

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
GENERAL OBLIGATIONS BOND**

AUDIT REPORT

JUNE 30, 2011

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
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**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATIONS BOND
PROPOSITION D
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING**

On February 5, 2008 the Cajon Valley Union School District was successful in obtaining authorization from District voters to issue up to \$156,500,000 in General Obligations Bonds pursuant to a 55% vote in a Bond election. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects 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.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

The Cajon Valley USD Proposition D Citizens' Oversight Committee as of June 30, 2011 was comprised of the following members:

Victor Garcia	Chair
John McTighe	Secretary
Jane Alfano	Member
Karen Bunkell	Member
Kirk Gentry	Member
Les Henderson	Member
Craig Wollitz	Member



P. Robert Wilkinson, CPA
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Richard K. Savage, CPA

INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and
Citizens' Oversight Committee
Cajon Valley Union School District
El Cajon, California**

We have audited the accompanying financial statements of Proposition D Building Fund (21-39) of Cajon Valley Union School District as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governments* issued by the American Institute of Certified Public Accountants and the standards applicable to financial audits in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note B, the financial statements present only Building Fund (21-39) which is specific to Proposition D and are not intended to present fairly the financial position and results of operations of Cajon Valley Union 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 Proposition D Building Fund (21-39) of Cajon Valley Union School District as of June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011, on our consideration of Cajon Valley Union School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Wilkinson Hadley King & Co. - LLP

El Cajon, California
November 23, 2011

FINANCIAL SECTION

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
BALANCE SHEET
JUNE 30, 2011**

ASSETS

Current Assets

Cash in county treasury	\$ 33,851,565
Accounts receivable	<u>37,762</u>

TOTAL ASSETS	<u>33,889,327</u>
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LIABILITIES AND FUND BALANCE

Accounts payable	96,962
Due to other funds	<u>27,749</u>

TOTAL LIABILITIES	<u>119,711</u>
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FUND BALANCE

Designated for capital projects	<u>33,769,616</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 33,889,327</u>
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The accompanying notes are an integral part of these financial statements

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

REVENUES	
Interest income	\$ <u>183,109</u>
EXPENDITURES	
Classified salaries	164,595
Employee benefits	68,243
Other operating expenses:	
Mileage	187
Contracted services	61,703
Capital outlay:	
Site improvements	53,498
Architect fees	1,091,920
DSA fees	46,171
Preliminary tests	367
Planning costs	35,890
Miscellaneous fees	52,700
Main construction	12,293,909
Construction tests	1,195,051
Inspections	122,349
Other construction costs	170,508
Equipment	<u>330,722</u>
TOTAL EXPENDITURES	<u>15,687,813</u>
EXCESS OF EXPENDITURES OVER REVENUES	(15,504,704)
OTHER FINANCING SOURCES	
Proceeds from sale of bonds	13,093,060
Other financing sources	<u>4,551,940</u>
TOTAL OTHER FINANCING SOURCES	<u>17,645,000</u>
NET CHANGE IN FUND BALANCE	2,140,296
FUND BALANCE, BEGINNING OF YEAR	<u>31,629,320</u>
FUND BALANCE, END OF YEAR	<u>\$ 33,769,616</u>

The accompanying notes are an integral part of these financial statements

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

A. Definition of the Fund

In August 2008, Building Fund (21-39) was formed to account for property acquisition and construction of new schools as well as renovation of current schools for the Cajon Valley Union School District (District), through expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2008. Fund (21-39) is one of the Building Funds of the District.

B. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

Fund Structure

The accompanying financial statements are used to account for the transactions of the Building Fund specific to Proposition D as defined in Note A and are not intended to present fairly the financial position and results of operations of Cajon Valley Union School District in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses 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 Building Fund is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). 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.

Budgets and Budgetary Accounting

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees 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.

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

B. Summary of Significant Accounting Policies (Continued)

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 at June 30 since they do not constitute expenditures or liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the San Diego County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code §53648 et.seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

B. Summary of Significant Accounting Policies (Continued)

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

C. Cash and Investments

Cash in County Treasury

The District maintains significantly all of its cash in the San Diego County Treasury as part of the common investment pool. As of June 30, 2011, the portion of cash in county treasury attributed to Building Fund (21-39) was \$33,851,565. The fair value of Building Fund (21-39)'s portion of this pool as of that date, as provided by the pool sponsor, was \$33,851,565. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. *Credit Risk*

Credit Risk is the risk that an issuer or their counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. *Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. *Concentration of Credit Risk*

