# PROPOSITION C AND MEASURE EE BOND BUILDING FUNDS OF
# CAJON VALLEY UNION SCHOOL DISTRICT

## AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2020

**CAJON VALLEY UNION SCHOOL DISTRICT**
**PROPOSITION C AND MEASURE EE BOND BUILDING FUNDS**
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**CAJON VALLEY UNION SCHOOL DISTRICT**
**PROPOSITION C AND MEASURE EE BOND BUILDING FUNDS**
**INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING**
**JUNE 30, 2020**

The Cajon Valley Union School District ("the District") operates seventeen elementary schools, two K-8 schools, six middle schools, a special education preschool, and an alternative school of choice.

On November 6, 2012, the voters of Cajon Valley Union School District approved by more than 55% Proposition C, authorizing the issuance and sale of $88,400,000 in general obligation bonds to continue the Proposition D bond program that was previously approved by voters in February 2008. The bonds were issued to finance upgrades to education technology, continue renovating, repairing, equipping, and constructing elementary classrooms, improve energy efficiency, and reduce overall borrowing costs.

On November 8, 2016, the Cajon Valley Union School District was successful in obtaining authorization from District voters to issue up to $20,000,000 in General Obligation Bonds (Ed-Tech Bonds) pursuant to a 55% vote in Measure EE, a bond election. The purpose of the Measure EE bond program is to increase student access to computers, maintain and upgrade educational technology, keep pace with 21st century technological innovations, and implement statewide technology requirements for testing and learning.

The passage of Proposition 39, in November 2000, amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure the funds have been expanded only on the specific project listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statuses of 2000), was also enacted, which amended the Education Code to Establish additional procedures which must be followed if a District seeks approval of a bond proposition pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens' Oversight Committee (COC), and authorization for injunctive relief against the improper expenditure of bond revenue. Proposition C and Measure EE are both Proposition 39 local school construction bond programs.

The Citizens' Oversight Committee had the following members as of June 30, 2020:

| Name | Representation |
|---|---|
| Robert Kiesling | Taxpayers' Organization Representative |
| Steve Devan | Local Business Representative |
| Victor Garcia | Senior Representative, Community-At-Large |
| Susan Holtz | Senior Representative, Community-At-Large |
| Peter Lupo | Parent/PTO Representative, Community-At-Large |
| Deanne Markle | Parent/PTO Representative, Community-At-Large |
| Sheri Runyen | Parent Representative, Community-At-Large |

# INDEPENDENT AUDITORS' REPORT

Proposition C and Measure EE Citizens' Oversight Committee and
Governing Board Members of the
Cajon Valley Union School District
El Cajon, California

## Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition C and Measure EE Bond Building Funds of Cajon Valley Union School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Proposition C and Measure EE Bond Building Funds of Cajon Valley Union School District, as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Emphasis of Matter**

As discussed in Note 1A, the financial statements present only the Proposition C and Measure EE Bond Building Funds and do not purport to, and do not present fairly the financial position of the Cajon Valley Union School District, as of June 30, 2020, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2021 on our consideration of the District's 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 specific to the Proposition C and Measure EE Bond Building Funds. The purpose of that report is solely 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 effectiveness of the Proposition C and Measure EE Bond Building Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Report of Other Legal and Regulatory Requirements**

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have issued our performance audit dated February 9, 2021, on our consideration of the District's compliance with the requirements of Proposition 39 as it directly relates to the Proposition C and Measure EE Bond Building Funds. That report is an integral part of our audit of the Proposition C and Measure EE Bond Building Funds of Cajon Valley Union School District, as of and for the year ended June 30, 2020, and should be considered in assessing the results of our financial audit.

Christy White, Inc.

San Diego, California
February 9, 2021

# FINANCIAL SECTION

**CAJON VALLEY UNION SCHOOL DISTRICT**
**PROPOSITION C AND MEASURE EE BOND BUILDING FUNDS**
**BALANCE SHEET**
**JUNE 30, 2020**

| | Proposition C | Measure EE | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and investments | $ 11,965,223 | $ 6,863,791 | $ 18,829,014 |
| Accounts receivable | 26,968 | 11,661 | 38,629 |
| Due from other funds | 800 | - | 800 |
| **Total Assets** | $ 11,992,991 | $ 6,875,452 | $ 18,868,443 |
| **LIABILITIES** | | | |
| Accrued liabilities | $ 835,838 | $ 742,687 | $ 1,578,525 |
| Due to other funds | 2,573 | - | 2,573 |
| **Total Liabilities** | 838,411 | 742,687 | 1,581,098 |
| **FUND BALANCES** | | | |
| Restricted | 11,154,580 | 6,132,765 | 17,287,345 |
| **Total Fund Balances** | 11,154,580 | 6,132,765 | 17,287,345 |
| **Total Liabilities and Fund Balances** | $ 11,992,991 | $ 6,875,452 | $ 18,868,443 |

The accompanying notes to financial statements are an integral part of this statement.

