

Calipatria Unified School District
Douglas Kline Superintendent of Schools

Independent Auditor's Report



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Presented By:

Citizens' Oversight Committee

Gil Perez	Taxpayers Organization
Kirsten Amezucua	Chair
Jesus Castillo	Community Member
Louie H. Mata	Community Member
Jevenie Chavez Amial	Parent Advisory Group
Graciela Castaneda	Business Member
Minerva Cullors	Senior Citizen

5/11/2015

Citizens Oversight Committee

REVIEW RESULTS

BACKGROUND

The Citizens Oversight Committee has reviewed the twenty-seven page audit report from Wilkinson and Hadley King & CO. LLP Company:

SCOPE

The financial statements of Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District as of the fiscal year 2014 included:

- Performance
- Appropriate spending
- Proceeds and project Lists

OBJECTIVES AND RESULTS

The objective of the Wilkinson and Hadley audit was to ensure all areas were compliant with Government Auditing Standards. Calipatria's internal control process was found to be compliant with the laws, regulations, contracts and agreements. The key points of the audit was the review of cashier's receiving- payments of Calipatria's financial statements.

PROCEDURES PERFORMED	Control Assessment
Internal Control	Compliant
Expenditures Performed	Compliant
Facilities Site Review	Compliant

AUDIT SUMMARY	
Proceeds	Cont'd
<ul style="list-style-type: none">• Proceeds from the Measure T Bonds were used appropriately• The Measure T bond was and will be used to modernize, replace, renovate, construct, acquire and otherwise make other needed improvements.	<ul style="list-style-type: none">• The review of management control's documented expenditures was completed with the use of test samples of vendors and payroll payments which totaled approximately 95% of total expenditures for the year.• The district was found to be compliant with their bidding and contract process as well.

Citizens Oversight Committee

REVIEW RESULTS

RESULTS

REMAINDER OF PROJECT

The construction and commitment fund balance as of June 2015, Building Fund approximate (\$ 3,558,584). There was no noted deficiencies nor ineffectiveness found within in the District's internal control. The Oversight Committee has determined that the financial statements reported to the committee were accurate and up to date.

Recommendation

The findings of Wilkinson and Hadley King & CO. LLP Company and the determinate factor of the internal control's (School District's) accuracy in their reporting process, the committee will make no further recommendations this reporting period. The remaining area of focus will be on the remaining projects listed below for future review.

DISTRICT

Estimated Completion Date

The Oversight will continue to review policies and procedures used as guidelines for internal control.

The Bonds remaining 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:

Grace Smith School Fremont Primary School Bill E. Young Jr Middle School Calipatria High School

Calipatria Unified District Office

Project Site Modernization of facilities

Project Name

- | | |
|--|---|
| <ul style="list-style-type: none"> • Vocational and Career Technical Education Paving and parking lot • Work Hornet Drive and parking lots • Modernization of Wirt Auditorium • Various Physical Education classroom • Various Restroom improvement • Various HVAC repairs • Various unforeseen issues arising from modernization renovate or expand student support facilities | <ul style="list-style-type: none"> Modernization of Hornet Gymnasium Sports Field Addition Improve student health and safety Various Classroom modernization Various Furnishings and equipment Various Construct Various Site preparations/restoration in connection with new construction |
|--|---|

Respectfully,
The Citizen's Oversight Committee

MINUTES
CALIPATRIA UNIFIED SCHOOL DISTRICT
MEASURE "T"
CITIZENS' BOND OVERSIGHT COMMITTEE

Wednesday, April 22, 2015

The Calipatria Unified School District Measure "T" Citizens' Bond Oversight Committee met this date in the Calipatria Unified School District Board Room located at 501 W. Main Street, Calipatria, California.

001. CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The meeting was called to order and the Pledge of Allegiance was led by Douglas Kline, acting chairman, at 4:09 p.m.

002. ROLL CALL OF MEMBERS

Present	Kirsten Amezcua, Parent
Present	Minerva Cullors, Senior Citizen's Organization
Present	Gil Perez, Taxpayers Association
Present	Max Romero, Community At-Large (Alternate)

Absent	Graciela Castaneda, Business Community
Absent	Jenevie Amial, Parent
Absent	Louis Mata, Community At-Large
Absent	Jesus Castillo, Community At-large

Others present were: Douglas Kline, Corey Caston, and Betty Raceles.

003. REVIEW ETHICS POLICY STATEMENT AND CONFLICT OF INTEREST FORM 700

Committee members received copies of the Ethics Policy Statement and Form 700 Statement of Economic Interest. As required by Section 5.3 of the Committee Bylaws, by accepting appointment, each member agrees to comply with the Committee Ethics Policy and complete Form 700 as required by all "designated employees" of the district. All members present completed these requirements.

004. PUBLIC COMMENTS

Kirsten Amezcua asked whether anything could be done about the noise from the water pumps located south of the baseball field. Committee members Romero and Cullors agreed that they are loud. Mr. Kline said he would investigate possible ways of reducing the noise.

Annual Independent Financial Audit and Performance Audit

005. Receive and review copies of the District's annual independent performance audit and annual independent financial audit.

The Committee reviewed the Independent Financial and Performance Audits prepared by Wilkinson Hadley King & Co., LLP for the period ended June 30, 2014 for which there were no findings reported. However, the Statement of Revenues listed an unexplained amount of \$485,093 under "Other Financing Sources." Mrs. Caston will seek an explanation and report back to the Committee.

As required by Bylaws Article 3.3, Minerva Cullors volunteered to present the Annual Report to the Board of Trustees.

006. Review efforts by the District to maximize bond proceeds

1. Prop 39 Energy Audit and Energy Projects
Mr. Kline reported on the District's efforts to obtain funding through the California Energy Commission for energy saving projects.

Program Overview: Eligible local educational agencies can request funding by submitting an energy expenditure plan application to the California Energy Commission. For the first year, there is an option to receive part or all of a school's allocation for energy savings planning purposes. The district is hoping to be able to meet energy saving goals and use remaining funding for energy producing projects, such as solar panels.

2. Williams Emergency Program Funding Projects: Old High School Gymnasium, Wirt Auditorium, and Vocational Education Building
The District expects to receive funding on these applications in August.

007. Selection of Officers

The Committee shall elect a Chair and a Vice-Chair who shall act as Chair only when the Chair is absent, which positions shall continue for two (2) year terms. No person shall serve as Chair for more than two (2) consecutive terms.

A motion to nominate Kirsten Amezcua as Chair was made by Gil Perez and seconded by Max Romero. There were no further nominations and Kirsten Amezcua was elected Chair by a unanimous vote. A motion to nominate Max Romero as Vice-Chair was made by Kirsten Amezcua and seconded by Gil Perez. There were no further nominations and Max Romero was elected Vice-Chair by a unanimous vote.

008. Committee Discussion/Action

Items may include any item for which the Committee is authorized to act in accordance with adopted Bylaws

There was mp further discussion or action

009. Adjourn

There being no further action, Kirsten Amezcua adjourned the meeting at 5:06 p.m. Following the meeting, the Committee was given a tour of the facilities by Angelita Ortiz.

Respectfully submitted,



Douglas T. Kline, Secretary to the Board

AGENDA
CALIPATRIA UNIFIED SCHOOL DISTRICT
MEASURE "T"
CITIZENS' BOND OVERSIGHT COMMITTEE

Date: Wednesday, April 22, 2015
Time: 4:00 p.m.
Place: Board Room, 501 W. Main Street
Calipatria, CA

Individuals who require special accommodations, including, but not limited to accessible seating or documentation in accessible formats, should contact the Superintendent or designee at least two days before the meeting date at (760) 348-2151.

I. CALL TO ORDER AND PLEDGE OF ALLEGIANCE

II. OPENING PROCEDURES

A. Roll Call Of Members:

- Graciela Castaneda, Business Community
- Minerva Cullors, Senior Citizen's Organization
- Gil Perez, Taxpayers Association
- Kirsten Amezcua, Parent
- Jenevie Amial, Parent
- Louis Mata, Community At-Large
- Jesus Castillo, Community At-large
- Max Romero, Community At-Large (Alternate)

B. Review Ethics Policy Statement and Conflict of Interest Form 700

III. PUBLIC COMMENTS

Please limit individual comments to three minutes.

IV. BUSINESS

A. Receive and review copies of the District's annual independent performance audit and annual independent financial audit.

B. Review efforts by the District to maximize bond proceeds

1. Prop 39 Energy Audit and Energy Projects
2. Williams Emergency Program Funding Projects: Old High School Gymnasium, Wirt Auditorium, and Vocational Education Building

C. Selection of Officers

The Committee shall elect a Chair and a Vice-Chair who shall act as Chair only when the Chair is absent, which positions shall continue for two (2) year terms. No person shall serve as Chair for more than two (2) consecutive terms.

