

CHINO VALLEY UNIFIED SCHOOL DISTRICT

GENERAL OBLIGATION BONDS

FINANCIAL AUDIT AND PERFORMANCE PROCEDURES

JUNE 30, 2009

CHINO VALLEY UNIFIED SCHOOL DISTRICT

GENERAL OBLIGATION BONDS

FINANCIAL AUDIT

JUNE 30, 2009

CHINO VALLEY UNIFIED SCHOOL DISTRICT

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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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, 2009, 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, 2009, 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 14, 2009

CHINO VALLEY UNIFIED SCHOOL DISTRICT**BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

REVENUES

Local income	
Interest income	\$ 1,406,029

EXPENDITURES

Salaries and benefits	
Classified salaries	118,586
Employee benefits	24,662
Services and operating expenditures	
Rentals, leases, repairs, and noncapitalized improvements	59,494
Transfer of direct costs - interfund	729
Professional/consulting services and operating expenditures	15,644
Capital outlay	
Land improvements	2,033,423
Building and improvements of buildings	10,387,542
Equipment	175,509
Equipment replacement	9,711
Total Expenditures	12,825,300

EXCESS OF EXPENDITURES OVER REVENUES(11,419,271)**Other Financing Sources**

Transfers in	401,825
County school building aid	300,746
Net Financing Sources	702,571

NET CHANGE IN FUND BALANCES(10,716,700)**FUND BALANCE - BEGINNING**52,030,952**FUND BALANCE - ENDING**\$ 41,314,252

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

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009, 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

JUNE 30, 2009

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, consist of the following:

	Carrying Amount
San Bernardino County Investment Pool	<u>\$ 43,331,231</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

JUNE 30, 2009

F. 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, 2009.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2009, consist of the following:

Interest	<u>\$ 213,512</u>
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NOTE 4 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2009, are as follows:

The balance of \$128,835 due to the Building Fund (Measure M) from the General Fund was for reimbursement of expenditures.

The balance of \$11,449 due to General Fund from the Building Fund (Measure M) was for operating cost.

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consists of the following:

Capital outlay	\$ 2,330,262
Salaries and benefits	14,493
Service	3,006
Other vendor payables	117
	<u>\$ 2,347,878</u>

CHINO VALLEY UNIFIED SCHOOL DISTRICT

BUILDING FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

B. 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
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	2,750,000	-	5,531,356	8,281,356
2015-2019	20,144,134	1,520,866	25,258,313	46,923,313
2020-2024	32,314,988	6,240,012	20,088,197	58,643,197
2025-2029	46,946,804	13,593,196	12,669,966	73,209,966
2030-2032	38,070,511	11,694,489	2,512,175	52,277,175
Total	<u>\$ 146,641,437</u>	<u>\$ 33,048,563</u>	<u>\$ 89,133,971</u>	<u>\$ 268,823,971</u>

CHINO VALLEY UNIFIED SCHOOL DISTRICT

**GENERAL OBLIGATION BONDS
PERFORMANCE PROCEDURES
JUNE 30, 2009**

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
REVIEW OF MEASURE M
GENERAL OBLIGATION BONDS
2002 ELECTION
WITH
ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
JUNE 30, 2009**

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

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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INDEPENDENT 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, 2009. 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 14, 2009

**CHINO VALLEY UNIFIED SCHOOL DISTRICT
MEASURE M
GENERAL OBLIGATION BONDS, 2002 ELECTION
PROCEDURES AND RESULTS
JUNE 30, 2009**

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 expenditure of the funds for the period July 1, 2008, through June 30, 2009.

Results

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

Agreed-Upon Procedure (3)

Procedure

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.

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 2008-2009 fiscal year.

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."