted.

Agreed-Upon Procedure (2)

Procedure

Verify that a separate Building Fund of the District has been established to account for the receipt of bond proceeds and expenditures of the funds for the period July 1, 2007, through June 30, 2008.

Results

The District has established a separate Building Fund accounting for bond proceeds and expenditures.

Agreed-Upon Procedure (3)

Procedure

Verify that the net proceeds from the sale of the General Obligation Bonds were recorded in the separate fund of the District, and any amounts set aside for debt service were deposited into the related Bond Interest and Redemption fund.

Results

There were no exceptions noted. The auditor reviewed the District's General Ledger and oversight committee annual reports and verified that no new bond issuance occurred in the 2007-2008 fiscal period.

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
MEASURE M
GENERAL OBLIGATION BONDS, 2002 ELECTION
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2008**

EXHIBIT B

Agreed-Upon Procedure (4)

Procedures

Select all materially significant expenditures and at least 30 percent of the total expenditures. Obtain supporting documentation (invoices, purchase orders, receiving documentation, contracts, etc.) and verify that the funds expended complied with the purpose that was specified to the registered voters of the District. Election materials, District resolutions, master plan, and other documents available at the District will be used to determine the purpose of expenditures for this purpose.

Results

The expenditures observed satisfactorily complied with the guidelines defined in the ballot measure dated March 5, 2002. We included 75 percent of all expenditures charged to the Measure M Bond Funds for the 2007-2008 fiscal year in our examination. Based upon our examination of actual invoices and purchase orders, there were no exceptions noted in the District's procedures related to the disbursement of Measure M Bond Funds. For the items not tested, nothing came to our attention to indicate that the District expenditures were not in compliance with the provisions/restrictions in the ballot measure.

Agreed-Upon Procedure (5)

Procedure

Verify that the District's normal purchasing (including quotation and bid requirements) and accounts payable policies and procedures were complied with.

Results

There were no exceptions noted. The District used formal bid procedures for those contracts over the construction bid level requirements to select contractors in accordance with Education Code requirements and District policies.

Supplementary Information

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
(San Bernardino, California)
GENERAL OBLIGATION BONDS, 2002 ELECTION**

THE BONDS

AUTHORITY FOR ISSUANCE

The Election of 2002 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 Election of 2002 Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County (the "Resolution"), pursuant to a request of the District made by a resolution, adopted by the Board of education of the District on 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 million to finance specific construction and renovation projects approved by eligible voters within the District. The measure required approval by at least 55 percent of the votes cast by eligible voters within the District.

PURPOSE OF ISSUE

"To relieve severe overcrowding, improve safety for children, repair/renovate local schools, shall Chino Valley Unified School District acquire, construct, and improve school sites and facilities, obtain eligibility for State funding, add classrooms, build schools, repair roofs, eliminate asbestos/other safety hazards, upgrade electricity, plumbing, heating/cooling systems, improve security and provide for technology, issue \$150 million of bonds, at legal interest rates, with independent Citizens Oversight and annual audit of expenditures, with no money for administrators' salaries."