D. Committee Discussion/Action - Items may include any item for which the Committee is authorized to act in accordance with adopted Bylaws

V. ADJOURN

**CALIPATRIA UNIFIED SCHOOL DISTRICT
CITIZENS' BOND OVERSIGHT COMMITTEE
BYLAWS**

Section 1. Committee Established. The Calipatria Unified School District (the "District") was successful at the election conducted on November 5, 2013 (the "Election"), in obtaining authorization from the District's voters to issue up to \$9,000,000 aggregate principal amount of the District's general obligation bonds, pursuant to a 55% vote. The election was conducted under Proposition 39, being chaptered as the Strict Accountability in Local School Construction Bonds Act of 2000, at Section 15264 et seq. of the Education Code of the State of California ("Prop 39"). Pursuant to Section 15278 of the Education Code, the District is now obligated to establish the Oversight Committee to satisfy the accountability requirements of Prop 39. The Board of Trustees of the Calipatria Unified School District (the "Board") hereby establishes the Citizens' Bond Oversight Committee (the "Committee") which shall have the duties and rights set forth in these Bylaws. The Committee does not have independent legal capacity from the District.

Section 2. Purposes. The purposes of the Committee are set forth in Prop 39, and these Bylaws are specifically made subject to the applicable provisions of Prop 39 as to the duties and rights of the Committee. The Committee shall be deemed to be subject to the Ralph M. Brown Public Meetings Act of the State of California and shall conduct its meetings in accordance with the provisions thereof. The District shall provide necessary administrative support at District expense to the Committee as consistent with the Committee's purposes as set forth in Prop 39.

The proceeds of general obligation bonds issued pursuant to the Election are hereinafter referred to as "bond proceeds." The Committee shall confine itself specifically to bond proceeds generated under the ballot measure. Regular and deferred maintenance projects and all monies generated under other sources shall fall outside the scope of the Committee review.

Section 3. Duties. To carry out its stated purposes, the Committee shall perform the following duties:

3.1 **Inform the Public.** The Committee shall inform the public concerning the District's expenditures of bond proceeds.

3.2 **Review Expenditures.** The Committee may review quarterly expenditure reports produced by the District to ensure that (a) bond proceeds are expended only for the purposes set forth in the ballot measure; (b) no bond proceeds are used for any teacher or administrative salaries or other operating expenses.

3.3 **Annual Report.** The Committee shall present to the Board, in public session, an annual written report which shall include the following:

(a) A statement indicating whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution; and

(b) A summary of the Committee's proceedings and activities for the preceding year.

3.4 **Duties of the Board/Superintendent.** Either the Board or the Superintendent, as the Board shall determine, shall have the following powers reserved to it, and the Committee shall have no jurisdiction over the following types of activities:

- (i) Approval of construction contracts,
- (ii) Approval of construction change orders,
- (iii) Appropriation of construction funds,
- (iv) Handling of all legal matters,

- (v) Approval of construction plans and schedules,
- (vi) Approval of Deferred Maintenance Plan, and
- (vii) Approval of the sale of bonds.

3.5 Voter-Approved Projects Only. In recognition of the fact that the Committee is charged with overseeing the expenditure of bond proceeds, the District has not charged the Committee with responsibility for:

(a) Projects financed through the State of California, developer fees, redevelopment tax increment, certificates of participation, lease/revenue bonds, the general fund or the sale of surplus property without bond proceeds shall be outside the authority of the Committee.

(b) The establishment of priorities and order of construction for the bond projects shall be made by the Board in its sole discretion.

(c) The selection of architects, engineers, soil engineers, construction managers, project managers, CEQA consultants and such other professional service firms as are required to complete the project based on District criteria established by the Board in its sole discretion.

(d) The approval of the design for each project including exterior materials, paint color, interior finishes, site plan and construction methods (modular vs. permanent) by the Board in its sole discretion and shall report to the Committee on any cost saving techniques considered or adopted by the Board.

(e) The selection of independent audit firm(s), performance audit consultants and such other consultants as are necessary to support the activities of the Committee.

(f) The approval of an annual budget for the Committee that is sufficient to carry activities set forth in Prop 39 and included herein.

(g) The adoption of a plan for publicizing the activities of the Committee and the determination as to whether a mailer, a newspaper notice or website materials would best suit the distribution of the Committee's findings and recommendations.

(h) The amendment or modification of the Bylaws for the Committee as provided herein, subject to the legal requirements of Prop 39.

(i) The appointment or reappointment of qualified applicants to serve on the Committee, subject to legal limitations, and based on criteria adopted in the Board's sole discretion as part of carrying out its functions under Prop 39.

Section 4. Authorized Activities.

4.1 In order to perform the duties set forth in Section 3.0, the Committee may engage in the following authorized activities:

(a) Receive and review copies of the District's annual independent performance audit and annual independent financial audit, required by Article XIIA of the California Constitution.

(b) Inspect school facilities and grounds for which bond proceeds have been or will be expended, in accordance with any access procedure established by the District's Superintendent.

(c) Review copies of deferred maintenance proposal or plans developed by the District.

(d) Review efforts by the District to maximize bond proceeds by implementing various cost-saving measures.

Section 5. Membership.

5.1 Number. The Committee shall consist of a minimum of seven (7) members appointed by the Board of Trustees from a list of candidates submitting written applications, and based on criteria established by Prop 39, to wit:

- One (1) member active in a business organization representing the business community located in the District.
- One (1) member active in a senior citizen's organization.
- One (1) member active in a bona-fide taxpayers association.
- One (1) member shall be a parent or guardian of a child enrolled in the District.
- One (1) member shall be both a parent or guardian of a child enrolled in the district and active in a parent-teacher organization or school site council.
- Two (2) members of the community at-large appointed by the Board.

5.2 Qualification Standards.

(a) To be a qualified person, he or she must be at least 18 years of age in accordance with Government Code Section 1020.

(b) The Committee may not include any employee, official of the District or any vendor, contractor or consultant of the District.

5.3 Ethics: Conflicts of Interest. By accepting appointment to the Committee, each member agrees to comply with Articles 4 (commencing with Section 1090) and 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code and the Political Reform Act (Gov. Code §§ 81000 et seq.), and to complete the Form 700 as required by all "designated employees" of the District. Additionally, each member shall comply with the Committee Ethics Policy attached as "Attachment A" to these Bylaws.

5.4 Term. Except as otherwise provided herein, each member shall serve a term of two (2) years, beginning _____, 2014. No member may serve more than three (3) consecutive terms. At the Committee's first meeting, members will draw lots to select a minimum of two (2) members to serve for an initial one (1) year term and the remaining members for an initial two (2) year term.

5.5 Appointment. Members of the Committee shall be appointed by the Board through the following process: (a) appropriate local groups will be solicited for applications; (b) the Superintendent or his designee will review the applications; (c) the Superintendent or his designee will make recommendations to the Board.

5.6 Removal; Vacancy. The Board may remove any Committee member for any reason, including failure to attend two (2) consecutive Committee meetings without reasonable excuse or for failure to comply with the Committee Ethics Policy. Upon a member's removal, his or her seat shall be declared vacant. The Board, in accordance with the established appointment process shall fill any vacancies on the Committee.

5.7 Compensation. The Committee members shall not be compensated for their services.

5.8 Authority of Members. (a) Committee members shall not have the authority to direct staff of the District. (b) Individual members of the Committee retain the right to address the Board as an individual.

Section 6. Meetings of the Committee.

6.1 Regular Meetings. The Committee is required to meet at least once a year including an annual organizational meeting to be held in _____.

6.2 Location. All meetings shall be held within the District.

6.3 Procedures. All meetings shall be open to the public in accordance with the Ralph M. Brown Act, Government Code Section 54950 et seq. Meetings shall be conducted according to such additional procedural rules as the Committee may adopt. A majority of the number of Committee members shall constitute a quorum for the transaction of any business except adjournment.

Section 7. District Support.

7.1 The District shall provide to the Committee necessary technical and administrative assistance as follows:

(a) preparation of and posting of public notices as required by the Ralph M. Brown Act, ensuring that all notices to the public are provided in the same manner as notices regarding meetings of the District Board;

(b) provision of a meeting room, including any necessary audio/visual equipment;

(c) preparation and copies of any documentary meeting materials, such as agendas and reports; and

(d) retention of all Committee records, and providing public access to such records on an Internet website maintained by the District.

7.2 District staff and/or District consultants shall attend all Committee proceedings in order to report on the status of projects and the expenditures of bond proceeds.

7.3 No bond proceeds shall be used to provide District support to the Committee.

Section 8. Reports. In addition to the Annual Report required in Section 3.2, the Committee may report to the Board at least semi-annually in order to advise the Board on the activities of the Committee. Such report shall be in writing and shall summarize the proceedings and activities conducted by the Committee.

Section 9. Officers. The Superintendent shall appoint the initial Chair. Thereafter, the Committee shall elect a Chair and a Vice-Chair who shall act as Chair only when the Chair is absent, which positions shall continue for two (2) year terms. No person shall serve as Chair for more than two (2) consecutive terms.

Section 10. Amendment of Bylaws. Any amendment to these Bylaws shall be approved by a two-thirds vote of the entire Board.

Section 11. Termination. The Committee shall automatically terminate and disband at the earlier of the date when (a) all bond proceeds are spent, or (b) all projects funded by bond proceeds are completed.

Adopted by the Board of Trustees: January 13, 2014

**CITIZENS' BOND OVERSIGHT COMMITTEE
ETHICS POLICY STATEMENT**

This following Ethics Policy Statement provides general guidelines for Committee members to perform their roles. Not all ethical issues that Committee members face are covered in this Statement. However, this Statement captures some of the critical areas that help define ethical and professional conduct for Committee members. The provisions of this Statement were developed from existing laws, rules, policies and procedures as well as from concepts that define generally accepted good business practices. Committee members are expected to strictly adhere to the provisions of this Ethics Policy.