**CAJON VALLEY UNION SCHOOL DISTRICT**
**PROPOSITION C AND MEASURE EE BOND BUILDING FUNDS**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**
**FOR THE YEAR ENDED JUNE 30, 2020**

| | Proposition C | Measure EE | Total |
|---|---|---|---|
| **REVENUES** | | | |
| Local sources | $ 397,984 | $ 89,968 | $ 487,952 |
| **Total Revenues** | 397,984 | 89,968 | 487,952 |
| **EXPENDITURES** | | | |
| Current | | | |
| Plant services | 362,957 | - | 362,957 |
| Facilities acquisition and maintenance | 8,068,330 | 1,995,885 | 10,064,215 |
| **Total Expenditures** | 8,431,287 | 1,995,885 | 10,427,172 |
| **Excess (Deficiency) of Revenues Over Expenditures** | (8,033,303) | (1,905,917) | (9,939,220) |
| **Other Financing Sources (Uses)** | | | |
| Other sources | - | 7,000,000 | 7,000,000 |
| **Net Financing Sources (Uses)** | - | 7,000,000 | 7,000,000 |
| **NET CHANGE IN FUND BALANCE** | (8,033,303) | 5,094,083 | (2,939,220) |
| **Fund Balance - Beginning** | 19,187,883 | 1,038,682 | 20,226,565 |
| **Fund Balance - Ending** | $ 11,154,580 | $ 6,132,765 | $ 17,287,345 |

The accompanying notes to financial statements are an integral part of this statement.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Reporting Entity

The Cajon Valley Union School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual.* The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

An oversight committee to the District's Governing Board and Superintendent, called the Citizens' Oversight Committee (COC), was established pursuant to the requirements of state law and the provisions of the Proposition C and Measure EE Bonds. The COC is required by state law to actively review and report on the proper expenditure of taxpayers' money for school construction. The COC provides oversight and advises the public whether the District is spending the Proposition C and Measure EE bond funds for school capital improvements within the scope of projects outlined in the Proposition C and Measure EE bond project list. In fulfilling its duties, the COC reviews, among other things, the District's annual performance and financial audits of Proposition C and Measure EE activity.

The statements presented are for the individual Proposition C and Measure EE Bond Building Fund of the District, consisting of the net construction proceeds of the issuances made under each respective authorization, as issued by the District through the County of San Diego, and are not intended to be a complete presentation of the District's financial position or results of operations. There are no related parties or component units included in this financial statement presentation.

### B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are presented on the modified accrual basis of accounting. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. "Available" means the resources will be collectible within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

### C. Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### D. Interfund Balances

Receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds."

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### E. Accrued Liabilities

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund.

### F. Fund Balance

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance in Proposition C and Measure EE is considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

### G. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

### H. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### I. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

## NOTE 2 – CASH AND INVESTMENTS

Cash as of June 30, 2020 consisted of $11,965,223 in the Proposition C Bond Building Fund and $6,863,791 in the Measure EE Bond Building Fund, deposited in the San Diego County Treasury Investment Pool.

## NOTE 2 – CASH AND INVESTMENTS (continued)

### A. 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; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The San Diego County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is 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.

### B. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

| 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 |

## NOTE 2 – CASH AND INVESTMENTS (continued)

### C. 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 Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $12,131,974 for Proposition C Bond Building Fund and $6,959,447 for Measure EE Bond Building Fund. At June 30, 2020, the District had an amortized book value of $11,965,223 for Proposition C Bond Building Fund and $6,863,791 for Measure EE Bond Building Fund. The average weighted maturity for this pool is 556 days.

### D. 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 investments in the County Treasury are not required to be rated. As of June 30, 2020, the pooled investments in the County Treasury were rated AA+.