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

C. Cash and Investments (Continued)

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

f. Investment Accounting Policy

The district is required by GASB statement No. 31 to disclose its policy for determining which investments, if any are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts using a cost-based measure; however, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Accounts Receivable

Accounts Receivable at June 30, 2011 consisted of:

Interest	\$ <u>37,762</u>
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E. Accounts Payable

Accounts Payable at June 30, 2011 consisted of:

Vendor payables	\$ <u>96,962</u>
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F. General Obligation Bonds

On July 9, 2008, the District issued \$35,000,000, Series A General Obligation Bonds in order to finance the construction of new schools, classrooms, and instructional facilities in addition to financing the repair and renovation of existing schools. The bonds mature on August 1, 2032 and yield an interest rate of 3.00-4.80 percent.

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

F. General Obligation Bonds (continued)

On May 25, 2011, the District issued \$13,093,060, Series B General Obligation Bonds in order to finance the construction, rehabilitation or repair of public school facilities, which may include interest payments during the construction period. The bond proceeds received by the District is part of an \$18,000,000 General Obligation Revenue Bonds of the California Qualified School Bond Joint Powers Authority (QSCB). The bonds mature on September 1, 2025 and yield an interest rate of 4%.

The outstanding bonded debt of Proposition D Building Fund (21-39) as of June 30, 2011 is as follows:

Date of Issuance	Type	Interest Rate	Maturity Date	Original Issue Amount	Amounts Outstanding 7/1/10	Issued Current Year	Redeemed Current Year	Amounts Outstanding 6/30/11
2008	GO Bonds	3.00-5.00%	2036	\$ 35,000,000	\$ 34,270,000	\$ -	\$ 800,000	\$ 33,470,000
2011	GO Bonds	4.00%	2026	13,093,060	-	13,093,060	-	13,093,060
Total				<u>\$ 48,093,060</u>	<u>\$ 34,270,000</u>	<u>\$ 13,093,060</u>	<u>\$ 800,000</u>	<u>\$ 46,563,060</u>

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2011 is as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,189,885	1,874,760	3,064,645
2013	910,000	1,999,422	2,909,422
2014	955,000	1,967,572	2,922,572
2015	1,463,121	1,924,985	3,388,106
2016	1,762,898	1,864,476	3,627,374
2017-2021	11,124,669	8,041,630	19,166,299
2022-2026	14,572,487	5,339,456	19,911,943
2027-2031	9,960,000	2,623,827	12,583,827
2032-2036	4,625,000	347,500	4,972,500
Totals	<u>\$ 46,563,060</u>	<u>\$ 25,983,628</u>	<u>\$ 72,546,688</u>

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

G. Construction Commitments

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

	Commitment	*Expected Date of Final Completion
Construction in process:		
Greenfield Middle School Gym/MPB	\$ 9,733,783	September 2012
Cajon Valley Middle School	\$ 4,134,085	August 2011
HVAC Replacements (Phase 2)	\$ 2,238,260	August 2011
Vista Grande Modernization	\$ 161,748	September 2012
Rancho SD Modernization	\$ 285,478	September 2012
Technology Infrastructure (Phase 1)	\$ 173,910	August 2012

*Expected date of final completion subject to change.

OTHER INDEPENDENT AUDITOR'S REPORTS



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Governing Board Members and
Citizens Oversight Committee
Cajon Valley Union School District
El Cajon, California**

We have audited the financial statements of Proposition D Building Fund (21-39) of Cajon Valley Union School District (District) for the year ended June 30, 2011, and have issued our report thereon dated November 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Cajon Valley Union School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cajon Valley Union School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cajon Valley Union School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Citizens Oversight Committee, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

W. K. ...
El Cajon, California
November 23, 2011



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**Governing Board Members and
Citizens Bond Oversight Committee
Cajon Valley Union School District
El Cajon, California**

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

We have audited the financial statements of the Proposition D Bond Building Fund (21-39) of Cajon Valley Union School District as of and for the fiscal year ended June 30, 2011 and have issued our report thereon dated November 23, 2011. Our audit was made in accordance with generally accepted auditing standards in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition 39 Proposition D General Obligation Bond for the fiscal year ended June 30, 2011. The objective of the audit of compliance applicable to Cajon Valley Union School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Proposition D Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure to modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve facilities of the District as noted in the bond project list.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

Internal Control Evaluation

Procedure Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding Proposition D resources
- Prevent material misstatement in the Proposition D Building Fund (21-39) financial statements
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of Proposition D funds

All purchase requisitions are reviewed for proper supporting documentation. The Project Manager or appropriate Director submits back up information to the Construction Accountant to initiate a purchase requisition. The Long-Range Planning Director verifies that the requested purchase is an allowable project cost in accordance with the Proposition D ballot initiative approved by local voters, as well as the Board approved budget, and that all expenditures are properly recorded by project and expense category. All requisitions are routed for review and electronic approval as follows: (1) Construction Accountant; (2) Assistant Superintendent of Business Services; (3) Long-Range Planning Director; (4) Account Analyst; and (5) Purchasing Director.