POLICY

- **CONFLICT OF INTEREST.** A Committee member shall not make or influence a District decision related to: (1) any contract funded by bond proceeds or (2) any construction project which will benefit the committee member's outside employment, business, or a personal finance or benefit an immediate family member, such as a spouse, child or parent.

- **OUTSIDE EMPLOYMENT.** A Committee member shall not use his or her authority over a particular matter to negotiate future employment with any person or organization that relates to: (1) any contract funded by bond proceeds, or (2) any construction project. A Committee member shall not make or influence a District decision related to any construction project involving the interest of a person with whom the member has an agreement concerning current or future employment, or remuneration of any kind. For a period of two (2) years after leaving the Committee, a former Committee member may not represent any person or organization for compensation in connection with any matter pending before the District that, as a Committee member, he or she participated in personally and substantially. Specifically, for a period of two (2) years after leaving the Committee, a former Committee member and the companies and businesses for which the member works shall be prohibited from contracting with the District with respect to: (1) bidding on projects funded by the bond proceeds; and (2) any construction project.

- **COMMITMENT TO UPHOLD LAW.** A Committee member shall uphold the federal and California Constitutions, the laws and regulations of the United States and the State of California (particularly the Education Code) and all other applicable government entities, and the policies, procedures, rules and regulations of the Calipatria Unified School District;

- **COMMITMENT TO DISTRICT.** A Committee member shall place the interest of the District above any personal or business interest of the member.

The undersigned acknowledges he or she has received a copy of this Ethics Policy Statement, understands the provisions of this policy and agrees to adhere to its requirements.

Date

Member, Oversight Committee

CALIPATRIA UNIFIED SCHOOL DISTRICT

501 West Main Street * Calipatria, California 92233



To: Citizens' Bond Oversight Committee as Designated Filers
From: Betty Raceles, Administrative Assistant
Date: April 17, 2015
Subject: Form 700 Statement of Economic Interest

The Citizens' Bond Oversight Committee Bylaws require that each member comply with Articles 4 (commencing with Section 1090) and 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code and the Political Reform Act (Gov. Code §§ 81000 et seq.), and to complete the Form 700 as required by all "designated employees" of the District

A Committee member shall not make or influence a District decision related to: (1) any contract funded by bond proceeds or (2) any construction project which will benefit the committee member's outside employment, business, or a personal finance or benefit an immediate family member, such as a spouse, child or parent.

Please disclose the following:

- All investments and business positions in, and sources of income from, business entities that are engaged in land development, construction or the acquisition or sale of real property within the jurisdiction of the District, plan to engage in such activities within the jurisdiction of the District within the next year, or have engaged in such activities within the jurisdiction of the District within the past two (2) years. (Category 3), and
- All investments and business positions in, and sources of income from, business entities that provide services, supplies, materials, machinery, vehicles or equipment of a type purchased or leased by any Construction Contractor on any Measure T Construction Project

If you have no financial interests that are reportable, please check the box in Section 4 marked **None - No reportable interests on any schedule**, sign and date the Form 700 and return it to the District Office as soon as possible.

CALIPATRIA UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 MEASURE T
BUILDING FUND (21)
GENERAL OBLIGATIONS BOND**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

JUNE 30, 2014

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T
BUILDING FUND (21)
GENERAL OBLIGATION BONDS
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**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T
GENERAL OBLIGATIONS BONDS
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING**

On November 5, 2013 the Calipatria Unified School District was successful in obtaining authorization from District voters to issue up to \$9,000,000 in General Obligations Bonds pursuant to a 55% vote. 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 Bonds may be issued under the provisions of the California Education Code (starting at Section 15100), under the provisions of the California Government Code (starting at Section 53506), or under any other provision of law authorizing the issuance of general obligation bonds by school districts. The Bonds may be issued in series by the District from time to time, and each series of Bonds shall mature within the legal limitations set forth in the applicable law under which the Bonds are issued.

The Calipatria Unified School District Measure T Citizens' Oversight Committee as of June 30, 2014 was comprised of the following members:

Gil Perez – Taxpayers Organization	Chair
Kirsten Amezcua – Parent of District Student	Co-Chair
Jesus Castillo – Community Member	Member
Louis H. Mata – Community Member	Member
Jenevie Chavez Amial – Parent Advisory Group	Member
Graciela Castaneda – Business Member	Member
Minerva Cullors – Senior Citizen	Member

INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and
Citizens' Oversight Committee
Calipatria Unified School District
Calipatria, California**

Report on Financial Statements

We have audited the accompanying financial statements of Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District, which comprise the balance sheet as of June 30, 2014, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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*, 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 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note B, the financial statements present Building Fund (21) which is specific to Measure T, and is not intended to present fairly the financial position and results of operations of Calipatria Unified School District in conformity with accounting principles generally accepted in the United States of America. Also, described in Note B to the financial statements, in 2014, the District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District as of June 30, 2014, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, on our consideration of Calipatria Unified 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.

El Cajon, California
February 20, 2015

FINANCIAL STATEMENTS

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Balance Sheet

June 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 3,884,749
Accounts receivable	<u>3,964</u>
Total Current Assets	<u>3,888,713</u>

TOTAL ASSETS \$ 3,888,713

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable	<u>\$ 530,133</u>
------------------	-------------------

TOTAL LIABILITIES 530,133

FUND BALANCE

Restricted for capital projects	<u>3,358,580</u>
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TOTAL LIABILITIES AND FUND BALANCE \$ 3,888,713

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)
Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2014

REVENUES	
Interest income	\$ 10,342
TOTAL REVENUES	<u>10,342</u>
EXPENDITURES	
Bond redemptions	6,290,000
Debt service expenditures	420,180
Bond interest & other service charges	131,974
Other operating expenses:	
Legal fees	433
Capital outlay:	
Architect fees	163,570
DSA fees	11,650
Preliminary tests	12,600
Miscellaneous fees	2,419
Main construction	835,023
Inspections	11,575
Other equipment	13,500
Debt service interest	<u>23,931</u>
TOTAL EXPENDITURES	<u>7,916,855</u>
EXCESS OF EXPENDITURES OVER REVENUES	(7,906,513)
OTHER FINANCING SOURCES (USES)	
Proceeds from bond issuance	10,780,000
Other financing sources	<u>485,093</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>11,265,093</u>
NET CHANGE IN FUND BALANCE	3,358,580
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 3,358,580</u></u>

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

A. Definition of the Fund

In November 2013, Building Fund (21) was formed to account for property acquisition and construction of new schools as well as renovation of current schools for the Calipatria Unified School District (District), through expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2008. Fund (21) is the Building Fund of the District.

Measure T was placed on the November 2013 ballot, giving voters the option to support re-authorization of the remaining bonds.

This \$9,000,000 authorization initiative:

- (1) Allows for completion of all bond projects without delay;
- (2) Minimizes project cost escalation;
- (3) Allows the voters who approved Measure T to benefit from the projects;
- (4) Provides local construction jobs when they are needed most; and
- (5) Saves taxpayers millions of dollars in interest compared to issuing capital appreciation bonds.

Measure T, was approved by local voters in November 2013. As Measure T bonds are issued, an equal amount of 1995 Bond Series authorization is retired. Therefore, no additional debt is incurred beyond the original 1995 Bond Series authorization.

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 39 Measure T Building Fund (21) as defined in Note A and are not intended to present fairly the financial position and results of operations of Calipatria Unified School District in conformity with accounting principles generally accepted in the United States of America.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements
Year Ended June 30, 2014

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.

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.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements
Year Ended June 30, 2014

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the Imperial 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 Imperial 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.

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements

Year Ended June 30, 2014

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

GASB 65 Implementation

The District has implemented GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. The purpose of this pronouncement is to improve financial reporting by clarifying the appropriate use of the financial statement elements of deferred inflows and outflows of resources to ensure consistency in financial reporting. With implementation of this pronouncement, the District will recognize certain items previously reported as assets and liabilities as outflows of resources or inflows of resources, if applicable.

C. Cash and Investments

Cash in County Treasury

The District maintains significantly all of its cash in the Imperial County Treasury as part of the common investment pool. As of June 30, 2014, the portion of cash in county treasury attributed to Building Fund (21) was \$3,884,753. The fair value of Building Fund (21)’s portion of this pool as of that date, as provided by the pool sponsor, was \$3,897,250. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements
Year Ended June 30, 2014

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 investments in the pool is reported in the accounting financial statements as 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 the 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.

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. The Imperial County Investment Pool is rated AAF by Standard & Pools.

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's Building Fund (21) 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's Building Fund (21) was not exposed to concentration of credit risk.

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

d. *Interest Rate Risk*

This is the risk that changes in 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's Building Fund (21) manages its exposure to interest rate risk by investing in the county pool.

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's Building Fund (21) 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 deposits are examples of nonparticipating interest-earning investment contracts.

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Accounts Receivable

As of June 30, 2014 accounts receivable consisted of:

Interest receivable	\$ 3,964
Total Accounts Receivable	\$ 3,964

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

E. Accounts Payable

As of June 30, 2014 accounts payable consisted of:

Vendors payable	<u>\$ 530,133</u>
Total	<u><u>\$ 530,133</u></u>

F. General Obligation Bonds

On December 11, 2013, the District issued \$4,500,000, 2013 Series A General Obligation Bonds in order to finance the renovation of schools, classrooms, and instructional facilities. The bonds mature on August 1, 2038 and yield an interest rate of 3.00-4.72 percent.

