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# **LA MESA-SPRING VALLEY SCHOOL DISTRICT**

## **MEASURE V BOND BUILDING FUND**

### **AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2022**

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
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JUNE 30, 2022**

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**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
INTRODUCTION AND CITIZENS' BOND OVERSIGHT COMMITTEE MEMBER LISTING  
JUNE 30, 2022**

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The La Mesa-Spring Valley School District ("the District") was formed in 1915 and is located in the eastern portion of San Diego County. The District encompasses approximately 26 square miles including the City of La Mesa, a portion of the City of El Cajon and the unincorporated communities of Mt. Helix, Casa de Oro, and Spring Valley. The District currently operates sixteen elementary schools (grades K-6), one middle school (grades 7-8), one literacy academy (grades K-3), and three specialty academies (grades 4-8).

On November 3, 2020, the voters of La Mesa-Spring Valley School District approved by more than 55% Measure V, authorizing the issuance and sale of \$136 million of general obligation bonds. The bonds were issued to finance the modernization of aging school sites, improve campus security, and upgrade facilities and technology to support achievement in science, math, reading, technology, arts, and engineering.

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

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond proposition pursuant to the 55% majority authorized in Measure V including formation, composition and purpose of the Citizens' Bond Oversight Committee (CBOC), and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Bond Oversight Committee had the following members as of June 30, 2022:

<b>Name</b>	<b>Representation</b>
Antoinette Davis	Parent/Guardian of Child in the District
Jim Long	Business Association Member
Gerry Saucedo	Community Member At-Large
Glen Sparrow	Taxpayers' Association Member
Jay Steiger	Community Member At-Large
Dave Suydam	Community Member At-Large
Jim Taylor	Parent/Guardian of Child in the District and Parent-Teacher Organization Member
Krista Trimlett	Community Member At-Large

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Independent Auditors' Report

Measure V Citizens' Bond Oversight Committee and  
Governing Board Members of the  
La Mesa-Spring Valley School District  
La Mesa, California

**Report on the Audit of the Financial Statements*****Opinion***

We have audited the accompanying financial statements of the Measure V Bond Building Fund of La Mesa-Spring Valley School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure V Bond Building Fund of La Mesa-Spring Valley School District, as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the La Mesa-Spring Valley School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter***

As discussed in Note 1A, the financial statements present only the Measure V Bond Building Fund and do not purport to, and do not present fairly the financial position of the La Mesa-Spring Valley School District, as of June 30, 2022, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters specific to the Measure V Bond Building Fund. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Measure V Bond Building Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

## Report of Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have issued our performance audit dated January 18, 2023, on our consideration of the District's compliance with the requirements of Proposition 39 as it directly relates to the Measure V Bond Building Fund. That report is an integral part of our audit of the Measure V Bond Building Fund of La Mesa-Spring Valley School District, as of and for the year ended June 30, 2022, and should be considered in assessing the results of our financial audit.

*Christy White, Inc.*

San Diego, California  
January 18, 2023

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## **FINANCIAL SECTION**

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**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
BALANCE SHEET  
JUNE 30, 2022**

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**ASSETS**

Cash and investments	\$	34,619,194
Accounts receivable		81,573
Due from other funds		49
<b>Total Assets</b>	<b>\$</b>	<b>34,700,816</b>

**LIABILITIES**

Accrued liabilities	\$	98,539
Due to other funds		33,258
<b>Total Liabilities</b>		<b>131,797</b>

**FUND BALANCES**

Restricted		34,569,019
<b>Total Fund Balances</b>		<b>34,569,019</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b>34,700,816</b>

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



**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2022**

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**REVENUES**

Net increase (decrease) in the fair value of investments	\$	(877,052)
Other local sources		<u>235,372</u>
<b>Total Revenues</b>		<u>(641,680)</u>

**EXPENDITURES**

Current		
Plant services		218,731
Facilities acquisition and construction		2,032,014
Debt service		
Principal		10,371,056
Interest and other		<u>167,500</u>
<b>Total Expenditures</b>		<u>12,789,301</u>
<b>Excess (Deficiency) of Revenues</b>		
<b>Over Expenditures</b>		<u>(13,430,981)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds from sale of bonds		<u>48,000,000</u>
<b>Net Financing Sources (Uses)</b>		<u>48,000,000</u>
<b>NET CHANGE IN FUND BALANCE</b>		34,569,019
<b>Fund Balance - Beginning</b>		-
<b>Fund Balance - Ending</b>	\$	<u>34,569,019</u>

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

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Cash Equivalents**

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

**D. Interfund Balances**

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

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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

**E. Accrued Liabilities**

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

**F. Fund Balance**

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

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

**G. Interfund Activity**

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

**H. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**I. Budgetary Data**

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

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2022 consisted of the following:

Investment in county treasury	\$ 35,496,246
Fair value adjustment	(877,052)
<b>Total</b>	<b><u>\$ 34,619,194</u></b>

**LA MESA-SPRING VALLEY SCHOOL DISTRICT**  
**MEASURE V BOND BUILDING FUND**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**A. Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Diego County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**B. General Authorizations**

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**LA MESA-SPRING VALLEY SCHOOL DISTRICT**  
**MEASURE V BOND BUILDING FUND**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$34,619,194. The average weighted maturity for this pool is 551 days.