### E. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Diego County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements at June 30, 2020 were as follows:

| | Proposition C Uncategorized | Measure EE Uncategorized | Total Uncategorized |
|---|---|---|---|
| Investment in county treasury | $ 12,131,974 | $ 6,959,447 | $ 19,091,421 |
| **Total** | $ 12,131,974 | $ 6,959,447 | $ 19,091,421 |

## NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 consisted of the following:

| | Proposition C | Measure EE | Total |
|---|---|---|---|
| Local Government | | | |
| Other local sources | $ 26,968 | $ 11,661 | $ 38,629 |
| **Total** | $ 26,968 | $ 11,661 | $ 38,629 |

## NOTE 4 – INTERFUND TRANSACTIONS

**Interfund Receivables/Payables (Due From / Due to)**

As of June 30, 2020, the General Fund owed $800 to the Proposition C Bond Building Fund for clearing account activity. As of June 30, 2020, the Proposition C Bond Building Fund owed $2,573 to the General Fund for OPEB costs.

## NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2020 consisted of the following:

| | Proposition C | Measure EE | Total |
|---|---|---|---|
| Construction | $ 835,838 | $ 742,687 | $ 1,578,525 |
| **Total** | $ 835,838 | $ 742,687 | $ 1,578,525 |

## NOTE 6 – COMMITMENTS AND CONTINGENCIES

**A. 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, 2020.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES (continued)**

**B. Construction Commitments**

As of June 30, 2020, the Proposition C and Measure EE Building Funds had the following commitments with respect to unfinished capital projects:

| | | Remaining Construction Commitment |
|---|---|---|
| Capital Projects | | |
| Emerald Middle School Gym/MPB, Admin & Kitchen | $ | 22,565 |
| Sidewalk Upgrades | | 349,633 |
| Johnson New Classroom/Renovations | | 2,198,381 |
| Naranca New Classroom/Renovations | | 2,556,929 |
| Program Management | | 9,182 |
| **Total** | $ | 5,136,690 |

# OTHER INDEPENDENT AUDITORS' REPORTS

# 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*

Independent Auditors' Report

Proposition C and Measure EE Citizens' Oversight Committee and
Governing Board Members of the
Cajon Valley Union School District
El Cajon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition C and Measure EE Bond Building Funds of Cajon Valley Union School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Cajon Valley Union School District's basic financial statements of the Proposition C and Measure EE Bond Building Funds, and have issued our report thereon dated February 9, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cajon Valley Union School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements of the Proposition C and Measure EE Bond Building Funds, but not for the purpose of expressing an opinion on the effectiveness of Cajon Valley Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cajon Valley Union School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
February 9, 2021

CHRISTY WHITE
Certified Public Accountants serving K-12 School Districts and Charter Schools throughout California

**REPORT ON PERFORMANCE**

Independent Auditors' Report

Proposition C and Measure EE Citizens' Oversight Committee and
Governing Board Members of the
Cajon Valley Union School District
El Cajon, California

**Report on Performance**

We have audited Cajon Valley Union School District's compliance with the performance audit procedures described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on Cajon Valley Union School District's Proposition C and Measure EE Bond Building Funds for the year ended June 30, 2020, as identified below.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to local school construction bonds.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of Cajon Valley Union School District's Proposition C and Measure EE Bond Building Funds based on our performance audit of the types of compliance requirements referred to above. We conducted our performance audit in accordance with generally accepted government auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the performance audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about Cajon Valley Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the evidence obtained in our performance audit provides a reasonable basis for our findings and conclusions based on our audit objectives. However, our audit does not provide a legal determination of Cajon Valley Union School District's compliance with those requirements.

**Opinion on Performance**

In our opinion, Cajon Valley Union School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Proposition C and Measure EE Bond Building Funds noted below for the year ended June 30, 2020.

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**Procedures Performed**

In connection with the performance audit referred to above, we selected and tested transactions and records to determine Cajon Valley Union School District's compliance with the state laws and regulations applicable to the Financial Audit Procedures and Performance Audit Procedures over the Proposition C and Measure EE Bond Building Funds. Additional agreed upon procedures relating the Proposition C and Measure EE Bond Building Funds may also be included.

The results of the procedures performed and the related results are further described in the accompanying audit procedures and results section following this Report on Performance.

Christy White, Inc.

San Diego, California
February 9, 2021

# AUDIT PROCEDURES AND RESULTS SECTION

## SECTION I – FINANCIAL AUDIT PROCEDURES AND RESULTS

### Financial Statements

As mentioned in the Report on Financial Statements, we have issued an unmodified opinion over the financial statements of the Proposition C and Measure EE Bond Building Funds as of and for the year ended June 30, 2020.