On December 11, 2013, the District also issued \$1,520,000, 2013 General Obligation Refunding Bond in order to refund the 1995 General Obligation Bonds. The bonds mature August, 1 2015 and yield an interest rate of 3.00 percent.

On April, 22 2014, the District issued \$4,760,000, 2014 General Obligation Refunding Bonds in order to refund the 1995 General Obligation Bonds. The bonds mature August, 1 2020 and yield an interest rate of 2.00-4.00 percent.

The outstanding bonded debt of Proposition 39 Measure T Building Fund (21) is as follows:

Description	Date of Issuance	Interest Rate	Maturity Date	Original Issue Amount	Current Year			Ending Balance	Due within 1 Year
					Beginning Balance	Issued	Redeemed		
Election 1995, 2004 Refunding Refunding Bonds Premium	8/11/2004	2.00-4.25%	8/1/2020	10,840,000	6,145,000	-	5,450,000	695,000	695,000
Total Refunding Bonds	8/11/2004			<u>56,536</u>	<u>32,049</u>	<u>-</u>	<u>28,424</u>	<u>3,625</u>	<u>3,625</u>
				<u>10,896,536</u>	<u>6,177,049</u>	<u>-</u>	<u>5,478,424</u>	<u>698,625</u>	<u>698,625</u>
Election 2013 Series A	12/11/2013	3.00-4.72%	8/1/2038	4,500,000	-	4,500,000	-	4,500,000	-
2013-A Premium	12/11/2013		8/1/2038	170,469	-	170,469	-	170,469	-
Total 2013 Series A				<u>4,670,469</u>	<u>-</u>	<u>4,670,469</u>	<u>-</u>	<u>4,670,469</u>	<u>-</u>
Election 2013 GO Refunding	12/11/2013	3.00%	8/1/2015	1,520,000	-	1,520,000	-	1,520,000	870,000
2013 Refunding Premium	12/11/2013		8/1/2015	40,370	-	40,370	-	40,370	23,107
Total 2013 GO Refunding				<u>1,560,370</u>	<u>-</u>	<u>1,560,370</u>	<u>-</u>	<u>1,560,370</u>	<u>893,107</u>
2014 GO Refunding Bonds	4/22/2014	2.00-4.00%	8/1/2020	4,760,000	-	4,760,000	-	4,760,000	60,000
2014 Refunding Premium	4/22/2014		8/1/2020	274,253	-	274,253	-	274,253	3,457
Total 2014 Refunding				<u>5,034,253</u>	<u>-</u>	<u>5,034,253</u>	<u>-</u>	<u>5,034,253</u>	<u>63,457</u>

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements

Year Ended June 30, 2014

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2014 is as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 930,000	\$ 377,293	\$ 1,307,293
2016	1,520,000	350,851	1,870,851
2017	925,000	311,451	1,236,451
2018	975,000	282,101	1,257,101
2019	845,000	245,501	1,090,501
2020-2024	2,050,000	956,466	3,006,466
2025-2029	695,000	813,997	1,508,997
2030-2034	1,110,000	628,533	1,738,533
2035-2039	<u>1,730,000</u>	<u>266,515</u>	<u>1,996,515</u>
Total	<u>\$ 10,780,000</u>	<u>\$ 4,232,707</u>	<u>\$ 15,012,707</u>

G. Construction Commitments

As of June 30, 2014, the Building Fund (21) had the following commitments with respect to unfinished capital projects:

Construction in Progress:	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>
Calipatria Sports Complex	<u>\$ 3,358,584</u>	June 2015
Total	<u>\$ 3,358,584</u>	

OTHER INDEPENDENT AUDITORS' REPORTS

**Independent Auditor's 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***

**To the Board of Directors
Calipatria Unified School District
Calipatria, 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 Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Calipatria Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Calipatria Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Calipatria Unified 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calipatria Unified School District's financial statements 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 determination of financial statement amounts. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California
February 20, 2015

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

**Governing Board Members and
Citizens Bond Oversight Committee
Calipatria Unified School District
Calipatria, California**

We have audited the financial statements of the Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District as of and for the fiscal year ended June 30, 2014 and have issued our report thereon dated February 20, 2015. 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 Measure T Building Fund (21) General Obligation Bonds for the fiscal year ended June 30, 2014. The objective of the audit of compliance applicable to Calipatria Unified School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Measure T 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, will 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 Measure T resources
- Prevent material misstatement in the Proposition 39 Measure T Building Fund (21) financial statements
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of Measure T 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 Measure T ballots 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 and 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 Imperial 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 principles and applicable laws and regulations.

Tests of Expenditures

Procedures Performed:

We tested expenditures to determine whether Measure T funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project Lists and language of the Measure T ballot measures. Our testing included a sample of vendors and payroll payments, totaling approximately \$1,023,742 or approximately 95% of total expenditures for the year.

Results of Procedures Performed:

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

Facilities Site Review

Procedures Performed:

We reviewed the Independent Citizens' Oversight Committee minutes and agenda and other pertinent information on Measure T designated projects and determined the Measure T funds expended for the year ended June 30, 2014 were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Auditors performed walk through of significant bond projects.

Results of Procedures Performed:

Based on our review of the minutes and agendas of the Independent Citizens' Oversight Committee, the documentation and pertinent information of the Measure T designated projects, and walkthrough of project site, it appears the construction work performed was consistent with the Bond Project List.

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 to verify compliance with Education Code sections 15278 through 15282.

Results of Procedures Performed:

We have determined the Calipatria Unified School District's Proposition 39 Measure T Building Fund (21) 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 39 Measure T Building Fund (21), for the fiscal year ended June 30, 2014.

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

El Cajon, California
February 20, 2015

FINDINGS AND RECOMMENDATIONS

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)
Schedule of Findings and Responses
Year Ended June 30, 2014

There were no findings to report.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

This is the first year of issuance, therefore there were no findings reported for the year ended June 30, 2013.

**CALIPATRIA UNIFIED SCHOOL DISTRICT
 PROPOSITION 39 MEASURE T BUILDING FUND (21)
 GENERAL OBLIGATION BONDS BOND PROJECT LIST
 JUNE 30, 2014**

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:

Grace Smith School	Fremont Primary School
Bill E. Young Jr Middle School	Calipatria High School
Calipatria Unified District Office	

<u>Project Name</u>	<u>Project Site</u>
Modernization of facilities	Vocational and Career Technical Education
Paving and parking lot work	Hornet Drive and parking lots
Moderinzation of Hornet Gymnasium	Hornet Gymnasium
Modernization of Wirt Auditorium	Wirt Auditorium
Sports Field	Various
Physical Education classroom addition	
Improve student health and safety	Various
Restroom improvement	Various
Classroom modernization	Various
HVAC repairs	Various
Furnishings and equipment	Various
Unforseen issues arising from modernization	Various
Construct, renovate or expand student suppost facilities	Various
Site preparations/restoration in connection with new construction	Various

CALIPATRIA UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 MEASURE T
BUILDING FUND (21)
GENERAL OBLIGATIONS BOND**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

JUNE 30, 2014

**CALIPATRIA UNIFIED SCHOOL DISTRICT
CITIZENS' BOND OVERSIGHT COMMITTEE
BYLAWS**

Section 1. Committee Established. The Calipatria Unified School District (the "District") was successful at the election conducted on November 5, 2013 (the "Election"), in obtaining authorization from the District's voters to issue up to \$9,000,000 aggregate principal amount of the District's general obligation bonds, pursuant to a 55% vote. The election was conducted under Proposition 39, being chaptered as the Strict Accountability in Local School Construction Bonds Act of 2000, at Section 15264 et seq. of the Education Code of the State of California ("Prop 39"). Pursuant to Section 15278 of the Education Code, the District is now obligated to establish the Oversight Committee to satisfy the accountability requirements of Prop 39. The Board of Trustees of the Calipatria Unified School District (the "Board") hereby establishes the Citizens' Bond Oversight Committee (the "Committee") which shall have the duties and rights set forth in these Bylaws. The Committee does not have independent legal capacity from the District.

Section 2. Purposes. The purposes of the Committee are set forth in Prop 39, and these Bylaws are specifically made subject to the applicable provisions of Prop 39 as to the duties and rights of the Committee. The Committee shall be deemed to be subject to the Ralph M. Brown Public Meetings Act of the State of California and shall conduct its meetings in accordance with the provisions thereof. The District shall provide necessary administrative support at District expense to the Committee as consistent with the Committee's purposes as set forth in Prop 39.

The proceeds of general obligation bonds issued pursuant to the Election are hereinafter referred to as "bond proceeds." The Committee shall confine itself specifically to bond proceeds generated under the ballot measure. Regular and deferred maintenance projects and all monies generated under other sources shall fall outside the scope of the Committee review.

Section 3. Duties. To carry out its stated purposes, the Committee shall perform the following duties:

3.1 **Inform the Public.** The Committee shall inform the public concerning the District's expenditures of bond proceeds.

3.2 **Review Expenditures.** The Committee may review quarterly expenditure reports produced by the District to ensure that (a) bond proceeds are expended only for the purposes set forth in the ballot measure; (b) no bond proceeds are used for any teacher or administrative salaries or other operating expenses.