Once the purchase requisition has gone through the approval process, the Purchasing Department creates a purchase order, which is provided to the vendor who proceeds to provide the requested service or item.

When the invoice is received, the Construction Accountant verifies that the charges are consistent with the amounts on the approved contract/purchase order. The Director of Long Range Planning verifies the services were satisfactorily performed and/or the items were received and installed. Once the invoice has been signed & approved by the Director, the Construction Accountant processes the invoice through the accounts payable system of the District for payment. The checks and back-up documents are then audited by the San Diego County Office of Education's Commercial Warrant Audit Unit to ensure compliance with procurement regulations and good business practices before payment is released.

Results of Procedures Performed

The results of our audit determined the internal control procedures as implemented are sufficient to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations.

Facilities Site Walkthrough

Procedures Performed:

We performed a walkthrough of various sites of the District to verify that Proposition D funds expended for the year ended June 30, 2011 were for valid facilities acquisition and construction purposes. We toured various sites where the construction work occurred.

Results of Procedures Performed:

During our visit to the various sites where the construction work occurred, we were given an explanation by management, familiar with the construction work, of the work performed. Based on our review of the sites and the explanation of management, it appears the construction work performed was consistent with the Bond Project List.

Tests of Expenditures

Procedures Performed:

We tested expenditures to determine whether Proposition D funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project List and the Proposition D ballot measure language. Our testing included a sample of vendors and payroll payments, totaling approximately \$12,806,000 or approximately 82% of total expenditures for the year. Our testing included \$12, 637,600 of capital outlay expenditures which was 82% of capital outlay expenses.

Results of Procedures Performed:

We found no instances where expenditures tested were not in compliance with the terms of Proposition D ballot measure and applicable state laws and regulations.

Tests of Contracts and Bid Procedures

Procedures Performed:

We reviewed the District's board minutes for approval of construction contracts and change orders, if any, to determine compliance with the District's policy and Public Contract Code provisions related to biddings and contracting.

Results of Procedures Performed:

We noted no instances where the District was out of compliance with respect to contracts and bidding procedures.

Citizens' Oversight Committee

Procedures Performed:

We have reviewed the minutes of the Citizens' Oversight Committee meetings and have attended committee meetings to verify compliance with Education Code sections 15278 through 15282.

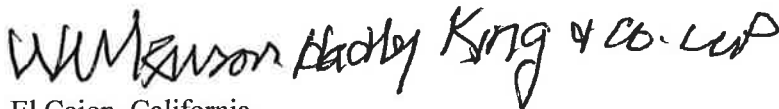
Results of Procedures Performed:

We have determined the Cajon Valley Union School District's Proposition D Citizens' Oversight Committee and its involvement is in compliance with Education Code sections 15278 through 15282.

Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied, in all material respects, with the compliance requirements for the Proposition D Bond Building Fund (21-39), for the fiscal year ended June 30, 2011.

This report is intended solely for the information and use of the District's Governing Board, the Proposition D Bond Citizens' Oversight Committee, management, others within the entity, and the taxpayers of Cajon Valley Union School District and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of William E. King, dated November 23, 2011.

El Cajon, California
November 23, 2011

FINDINGS AND RECOMMENDATION SECTION

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

There were no findings to report.

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39)
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

There were no findings reported in the June 30, 2010 audit.

SUPPLEMENTAL INFORMATION

**CAJON VALLEY UNION SCHOOL DISTRICT
PROPOSITION D BUILDING FUND (21-39) GENERAL OBLIGATION BONDS
BOND PROJECT LIST
JUNE 30, 2011**

Bond proceeds will be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the District located at the following locations:

Anza Elementary – Built in 1960	Avocado Elementary – Built in 1970
Blossom Valley Elementary – Built in 1993	Bostonia Elementary – Built in 1995
Cajon Valley Home School	Cajon Valley Middle School – Built in 1953
Chase Elementary – Built in 1979	Community Day – Built in 2007
Crest Elementary – Built in 1956	Cuyamaca Elementary – Built in 1948
Emerald Middle – Built in 1958	Flying Hills Elementary – Built in 1959
Fuerte Elementary – Built in 1959	Greenfield Middle – Built in 1959
Hillsdale Middle – Built in 1995	Jamacha Elementary – Built in 1991
Johnson Elementary – Built in 1954	Lexington Elementary – Built in 1956
Los Coches Creek Elementary – Built in 2006	Madison Avenue Elementary – Built in 1958
Magnolia Elementary – Built in 1952	Meridian Elementary – Built in 1949
Montgomery Middle – Built in 1974	Naranca Elementary – Built in 1957
Rancho San Diego Elementary – Built in 1986	Rios Elementary – Built in 1959
Sevick – Built in 1974	Vista Grande Elementary – Built in 1981
W.D. Hall Elementary – Built in 1960	

Such projects shall include, but shall not be limited to:

- Improve energy efficiency in the District including, but not limited to replacing and upgrading heating, ventilation, and air conditioning (HVAC) systems with energy efficient systems.
- Install cutting edge instructional technology infrastructure to improve student access to computers and modern technology.
- Maintenance improvements to classrooms and school facilities including, but not limited to, upgrades to electrical and storm drain systems, and master clocks.
- Classroom and school facilities upgrades including, but not limited to, improvements to playgrounds and equipment and expansion of counseling centers.
- Upgrade and modernize school libraries.
- Install security fencing, cameras, and lighting systems to ensure campuses are adequately secured.
- Upgrade and modernize Rancho San Diego and Vista Grande Elementary Schools.
- Conduct necessary site preparation/restoration in connection with new construction, renovation or remodeling, or installation or removal of portable classrooms.
- Address unforeseen conditions revealed by construction/modernization (e.g., plumbing or gas line breaks, dry rot, seismic, structural, etc.)
- Furnish and equip schools as needed to the extent permitted by law.

Cajon Valley Union School District
Proposition D – Project Status

Completed Projects

PROJECT	DESCRIPTION
Clock Systems	New Clock Systems were installed at eleven schools in October 2009.
Electrical Upgrades (Phase 1)	Electrical upgrade projects were completed over the summer at Chase Elementary, Madison Elementary and Emerald Middle School.
Fencing Project (Phase 1)	Approx. 180 linear ft. of 6' chain link fencing with 3 roll gates and 3 walk gates were installed at Anza Elementary in May 2009.
Heating Ventilation & Air Conditioning (Phase 1)	The HVAC replacements were completed over the summer 2010 at Anza, Chase, Crest, Madison, Meridian and Naranca. These schools are already seeing significant energy savings.
Multipurpose Bldg Expansion– Flying Hills Elementary School	This project includes an 1162 sq ft addition to the multipurpose building, as well as, a 1162 sq ft basement below for storage of props and costumes. The bid was awarded to the Augustine Company on 9/22/09. Construction began in October 2009 and was completed in April 2010.
Playground Upgrades	New playground equipment was installed at Anza, Meridian, Naranca & W.D. Hall (summer 2009). Blossom Valley playground upgrades were completed in the summer of 2010.
Security Cameras	Security cameras were installed at Avocado Elementary School in 2009, and at Emerald, Greenfield, Hillsdale, and Montgomery Middle Schools in the Summer/Fall of 2010.
Waterline Project	A new waterline was installed at Meridian Elementary in Spring 2008.

Current Projects

PROJECT	DESCRIPTION
Heating Ventilation & Air Conditioning (Phase 2)	Plans and specifications are complete and for additional HVAC projects at Emerald, Flying Hills, Fuerte, Johnson, Magnolia, and Rancho San Diego, which will done over the summer (2011).
Modernization – Rancho San Diego	Rancho SD will be eligible for state modernization in June 2012. The architect and contractor have been hired and are working to develop plans, specifications, and cost estimates. Work is scheduled to begin in the of summer 2012.
Modernization – Vista Grande	Shade structures were installed over winter break 2009/2010 (this portion of the modernization project was completed ahead of schedule). State modernization eligibility has been established and the architect and contractor have been hired. The scope is being refined to align with funding eligibility and the highest priority needs. Plans & specifications should be ready for construction to begin in Summer 2012.
New Gymnasium/Multipurpose Bldg – Greenfield	Abatement and demolition were completed in early 2011. An additional Notice to Proceed was issued for staking, grading, and underground utilities on 6/24/11. The plans and specifications have now been approved by the Division of the State Architect (DSA) and the final Notice to Proceed will be issued when all bids are received and approved. The project scope was increased to include a Theater, Serving Kitchen, and School Administrative Offices, in addition to the originally planned Gymnasium & Locker Building.
Rebuild – Cajon Valley M.S.	Construction of the new building, which includes 20 classrooms, a library, and serving kitchen, is nearly complete. The building will be ready for occupancy in August 2011.
Security Cameras	Plans for security cameras at Cajon Valley Middle School are being coordinated with the new building project.
Technology (Phase 1)	Plans and Specifications are complete for Madison Elementary School's technology infrastructure upgrade, including upgraded cabling and wireless access points. This work will be completed in time for the start of school in August 2011 to support the school's new 21 st Century learning program. Technology upgrades are also being incorporated into current projects. Assessments are being performed at all schools in order to develop the scope of work for the District-wide technology upgrade project.