### Internal Control Evaluation

We tested internal controls over financial reporting and compliance with laws, regulations, or provisions of contracts or agreements and have determined through our inquiry of management and our evaluation of District processes that no significant deficiencies were noted.

## SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS

### Facility Project Expenditures

We selected a representative sample of expenditures charged to the Proposition C and Measure EE Bond Building Funds and reviewed supporting documentation to ensure funds were properly expended on specific project(s) listed in the text of the Proposition C and Measure EE ballots.

We tested approximately $6.9 million of non-personnel expenditures or 82% and $1.4 million of non-personnel expenditures or 72% of total 2019-20 Proposition C and Measure EE Bond Building Funds expenditures, respectively. We tested these expenditures for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Proposition C and Measure EE ballot language, the District approved facilities plan, and applicable state laws and regulations.

### Personnel Expenditures

We reviewed salaries and benefits charged to the Proposition C and Measure EE Bond Building Funds to verify that the personnel expenditures were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General, which concluded that “a school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.”

We reviewed a listing of all employees charged to the Proposition C Bond Building Fund and found that all employees held positions applicable to the local school construction bond. Further, we selected a sample of five (5) employees charged to review personnel files and personnel action reports for proper allocation of salaries and benefits. Based on our testing, salary transactions were not used for general administration operations. Personnel costs charged to the Proposition C Bond Building Fund appeared allowable. Based on our review of expenditures information, we noted that there were no salaries or benefits charged to the Measure EE Bond Building Fund during the fiscal year ended June 30, 2020. Audit procedures over personnel expenditures for Measure EE Bond Building Fund are not applicable.

## SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)

### Contract and Bid Procedures

We reviewed a listing of contracts awarded during the fiscal year ended June 30, 2020 and selected a sample to ensure that contracts for public projects followed appropriate bidding procedures per applicable Public Contract Code. Additionally, we reviewed overall expenditures by vendor in order to determine if multiple projects under the applicable bidding threshold were identified to suggest any possible bid-splitting.

From a sample of three (3) contracts awarded during the year, we noted that applicable bidding procedures were followed and that contracts were appropriately awarded to the lowest responsible bidder for the following projects:

- Playground Installation Project, DFS Flooring Co. for $113,154
- Lunch Shelter Installation Project, Anton's Service Inc. for $57,000
- Handrail Installments Project, San Diego Fence Co. for $31,428

Based on our review of overall expenditures and projects by vendor, no instances or possible indications of bid-splitting were identified. The District appears to be properly reviewing projects and applying appropriate procedures over contract and bidding procedures.

### Contracts and Change Orders

We reviewed a listing of contracts and change orders during the fiscal year ended June 30, 2020 and selected a sample to ensure that change orders were properly approved and in accordance with District policies. Additionally, cumulative change orders for any given contract were reviewed to ensure that total change orders did not exceed ten percent of the total original contract.

We reviewed a total of three (3) change orders relating to various Proposition C Bond Building projects that were ongoing during the 2019-20 fiscal year and verified that the total of the change orders did not exceed ten percent of the total contract value. Based on our review of all change order for fiscal year ended June 30, 2020, we noted that there were no change orders relating to Measure EE Bond Building projects. All change orders were properly reviewed and approved by management and the governing board in accordance with District policy.

# FINDINGS AND RECOMMENDATIONS SECTION

**CAJON VALLEY UNION SCHOOL DISTRICT**
**PROPOSITION C AND MEASURE EE BOND BUILDING FUNDS**
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**
**FOR THE YEAR ENDED JUNE 30, 2020**

## PART I – SUMMARY OF AUDITORS' RESULTS

### FINANCIAL STATEMENTS

| | |
|---|---|
| Type of auditors' report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None Reported |
| Non-compliance material to the financial statements? | No |

### PERFORMANCE AUDIT

| | |
|---|---|
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None Reported |
| Type of auditor's report issued on performance for local school construction bonds: | Unmodified |

## PART II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements for the year ended June 30, 2020.

## PART III – PERFORMANCE AUDIT FINDINGS

There were no findings or recommendations related to Proposition C and Measure EE Bond Building Funds for the year ended June 30, 2020.

## PART IV – PRIOR AUDIT FINDINGS

There were no findings and recommendations for the year ended June 30, 2019.