3.3 **Annual Report.** The Committee shall present to the Board, in public session, an annual written report which shall include the following:

(a) A statement indicating whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution; and

(b) A summary of the Committee's proceedings and activities for the preceding year.

3.4 **Duties of the Board/Superintendent.** Either the Board or the Superintendent, as the Board shall determine, shall have the following powers reserved to it, and the Committee shall have no jurisdiction over the following types of activities:

- (i) Approval of construction contracts,
- (ii) Approval of construction change orders,
- (iii) Appropriation of construction funds,
- (iv) Handling of all legal matters,

- (v) Approval of construction plans and schedules,
- (vi) Approval of Deferred Maintenance Plan, and
- (vii) Approval of the sale of bonds.

3.5 Voter-Approved Projects Only. In recognition of the fact that the Committee is charged with overseeing the expenditure of bond proceeds, the District has not charged the Committee with responsibility for:

(a) Projects financed through the State of California, developer fees, redevelopment tax increment, certificates of participation, lease/revenue bonds, the general fund or the sale of surplus property without bond proceeds shall be outside the authority of the Committee.

(b) The establishment of priorities and order of construction for the bond projects shall be made by the Board in its sole discretion.

(c) The selection of architects, engineers, soil engineers, construction managers, project managers, CEQA consultants and such other professional service firms as are required to complete the project based on District criteria established by the Board in its sole discretion.

(d) The approval of the design for each project including exterior materials, paint color, interior finishes, site plan and construction methods (modular vs. permanent) by the Board in its sole discretion and shall report to the Committee on any cost saving techniques considered or adopted by the Board.

(e) The selection of independent audit firm(s), performance audit consultants and such other consultants as are necessary to support the activities of the Committee.

(f) The approval of an annual budget for the Committee that is sufficient to carry activities set forth in Prop 39 and included herein.

(g) The adoption of a plan for publicizing the activities of the Committee and the determination as to whether a mailer, a newspaper notice or website materials would best suit the distribution of the Committee's findings and recommendations.

(h) The amendment or modification of the Bylaws for the Committee as provided herein, subject to the legal requirements of Prop 39.

(i) The appointment or reappointment of qualified applicants to serve on the Committee, subject to legal limitations, and based on criteria adopted in the Board's sole discretion as part of carrying out its functions under Prop 39.

Section 4. Authorized Activities.

4.1 In order to perform the duties set forth in Section 3.0, the Committee may engage in the following authorized activities:

(a) Receive and review copies of the District's annual independent performance audit and annual independent financial audit, required by Article XIIA of the California Constitution.

(b) Inspect school facilities and grounds for which bond proceeds have been or will be expended, in accordance with any access procedure established by the District's Superintendent.

(c) Review copies of deferred maintenance proposal or plans developed by the District.

(d) Review efforts by the District to maximize bond proceeds by implementing various cost-saving measures.

Section 5. Membership.

5.1 Number. The Committee shall consist of a minimum of seven (7) members appointed by the Board of Trustees from a list of candidates submitting written applications, and based on criteria established by Prop 39, to wit:

- One (1) member active in a business organization representing the business community located in the District.
- One (1) member active in a senior citizen's organization.
- One (1) member active in a bona-fide taxpayers association.
- One (1) member shall be a parent or guardian of a child enrolled in the District.
- One (1) member shall be both a parent or guardian of a child enrolled in the district and active in a parent-teacher organization or school site council.
- Two (2) members of the community at-large appointed by the Board.

5.2 Qualification Standards.

(a) To be a qualified person, he or she must be at least 18 years of age in accordance with Government Code Section 1020.

(b) The Committee may not include any employee, official of the District or any vendor, contractor or consultant of the District.

5.3 Ethics: Conflicts of Interest. By accepting appointment to the Committee, each member agrees to comply with Articles 4 (commencing with Section 1090) and 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code and the Political Reform Act (Gov. Code §§ 81000 et seq.), and to complete the Form 700 as required by all "designated employees" of the District. Additionally, each member shall comply with the Committee Ethics Policy attached as "Attachment A" to these Bylaws.

5.4 Term. Except as otherwise provided herein, each member shall serve a term of two (2) years, beginning _____, 2014. No member may serve more than three (3) consecutive terms. At the Committee's first meeting, members will draw lots to select a minimum of two (2) members to serve for an initial one (1) year term and the remaining members for an initial two (2) year term.

5.5 Appointment. Members of the Committee shall be appointed by the Board through the following process: (a) appropriate local groups will be solicited for applications; (b) the Superintendent or his designee will review the applications; (c) the Superintendent or his designee will make recommendations to the Board.

5.6 Removal; Vacancy. The Board may remove any Committee member for any reason, including failure to attend two (2) consecutive Committee meetings without reasonable excuse or for failure to comply with the Committee Ethics Policy. Upon a member's removal, his or her seat shall be declared vacant. The Board, in accordance with the established appointment process shall fill any vacancies on the Committee.

5.7 Compensation. The Committee members shall not be compensated for their services.

5.8 Authority of Members. (a) Committee members shall not have the authority to direct staff of the District. (b) Individual members of the Committee retain the right to address the Board as an individual.

Section 6. Meetings of the Committee.

6.1 Regular Meetings. The Committee is required to meet at least once a year including an annual organizational meeting to be held in _____.

6.2 Location. All meetings shall be held within the District.

6.3 Procedures. All meetings shall be open to the public in accordance with the Ralph M. Brown Act, Government Code Section 54950 et seq. Meetings shall be conducted according to such additional procedural rules as the Committee may adopt. A majority of the number of Committee members shall constitute a quorum for the transaction of any business except adjournment.

Section 7. District Support.

7.1 The District shall provide to the Committee necessary technical and administrative assistance as follows:

(a) preparation of and posting of public notices as required by the Ralph M. Brown Act, ensuring that all notices to the public are provided in the same manner as notices regarding meetings of the District Board;

(b) provision of a meeting room, including any necessary audio/visual equipment;

(c) preparation and copies of any documentary meeting materials, such as agendas and reports; and

(d) retention of all Committee records, and providing public access to such records on an Internet website maintained by the District.

7.2 District staff and/or District consultants shall attend all Committee proceedings in order to report on the status of projects and the expenditures of bond proceeds.

7.3 No bond proceeds shall be used to provide District support to the Committee.

Section 8. Reports. In addition to the Annual Report required in Section 3.2, the Committee may report to the Board at least semi-annually in order to advise the Board on the activities of the Committee. Such report shall be in writing and shall summarize the proceedings and activities conducted by the Committee.

Section 9. Officers. The Superintendent shall appoint the initial Chair. Thereafter, the Committee shall elect a Chair and a Vice-Chair who shall act as Chair only when the Chair is absent, which positions shall continue for two (2) year terms. No person shall serve as Chair for more than two (2) consecutive terms.

Section 10. Amendment of Bylaws. Any amendment to these Bylaws shall be approved by a two-thirds vote of the entire Board.

Section 11. Termination. The Committee shall automatically terminate and disband at the earlier of the date when (a) all bond proceeds are spent, or (b) all projects funded by bond proceeds are completed.

Adopted by the Board of Trustees: January 13, 2014

**CITIZENS' BOND OVERSIGHT COMMITTEE
ETHICS POLICY STATEMENT**

This following Ethics Policy Statement provides general guidelines for Committee members to perform their roles. Not all ethical issues that Committee members face are covered in this Statement. However, this Statement captures some of the critical areas that help define ethical and professional conduct for Committee members. The provisions of this Statement were developed from existing laws, rules, policies and procedures as well as from concepts that define generally accepted good business practices. Committee members are expected to strictly adhere to the provisions of this Ethics Policy.

POLICY

- **CONFLICT OF INTEREST.** A Committee member shall not make or influence a District decision related to: (1) any contract funded by bond proceeds or (2) any construction project which will benefit the committee member's outside employment, business, or a personal finance or benefit an immediate family member, such as a spouse, child or parent.

- **OUTSIDE EMPLOYMENT.** A Committee member shall not use his or her authority over a particular matter to negotiate future employment with any person or organization that relates to: (1) any contract funded by bond proceeds, or (2) any construction project. A Committee member shall not make or influence a District decision related to any construction project involving the interest of a person with whom the member has an agreement concerning current or future employment, or remuneration of any kind. For a period of two (2) years after leaving the Committee, a former Committee member may not represent any person or organization for compensation in connection with any matter pending before the District that, as a Committee member, he or she participated in personally and substantially. Specifically, for a period of two (2) years after leaving the Committee, a former Committee member and the companies and businesses for which the member works shall be prohibited from contracting with the District with respect to: (1) bidding on projects funded by the bond proceeds; and (2) any construction project.

- **COMMITMENT TO UPHOLD LAW.** A Committee member shall uphold the federal and California Constitutions, the laws and regulations of the United States and the State of California (particularly the Education Code) and all other applicable government entities, and the policies, procedures, rules and regulations of the Calipatria Unified School District;

- **COMMITMENT TO DISTRICT.** A Committee member shall place the interest of the District above any personal or business interest of the member.

The undersigned acknowledges he or she has received a copy of this Ethics Policy Statement, understands the provisions of this policy and agrees to adhere to its requirements.