**D. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2022, the pooled investments in the County Treasury were rated at least A.

**E. Fair Value**

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

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

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

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

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

The District's fair value measurements at June 30, 2022 were as follows:

	<b>Uncategorized</b>
Investment in county treasury	\$ 34,619,194
<b>Total</b>	<b>\$ 34,619,194</b>

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2022 totaled \$81,573, representing interest earnings due from the San Diego County Treasury.

**NOTE 4 – INTERFUND TRANSACTIONS**

**A. Interfund Receivables (Due From)**

At June 30, 2022, the General Fund owed \$49 to the Measure V Bond Building Fund for miscellaneous cost reimbursements.

**B. Interfund Payables (Due To)**

Individual interfund payable balances at June 30, 2022 consisted of the following:

Due from the Measure V Bond Building Fund to the General Fund for OPEB contribution and payroll expenditures.	\$	10,289
Due from the Measure V Bond Building Fund to the Cafeteria Fund for payroll expenditures.		22,969
<b>Total</b>	<b>\$</b>	<b>33,258</b>

**NOTE 5 – ACCRUED LIABILITIES**

Accounts payable at June 30, 2022 consisted of the following:

Payroll	\$	3,737
Construction		94,802
<b>Total</b>	<b>\$</b>	<b>98,539</b>

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

**B. Construction Commitments**

As of June 30, 2022, the District had commitments with respect to unfinished Measure V capital projects of \$1,981,485.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT**  
**MEASURE V BOND BUILDING FUND**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

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**NOTE 7 – MEASURE V GENERAL OBLIGATION BONDS**

On November 3, 2020, the voters of the District approved Measure V by authorizing the District to issue up to \$136 million general obligation bonds for the modernization of aging school sites, improve campus security, and upgrade facilities and technology to support achievement in science, math, reading, technology, arts, and engineering. The bonds represent an obligation of the District payable solely from ad valorem property taxes levied and collected by the County of San Diego.

The District issued Series A of the Measure V general obligation bonds on July 29, 2021, in the principal amount of \$48,000,000. The bonds bear interest rates ranging from 0.15% to 4.00% and mature on August 1, 2051.

The annual requirements to amortize the outstanding Series A general obligation bonds as of June 30, 2022 are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 3,800,000	\$ 1,802,800	\$ 5,602,800
2024	3,900,000	1,648,800	5,548,800
2025	-	1,570,800	1,570,800
2026	-	1,570,800	1,570,800
2027	-	1,570,800	1,570,800
2028 - 2032	1,290,000	7,757,000	9,047,000
2033 - 2037	3,690,000	7,272,400	10,962,400
2038 - 2042	7,065,000	6,214,900	13,279,900
2043 - 2047	11,740,000	4,358,000	16,098,000
2048 - 2052	15,485,000	1,456,300	16,941,300
Total	<u>\$ 46,970,000</u>	<u>\$ 35,222,600</u>	<u>\$ 82,192,600</u>

**LA MESA-SPRING VALLEY SCHOOL DISTRICT**  
**MEASURE V BOND BUILDING FUND**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

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**NOTE 8 – EXPENDITURES BY PROJECT**

Expenditures by project for the year ended June 30, 2022 are as follows:

<b>Project</b>	<b>Total</b>
Avondale Site Improvements	\$ 11,352
Bancroft Site Improvements	11,352
Casa De Oro Site Improvements	123,393
Districtwide Energy Efficiency Projects	10,371,056
Districtwide Program Common Costs	386,230
Fletcher Hills Elementary School Improvements	5,461
Highlands Elementary Site Improvements	116,634
Kempton Site Improvements	14,386
La Mesa Arts Academy Site Improvements	267,074
La Mesa Dale Site Improvements	146,507
La Presa Site Improvements	21,971
Lemon Avenue Site Improvements	58,516
LMAAC Middle School Entry Improvements	42,376
Loma Elementary Site Improvements	76,081
Maryland Avenue Site Improvements	58,515
Murdock Site Improvements	90,589
Northmont Site Improvements	4,888
Operations Center Portable Building	92,656
Operations Center Site Improvements	39,633
Operations Center Trailer Demolition	150,733
Parkway Middle School Entry Improvements	42,376
Parkway Middle School Improvements	65,165
Rancho Site Improvements	11,959
Rolando Site Improvements	58,516
Spring Valley Academy Middle School Entry Improvements	42,376
Spring Valley Academy Site Improvements	101,693
STEAM Academy Middle School Entry Improvements	42,376
STEAM Academy Site Improvements	54,583
STEAM Slope Stabilization	145,102
Sweetwater Springs Site Improvements	135,752
<b>Total</b>	<b>\$ 12,789,301</b>



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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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