Cajon Valley Union School District
Proposition D Bond Program
Consolidated Expenditure Report
As of 6/30/11



Project Number	School Name - Project Name	Budget	Committed	Expenditures to Date	Budget Balance	Percentage Expended
D-7501	Meridian - Water Line Replacement	\$ 54,892	\$ 54,892	\$ 54,892	\$ -	100.00%
D-7502	Security Camera Upgrades	\$ 500,000	\$ 374,718	\$ 374,718	\$ 125,282	74.94%
D-7503	Clock System Upgrades	\$ 67,523	\$ 67,523	\$ 67,523	\$ (0)	100.00%
D-7504	Playground Upgrades	\$ 303,102	\$ 290,102	\$ 290,102	\$ 13,000	95.71%
D-7505	Greenfield Middle - New Gymnasium / Multipurpose Bldg	\$ 12,282,500	\$ 11,079,883	\$ 1,346,100	\$ 10,936,400	10.96%
D-7506	Electrical Upgrades	\$ 1,849,000	\$ 936,302	\$ 930,567	\$ 918,433	50.33%
D-7507	Cajon Valley Middle - New 2-Story Classroom / Multipurpose Bldg	\$ 16,700,700	\$ 15,681,052	\$ 11,546,967	\$ 5,153,733	69.14%
D-7508	HVAC Replacements	\$ 6,895,000	\$ 5,533,469	\$ 3,295,209	\$ 3,599,791	47.79%
D-7509	Flying Hills - Multipurpose Bldg Remodel / Expansion	\$ 587,237	\$ 587,237	\$ 587,462	\$ (225)	100.04%
D-7510	Vista Grande - Modernization	\$ 980,000	\$ 223,017	\$ 61,269	\$ 918,731	6.25%
D-7511	Rancho San Diego - Modernization	\$ 1,333,000	\$ 305,000	\$ 19,522	\$ 1,313,478	1.46%
D-7512	Technology	\$ 14,864,504	\$ 809,010	\$ 635,100	\$ 14,229,404	4.27%
D-7513	Lexington Elementary - Reconstruction	\$ 35,000,000		\$ -	\$ 35,000,000	0.00%
D-7514	Various - Restrooms Additions	\$ 750,000		\$ -	\$ 750,000	0.00%
D-7515	Emerald Middle - New Gymnasium	\$ 9,000,000		\$ -	\$ 9,000,000	0.00%
D-7516	Montgomery Middle - New Gymnasium	\$ 9,000,000		\$ -	\$ 9,000,000	0.00%
D-7517	Elementary (TBD) - Reconstruction	\$ 35,000,000		\$ -	\$ 35,000,000	0.00%
D-7518	Crest - Erosion Control	\$ 65,000		\$ -	\$ 65,000	0.00%
D-7519	Fencing	\$ 1,610,000	\$ 8,016	\$ 8,016	\$ 1,601,984	0.50%
D-7520	Library Improvements	\$ 900,000		\$ -	\$ 900,000	0.00%
D-7521	Mechanical Screens	\$ 460,000		\$ -	\$ 460,000	0.00%
D-7522	Parking Lot Upgrades	\$ 250,000		\$ -	\$ 250,000	0.00%
D-7523	Phone System Upgrades	\$ 73,800		\$ -	\$ 73,800	0.00%
D-7524	Minor Renovations	\$ 1,210,000		\$ -	\$ 1,210,000	0.00%
D-7525	Security Lighting	\$ 400,400		\$ -	\$ 400,400	0.00%
D-7526	Sidewalk Upgrades	\$ 500,000		\$ -	\$ 500,000	0.00%
D-7527	Blossom Valley - Window Replacement	\$ 200,000		\$ -	\$ 200,000	0.00%
D-7599	Program Management	\$ 4,000,000	\$ 934,071	\$ 890,658	\$ 3,109,342	22.27%
	Contingency	\$ 2,712,956			\$ 2,712,956	0.00%
Grand Total		\$ 157,549,614	\$ 36,884,292	\$ 20,108,105	\$ 137,441,509	12.76%