Date

Member, Oversight Committee

CALIPATRIA UNIFIED SCHOOL DISTRICT

501 West Main Street * Calipatria, California 92233



To: Citizens' Bond Oversight Committee as Designated Filers
From: Betty Raceles, Administrative Assistant
Date: April 17, 2015
Subject: Form 700 Statement of Economic Interest

The Citizens' Bond Oversight Committee Bylaws require that each member comply with Articles 4 (commencing with Section 1090) and 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code and the Political Reform Act (Gov. Code §§ 81000 et seq.), and to complete the Form 700 as required by all "designated employees" of the District

A Committee member shall not make or influence a District decision related to: (1) any contract funded by bond proceeds or (2) any construction project which will benefit the committee member's outside employment, business, or a personal finance or benefit an immediate family member, such as a spouse, child or parent.

Please disclose the following:

- All investments and business positions in, and sources of income from, business entities that are engaged in land development, construction or the acquisition or sale of real property within the jurisdiction of the District, plan to engage in such activities within the jurisdiction of the District within the next year, or have engaged in such activities within the jurisdiction of the District within the past two (2) years. (Category 3), and
- All investments and business positions in, and sources of income from, business entities that provide services, supplies, materials, machinery, vehicles or equipment of a type purchased or leased by any Construction Contractor on any Measure T Construction Project

If you have no financial interests that are reportable, please check the box in Section 4 marked **None - No reportable interests on any schedule**, sign and date the Form 700 and return it to the District Office as soon as possible.

CALIPATRIA UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 MEASURE T
BUILDING FUND (21)
GENERAL OBLIGATIONS BOND**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

JUNE 30, 2014

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T
BUILDING FUND (21)
GENERAL OBLIGATION BONDS
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**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T
GENERAL OBLIGATIONS BONDS
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING**

On November 5, 2013 the Calipatria Unified School District was successful in obtaining authorization from District voters to issue up to \$9,000,000 in General Obligations Bonds pursuant to a 55% vote. 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 Bonds may be issued under the provisions of the California Education Code (starting at Section 15100), under the provisions of the California Government Code (starting at Section 53506), or under any other provision of law authorizing the issuance of general obligation bonds by school districts. The Bonds may be issued in series by the District from time to time, and each series of Bonds shall mature within the legal limitations set forth in the applicable law under which the Bonds are issued.

The Calipatria Unified School District Measure T Citizens' Oversight Committee as of June 30, 2014 was comprised of the following members:

Gil Perez – Taxpayers Organization	Chair
Kirsten Amezcua – Parent of District Student	Co-Chair
Jesus Castillo – Community Member	Member
Louis H. Mata – Community Member	Member
Jenevie Chavez Amial – Parent Advisory Group	Member
Graciela Castaneda – Business Member	Member
Minerva Cullors – Senior Citizen	Member

INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and
Citizens' Oversight Committee
Calipatria Unified School District
Calipatria, California**

Report on Financial Statements

We have audited the accompanying financial statements of Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District, which comprise the balance sheet as of June 30, 2014, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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*, 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 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note B, the financial statements present Building Fund (21) which is specific to Measure T, and is not intended to present fairly the financial position and results of operations of Calipatria Unified School District in conformity with accounting principles generally accepted in the United States of America. Also, described in Note B to the financial statements, in 2014, the District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District as of June 30, 2014, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, on our consideration of Calipatria Unified 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.

El Cajon, California
February 20, 2015

FINANCIAL STATEMENTS

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Balance Sheet

June 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 3,884,749
Accounts receivable	<u>3,964</u>
Total Current Assets	<u>3,888,713</u>

TOTAL ASSETS \$ 3,888,713

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable	<u>\$ 530,133</u>
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TOTAL LIABILITIES 530,133

FUND BALANCE

Restricted for capital projects	<u>3,358,580</u>
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TOTAL LIABILITIES AND FUND BALANCE \$ 3,888,713

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)
Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2014

REVENUES	
Interest income	\$ 10,342
TOTAL REVENUES	<u>10,342</u>
EXPENDITURES	
Bond redemptions	6,290,000
Debt service expenditures	420,180
Bond interest & other service charges	131,974
Other operating expenses:	
Legal fees	433
Capital outlay:	
Architect fees	163,570
DSA fees	11,650
Preliminary tests	12,600
Miscellaneous fees	2,419
Main construction	835,023
Inspections	11,575
Other equipment	13,500
Debt service interest	<u>23,931</u>
TOTAL EXPENDITURES	<u>7,916,855</u>
EXCESS OF EXPENDITURES OVER REVENUES	(7,906,513)
OTHER FINANCING SOURCES (USES)	
Proceeds from bond issuance	10,780,000
Other financing sources	<u>485,093</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>11,265,093</u>
NET CHANGE IN FUND BALANCE	3,358,580
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 3,358,580</u></u>

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

A. Definition of the Fund

In November 2013, Building Fund (21) was formed to account for property acquisition and construction of new schools as well as renovation of current schools for the Calipatria Unified School District (District), through expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2008. Fund (21) is the Building Fund of the District.

Measure T was placed on the November 2013 ballot, giving voters the option to support re-authorization of the remaining bonds.

This \$9,000,000 authorization initiative:

- (1) Allows for completion of all bond projects without delay;
- (2) Minimizes project cost escalation;
- (3) Allows the voters who approved Measure T to benefit from the projects;
- (4) Provides local construction jobs when they are needed most; and
- (5) Saves taxpayers millions of dollars in interest compared to issuing capital appreciation bonds.

Measure T, was approved by local voters in November 2013. As Measure T bonds are issued, an equal amount of 1995 Bond Series authorization is retired. Therefore, no additional debt is incurred beyond the original 1995 Bond Series authorization.

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 39 Measure T Building Fund (21) as defined in Note A and are not intended to present fairly the financial position and results of operations of Calipatria Unified School District in conformity with accounting principles generally accepted in the United States of America.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements
Year Ended June 30, 2014

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.

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.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements
Year Ended June 30, 2014

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the Imperial 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 Imperial 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.

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements

Year Ended June 30, 2014

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

GASB 65 Implementation

The District has implemented GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. The purpose of this pronouncement is to improve financial reporting by clarifying the appropriate use of the financial statement elements of deferred inflows and outflows of resources to ensure consistency in financial reporting. With implementation of this pronouncement, the District will recognize certain items previously reported as assets and liabilities as outflows of resources or inflows of resources, if applicable.

C. Cash and Investments

Cash in County Treasury

The District maintains significantly all of its cash in the Imperial County Treasury as part of the common investment pool. As of June 30, 2014, the portion of cash in county treasury attributed to Building Fund (21) was \$3,884,753. The fair value of Building Fund (21)’s portion of this pool as of that date, as provided by the pool sponsor, was \$3,897,250. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements
Year Ended June 30, 2014

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 investments in the pool is reported in the accounting financial statements as 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 the 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.

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. The Imperial County Investment Pool is rated AAF by Standard & Pools.

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's Building Fund (21) 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's Building Fund (21) was not exposed to concentration of credit risk.

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

d. *Interest Rate Risk*

This is the risk that changes in 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's Building Fund (21) manages its exposure to interest rate risk by investing in the county pool.

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's Building Fund (21) 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 deposits are examples of nonparticipating interest-earning investment contracts.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements
Year Ended June 30, 2014

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Accounts Receivable

As of June 30, 2014 accounts receivable consisted of:

Interest receivable	<u>\$ 3,964</u>
Total Accounts Receivable	<u><u>\$ 3,964</u></u>

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

E. Accounts Payable

As of June 30, 2014 accounts payable consisted of:

Vendors payable	<u>\$ 530,133</u>
Total	<u><u>\$ 530,133</u></u>

F. General Obligation Bonds

On December 11, 2013, the District issued \$4,500,000, 2013 Series A General Obligation Bonds in order to finance the renovation of schools, classrooms, and instructional facilities. The bonds mature on August 1, 2038 and yield an interest rate of 3.00-4.72 percent.

On December 11, 2013, the District also issued \$1,520,000, 2013 General Obligation Refunding Bond in order to refund the 1995 General Obligation Bonds. The bonds mature August, 1 2015 and yield an interest rate of 3.00 percent.

On April, 22 2014, the District issued \$4,760,000, 2014 General Obligation Refunding Bonds in order to refund the 1995 General Obligation Bonds. The bonds mature August, 1 2020 and yield an interest rate of 2.00-4.00 percent.