Measure V Citizens' Bond Oversight Committee and  
Governing Board Members of the  
La Mesa-Spring Valley School District  
La Mesa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure V Bond Building Fund of La Mesa-Spring Valley School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the La Mesa-Spring Valley School District's basic financial statements of the Measure V Bond Building Fund, and have issued our report thereon dated January 18, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered La Mesa-Spring Valley School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements of the Measure V Bond Building Fund, but not for the purpose of expressing an opinion on the effectiveness of La Mesa-Spring Valley School District's internal control. Accordingly, we do not express an opinion on the effectiveness of La Mesa-Spring Valley 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Christy White, Inc.*

San Diego, California  
January 18, 2023

**REPORT ON PERFORMANCE**Independent Auditors' Report

Measure V Citizens' Bond Oversight Committee and  
Governing Board Members of the  
La Mesa-Spring Valley School District  
La Mesa, California

**Report on Performance**

We have audited La Mesa-Spring Valley School District's compliance with the performance audit procedures described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on La Mesa-Spring Valley School District's Measure V Bond Building Fund for the year ended June 30, 2022, as identified below.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of La Mesa-Spring Valley School District's Measure V Bond Building Fund based on our performance audit of the types of compliance requirements referred to above. We conducted our performance audit in accordance with generally accepted government auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the performance audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about La Mesa-Spring Valley School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Performance**

In our opinion, La Mesa-Spring Valley School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Measure V Bond Building Fund noted below for the year ended June 30, 2022.

## Procedures Performed

In connection with the performance audit referred to above, we selected and tested transactions and records to determine La Mesa-Spring Valley School District's compliance with the state laws and regulations applicable to the Financial Audit Procedures and Performance Audit Procedures over the Measure V Bond Building Fund. Additional agreed upon procedures relating the Measure V Bond Building Fund may also be included.

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

*Christy White, Inc.*

San Diego, California  
January 18, 2023

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## **AUDIT PROCEDURES AND RESULTS SECTION**

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**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
AUDIT PROCEDURES AND RESULTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**SECTION I – FINANCIAL AUDIT PROCEDURES AND RESULTS**

**Financial Statements**

As mentioned in the Report on Financial Statements, we have issued an unmodified opinion over the financial statements of the Measure V Bond Building Fund as of and for the year ended June 30, 2022.

**Internal Control Evaluation**

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

**SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS**

**Facility Project Expenditures**

We selected a representative sample of expenditures charged to the Measure V Bond Building Fund and reviewed supporting documentation to ensure funds were properly expended on specific projects listed in the text of the Measure V ballot.

We tested approximately \$10.5 million of non-personnel expenditures or 82% of total 2021-22 Measure V Bond Building Fund expenditures for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Measure V ballot language, the District approved facilities plan, and applicable state laws and regulations. A significant portion of current year expenditures related to repayment of the District's outstanding 2016 Certificates of Participation, which were previously issued to fund an energy efficiency project. A portion of the Series A proceeds were used specifically for this purpose, as outlined in the voter approved ballot measure.

**Personnel Expenditures**

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

We reviewed a listing of all employees charged to the Measure V Bond Building Fund and found that all employees held positions applicable to the local school construction bond. Additionally, we performed analytical procedures to confirm that salaries and benefits charged to the fund were reasonable and consistent with prior year activity. Based on our testing, salary transactions were not used for general administration operations. Personnel costs charged to the Measure V Bond Building Fund appeared to be allowable.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
AUDIT PROCEDURES AND RESULTS, continued  
FOR THE YEAR ENDED JUNE 30, 2022**

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

**Contract Bidding Procedures**

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Based on review of expenditure and bidding information, we noted that there were no projects that went to bid for Measure V Bond Building Fund during the year June 30, 2022. Audit procedures over bidding were not applicable. Additionally, we reviewed overall expenditures by vendor in order to determine if multiple projects under the applicable bidding threshold were identified to suggest any possible bid-splitting.

We noted that applicable bidding procedures were followed, and the contract was appropriately awarded to the lowest responsible bidder for the following project:

- La Mesa Arts Academy – Locker Room Abatement

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

**Contract Change Orders**

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We reviewed the detail of contracts and change orders during the fiscal year ended June 30, 2022 in order to ensure that change orders were properly approved and in accordance with District policies. Additionally, cumulative change orders for any given contract were reviewed to ensure that total change orders did not exceed ten percent of the total original contract.

Based on our review, there were no change orders issued in relation to the Measure V Bond Building Fund during the year ended June 30, 2022.



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## **FINDINGS AND RECOMMENDATIONS SECTION**

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**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**PART I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

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

**PERFORMANCE AUDIT**

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

**PART II – FINANCIAL STATEMENT FINDINGS**

There were no findings related to the financial statements for the year ended June 30, 2022.

**PART III – PERFORMANCE AUDIT FINDINGS**

There were no findings or recommendations related to the Measure V Bond Building Fund for the year ended June 30, 2022.

**PART IV – PRIOR AUDIT FINDINGS**

There were no findings or recommendations for the year ended June 30, 2021 as the year ended June 30, 2022 was the first year of program operation.