The outstanding bonded debt of Proposition 39 Measure T Building Fund (21) is as follows:

Description	Date of Issuance	Interest Rate	Maturity Date	Original Issue Amount	Current Year			Ending Balance	Due within 1 Year
					Beginning Balance	Issued	Redeemed		
Election 1995, 2004 Refunding Refunding Bonds Premium	8/11/2004	2.00-4.25%	8/1/2020	10,840,000	6,145,000	-	5,450,000	695,000	695,000
Total Refunding Bonds	8/11/2004			<u>56,536</u>	<u>32,049</u>	<u>-</u>	<u>28,424</u>	<u>3,625</u>	<u>3,625</u>
				<u>10,896,536</u>	<u>6,177,049</u>	<u>-</u>	<u>5,478,424</u>	<u>698,625</u>	<u>698,625</u>
Election 2013 Series A	12/11/2013	3.00-4.72%	8/1/2038	4,500,000	-	4,500,000	-	4,500,000	-
2013-A Premium	12/11/2013		8/1/2038	170,469	-	170,469	-	170,469	-
Total 2013 Series A				<u>4,670,469</u>	<u>-</u>	<u>4,670,469</u>	<u>-</u>	<u>4,670,469</u>	<u>-</u>
Election 2013 GO Refunding	12/11/2013	3.00%	8/1/2015	1,520,000	-	1,520,000	-	1,520,000	870,000
2013 Refunding Premium	12/11/2013		8/1/2015	40,370	-	40,370	-	40,370	23,107
Total 2013 GO Refunding				<u>1,560,370</u>	<u>-</u>	<u>1,560,370</u>	<u>-</u>	<u>1,560,370</u>	<u>893,107</u>
2014 GO Refunding Bonds	4/22/2014	2.00-4.00%	8/1/2020	4,760,000	-	4,760,000	-	4,760,000	60,000
2014 Refunding Premium	4/22/2014		8/1/2020	274,253	-	274,253	-	274,253	3,457
Total 2014 Refunding				<u>5,034,253</u>	<u>-</u>	<u>5,034,253</u>	<u>-</u>	<u>5,034,253</u>	<u>63,457</u>

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements

Year Ended June 30, 2014

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2014 is as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 930,000	\$ 377,293	\$ 1,307,293
2016	1,520,000	350,851	1,870,851
2017	925,000	311,451	1,236,451
2018	975,000	282,101	1,257,101
2019	845,000	245,501	1,090,501
2020-2024	2,050,000	956,466	3,006,466
2025-2029	695,000	813,997	1,508,997
2030-2034	1,110,000	628,533	1,738,533
2035-2039	<u>1,730,000</u>	<u>266,515</u>	<u>1,996,515</u>
Total	<u>\$ 10,780,000</u>	<u>\$ 4,232,707</u>	<u>\$ 15,012,707</u>

G. Construction Commitments

As of June 30, 2014, the Building Fund (21) had the following commitments with respect to unfinished capital projects:

Construction in Progress:	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>
Calipatria Sports Complex	<u>\$ 3,358,584</u>	June 2015
Total	<u>\$ 3,358,584</u>	

OTHER INDEPENDENT AUDITORS' REPORTS

**Independent Auditor's 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***

**To the Board of Directors
Calipatria Unified School District
Calipatria, 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 Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Calipatria Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Calipatria Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Calipatria Unified 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calipatria Unified School District's financial statements 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 determination of financial statement amounts. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California
February 20, 2015

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

**Governing Board Members and
Citizens Bond Oversight Committee
Calipatria Unified School District
Calipatria, California**

We have audited the financial statements of the Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District as of and for the fiscal year ended June 30, 2014 and have issued our report thereon dated February 20, 2015. 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 Measure T Building Fund (21) General Obligation Bonds for the fiscal year ended June 30, 2014. The objective of the audit of compliance applicable to Calipatria Unified School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Measure T 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, will 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 Measure T resources
- Prevent material misstatement in the Proposition 39 Measure T Building Fund (21) financial statements
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of Measure T 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 Measure T ballots 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 and 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 Imperial 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 principles and applicable laws and regulations.

Tests of Expenditures

Procedures Performed:

We tested expenditures to determine whether Measure T funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project Lists and language of the Measure T ballot measures. Our testing included a sample of vendors and payroll payments, totaling approximately \$1,023,742 or approximately 95% of total expenditures for the year.

Results of Procedures Performed:

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

Facilities Site Review

Procedures Performed:

We reviewed the Independent Citizens' Oversight Committee minutes and agenda and other pertinent information on Measure T designated projects and determined the Measure T funds expended for the year ended June 30, 2014 were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Auditors performed walk through of significant bond projects.

Results of Procedures Performed:

Based on our review of the minutes and agendas of the Independent Citizens' Oversight Committee, the documentation and pertinent information of the Measure T designated projects, and walkthrough of project site, it appears the construction work performed was consistent with the Bond Project List.

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 to verify compliance with Education Code sections 15278 through 15282.

Results of Procedures Performed:

We have determined the Calipatria Unified School District's Proposition 39 Measure T Building Fund (21) 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 39 Measure T Building Fund (21), for the fiscal year ended June 30, 2014.

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

El Cajon, California
February 20, 2015

FINDINGS AND RECOMMENDATIONS

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)
Schedule of Findings and Responses
Year Ended June 30, 2014

There were no findings to report.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

This is the first year of issuance, therefore there were no findings reported for the year ended June 30, 2013.

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)
GENERAL OBLIGATION BONDS BOND PROJECT LIST
JUNE 30, 2014**

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:

Grace Smith School	Fremont Primary School
Bill E. Young Jr Middle School	Calipatria High School
Calipatria Unified District Office	

<u>Project Name</u>	<u>Project Site</u>
Modernization of facilities	Vocational and Career Technical Education
Paving and parking lot work	Hornet Drive and parking lots
Moderinzation of Hornet Gymnasium	Hornet Gymnasium
Modernization of Wirt Auditorium	Wirt Auditorium
Sports Field	Various
Physical Education classroom addition	
Improve student health and safety	Various
Restroom improvement	Various
Classroom modernization	Various
HVAC repairs	Various
Furnishings and equipment	Various
Unforseen issues arising from modernization	Various
Construct, renovate or expand student suppost facilities	Various
Site preparations/restoration in connection with new construction	Various

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T
BUILDING FUND (21)
GENERAL OBLIGATION BONDS
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**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T
GENERAL OBLIGATIONS BONDS
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING**

On November 5, 2013 the Calipatria Unified School District was successful in obtaining authorization from District voters to issue up to \$9,000,000 in General Obligations Bonds pursuant to a 55% vote. 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 Bonds may be issued under the provisions of the California Education Code (starting at Section 15100), under the provisions of the California Government Code (starting at Section 53506), or under any other provision of law authorizing the issuance of general obligation bonds by school districts. The Bonds may be issued in series by the District from time to time, and each series of Bonds shall mature within the legal limitations set forth in the applicable law under which the Bonds are issued.

The Calipatria Unified School District Measure T Citizens' Oversight Committee as of June 30, 2014 was comprised of the following members:

Gil Perez – Taxpayers Organization	Chair
Kirsten Amezcua – Parent of District Student	Co-Chair
Jesus Castillo – Community Member	Member
Louis H. Mata – Community Member	Member
Jenevie Chavez Amial – Parent Advisory Group	Member
Graciela Castaneda – Business Member	Member
Minerva Cullors – Senior Citizen	Member

INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and
Citizens' Oversight Committee
Calipatria Unified School District
Calipatria, California**

Report on Financial Statements

We have audited the accompanying financial statements of Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District, which comprise the balance sheet as of June 30, 2014, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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*, 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 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note B, the financial statements present Building Fund (21) which is specific to Measure T, and is not intended to present fairly the financial position and results of operations of Calipatria Unified School District in conformity with accounting principles generally accepted in the United States of America. Also, described in Note B to the financial statements, in 2014, the District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District as of June 30, 2014, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, on our consideration of Calipatria Unified 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.

El Cajon, California
February 20, 2015

FINANCIAL STATEMENTS

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Balance Sheet

June 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 3,884,749
Accounts receivable	<u>3,964</u>
Total Current Assets	<u>3,888,713</u>

TOTAL ASSETS \$ 3,888,713

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable	<u>\$ 530,133</u>
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TOTAL LIABILITIES 530,133

FUND BALANCE

Restricted for capital projects	<u>3,358,580</u>
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TOTAL LIABILITIES AND FUND BALANCE \$ 3,888,713

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)
Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2014

REVENUES	
Interest income	\$ 10,342
TOTAL REVENUES	<u>10,342</u>
EXPENDITURES	
Bond redemptions	6,290,000
Debt service expenditures	420,180
Bond interest & other service charges	131,974
Other operating expenses:	
Legal fees	433
Capital outlay:	
Architect fees	163,570
DSA fees	11,650
Preliminary tests	12,600
Miscellaneous fees	2,419
Main construction	835,023
Inspections	11,575
Other equipment	13,500
Debt service interest	<u>23,931</u>
TOTAL EXPENDITURES	<u>7,916,855</u>
EXCESS OF EXPENDITURES OVER REVENUES	(7,906,513)
OTHER FINANCING SOURCES (USES)	
Proceeds from bond issuance	10,780,000
Other financing sources	<u>485,093</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>11,265,093</u>
NET CHANGE IN FUND BALANCE	3,358,580
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 3,358,580</u></u>

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

A. Definition of the Fund

In November 2013, Building Fund (21) was formed to account for property acquisition and construction of new schools as well as renovation of current schools for the Calipatria Unified School District (District), through expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2008. Fund (21) is the Building Fund of the District.

Measure T was placed on the November 2013 ballot, giving voters the option to support re-authorization of the remaining bonds.

This \$9,000,000 authorization initiative:

- (1) Allows for completion of all bond projects without delay;
- (2) Minimizes project cost escalation;
- (3) Allows the voters who approved Measure T to benefit from the projects;
- (4) Provides local construction jobs when they are needed most; and
- (5) Saves taxpayers millions of dollars in interest compared to issuing capital appreciation bonds.

Measure T, was approved by local voters in November 2013. As Measure T bonds are issued, an equal amount of 1995 Bond Series authorization is retired. Therefore, no additional debt is incurred beyond the original 1995 Bond Series authorization.

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 39 Measure T Building Fund (21) as defined in Note A and are not intended to present fairly the financial position and results of operations of Calipatria Unified School District in conformity with accounting principles generally accepted in the United States of America.

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

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.

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.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements
Year Ended June 30, 2014

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the Imperial 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 Imperial 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.

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements

Year Ended June 30, 2014

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

GASB 65 Implementation

The District has implemented GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. The purpose of this pronouncement is to improve financial reporting by clarifying the appropriate use of the financial statement elements of deferred inflows and outflows of resources to ensure consistency in financial reporting. With implementation of this pronouncement, the District will recognize certain items previously reported as assets and liabilities as outflows of resources or inflows of resources, if applicable.

C. Cash and Investments

Cash in County Treasury

The District maintains significantly all of its cash in the Imperial County Treasury as part of the common investment pool. As of June 30, 2014, the portion of cash in county treasury attributed to Building Fund (21) was \$3,884,753. The fair value of Building Fund (21)’s portion of this pool as of that date, as provided by the pool sponsor, was \$3,897,250. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements
Year Ended June 30, 2014

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 investments in the pool is reported in the accounting financial statements as 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 the 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.

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. The Imperial County Investment Pool is rated AAF by Standard & Pools.

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's Building Fund (21) 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's Building Fund (21) was not exposed to concentration of credit risk.

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

d. *Interest Rate Risk*

This is the risk that changes in 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's Building Fund (21) manages its exposure to interest rate risk by investing in the county pool.

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's Building Fund (21) 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 deposits are examples of nonparticipating interest-earning investment contracts.

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Accounts Receivable

As of June 30, 2014 accounts receivable consisted of:

Interest receivable	\$ 3,964
Total Accounts Receivable	\$ 3,964

**CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)**

Notes to the Financial Statements
Year Ended June 30, 2014

E. Accounts Payable

As of June 30, 2014 accounts payable consisted of:

Vendors payable	<u>\$ 530,133</u>
Total	<u><u>\$ 530,133</u></u>

F. General Obligation Bonds

On December 11, 2013, the District issued \$4,500,000, 2013 Series A General Obligation Bonds in order to finance the renovation of schools, classrooms, and instructional facilities. The bonds mature on August 1, 2038 and yield an interest rate of 3.00-4.72 percent.

On December 11, 2013, the District also issued \$1,520,000, 2013 General Obligation Refunding Bond in order to refund the 1995 General Obligation Bonds. The bonds mature August, 1 2015 and yield an interest rate of 3.00 percent.

On April, 22 2014, the District issued \$4,760,000, 2014 General Obligation Refunding Bonds in order to refund the 1995 General Obligation Bonds. The bonds mature August, 1 2020 and yield an interest rate of 2.00-4.00 percent.

The outstanding bonded debt of Proposition 39 Measure T Building Fund (21) is as follows:

Description	Date of Issuance	Interest Rate	Maturity Date	Original Issue Amount	Current Year			Ending Balance	Due within 1 Year
					Beginning Balance	Issued	Redeemed		
Election 1995, 2004 Refunding Refunding Bonds Premium	8/11/2004	2.00-4.25%	8/1/2020	10,840,000	6,145,000	-	5,450,000	695,000	695,000
Total Refunding Bonds	8/11/2004			<u>56,536</u>	<u>32,049</u>	<u>-</u>	<u>28,424</u>	<u>3,625</u>	<u>3,625</u>
				<u>10,896,536</u>	<u>6,177,049</u>	<u>-</u>	<u>5,478,424</u>	<u>698,625</u>	<u>698,625</u>
Election 2013 Series A	12/11/2013	3.00-4.72%	8/1/2038	4,500,000	-	4,500,000	-	4,500,000	-
2013-A Premium	12/11/2013		8/1/2038	170,469	-	170,469	-	170,469	-
Total 2013 Series A				<u>4,670,469</u>	<u>-</u>	<u>4,670,469</u>	<u>-</u>	<u>4,670,469</u>	<u>-</u>
Election 2013 GO Refunding	12/11/2013	3.00%	8/1/2015	1,520,000	-	1,520,000	-	1,520,000	870,000
2013 Refunding Premium	12/11/2013		8/1/2015	40,370	-	40,370	-	40,370	23,107
Total 2013 GO Refunding				<u>1,560,370</u>	<u>-</u>	<u>1,560,370</u>	<u>-</u>	<u>1,560,370</u>	<u>893,107</u>
2014 GO Refunding Bonds	4/22/2014	2.00-4.00%	8/1/2020	4,760,000	-	4,760,000	-	4,760,000	60,000
2014 Refunding Premium	4/22/2014		8/1/2020	274,253	-	274,253	-	274,253	3,457
Total 2014 Refunding				<u>5,034,253</u>	<u>-</u>	<u>5,034,253</u>	<u>-</u>	<u>5,034,253</u>	<u>63,457</u>

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)

Notes to the Financial Statements

Year Ended June 30, 2014

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2014 is as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 930,000	\$ 377,293	\$ 1,307,293
2016	1,520,000	350,851	1,870,851
2017	925,000	311,451	1,236,451
2018	975,000	282,101	1,257,101
2019	845,000	245,501	1,090,501
2020-2024	2,050,000	956,466	3,006,466
2025-2029	695,000	813,997	1,508,997
2030-2034	1,110,000	628,533	1,738,533
2035-2039	<u>1,730,000</u>	<u>266,515</u>	<u>1,996,515</u>
Total	<u>\$ 10,780,000</u>	<u>\$ 4,232,707</u>	<u>\$ 15,012,707</u>

G. Construction Commitments

As of June 30, 2014, the Building Fund (21) had the following commitments with respect to unfinished capital projects:

Construction in Progress:	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>
Calipatria Sports Complex	<u>\$ 3,358,584</u>	June 2015
Total	<u>\$ 3,358,584</u>	

OTHER INDEPENDENT AUDITORS' REPORTS

**Independent Auditor's 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***

**To the Board of Directors
Calipatria Unified School District
Calipatria, 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 Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Calipatria Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Calipatria Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Calipatria Unified 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calipatria Unified School District's financial statements 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 determination of financial statement amounts. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California
February 20, 2015

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

**Governing Board Members and
Citizens Bond Oversight Committee
Calipatria Unified School District
Calipatria, California**

We have audited the financial statements of the Proposition 39 Measure T Building Fund (21) of Calipatria Unified School District as of and for the fiscal year ended June 30, 2014 and have issued our report thereon dated February 20, 2015. 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 Measure T Building Fund (21) General Obligation Bonds for the fiscal year ended June 30, 2014. The objective of the audit of compliance applicable to Calipatria Unified School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Measure T 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, will 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 Measure T resources
- Prevent material misstatement in the Proposition 39 Measure T Building Fund (21) financial statements
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of Measure T 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 Measure T ballots 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 and 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 Imperial 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 principles and applicable laws and regulations.

Tests of Expenditures

Procedures Performed:

We tested expenditures to determine whether Measure T funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project Lists and language of the Measure T ballot measures. Our testing included a sample of vendors and payroll payments, totaling approximately \$1,023,742 or approximately 95% of total expenditures for the year.

Results of Procedures Performed:

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

Facilities Site Review

Procedures Performed:

We reviewed the Independent Citizens' Oversight Committee minutes and agenda and other pertinent information on Measure T designated projects and determined the Measure T funds expended for the year ended June 30, 2014 were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Auditors performed walk through of significant bond projects.

Results of Procedures Performed:

Based on our review of the minutes and agendas of the Independent Citizens' Oversight Committee, the documentation and pertinent information of the Measure T designated projects, and walkthrough of project site, it appears the construction work performed was consistent with the Bond Project List.

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 to verify compliance with Education Code sections 15278 through 15282.

Results of Procedures Performed:

We have determined the Calipatria Unified School District's Proposition 39 Measure T Building Fund (21) 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 39 Measure T Building Fund (21), for the fiscal year ended June 30, 2014.

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

El Cajon, California
February 20, 2015

FINDINGS AND RECOMMENDATIONS

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)
Schedule of Findings and Responses
Year Ended June 30, 2014

There were no findings to report.

CALIPATRIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 MEASURE T BUILDING FUND (21)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

This is the first year of issuance, therefore there were no findings reported for the year ended June 30, 2013.

**CALIPATRIA UNIFIED SCHOOL DISTRICT
 PROPOSITION 39 MEASURE T BUILDING FUND (21)
 GENERAL OBLIGATION BONDS BOND PROJECT LIST
 JUNE 30, 2014**

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:

Grace Smith School	Fremont Primary School
Bill E. Young Jr Middle School	Calipatria High School
Calipatria Unified District Office	

<u>Project Name</u>	<u>Project Site</u>
Modernization of facilities	Vocational and Career Technical Education
Paving and parking lot work	Hornet Drive and parking lots
Moderinzation of Hornet Gymnasium	Hornet Gymnasium
Modernization of Wirt Auditorium	Wirt Auditorium
Sports Field	Various
Physical Education classroom addition	
Improve student health and safety	Various
Restroom improvement	Various
Classroom modernization	Various
HVAC repairs	Various
Furnishings and equipment	Various
Unforseen issues arising from modernization	Various
Construct, renovate or expand student suppost facilities	Various
Site preparations/restoration in connection with new construction	Various