

LA MESA-SPRING VALLEY SCHOOL DISTRICT
MEASURE V BOND BUILDING FUND

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2023

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MEASURE V BOND BUILDING FUND
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JUNE 30, 2023**

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**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MEASURE V BOND BUILDING FUND
INTRODUCTION
JUNE 30, 2023**

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent 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, 2023, 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, 2023, 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, 2023, 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.

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 10, 2024 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 10, 2024, 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, 2023, and should be considered in assessing the results of our financial audit.



San Diego, California
January 10, 2024

FINANCIAL SECTION

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MEASURE V BOND BUILDING FUND
BALANCE SHEET
JUNE 30, 2023**

ASSETS

Cash and investments	\$	26,812,248
Accounts receivable		249,951
Due from other funds		5,573
Total Assets	\$	<u>27,067,772</u>

LIABILITIES

Accrued liabilities	\$	1,068,254
Due to other funds		65,147
Total Liabilities		<u>1,133,401</u>

FUND BALANCES

Restricted for Measure V Projects		<u>25,934,371</u>
Total Fund Balances		<u>25,934,371</u>
Total Liabilities and Fund Balances	\$	<u>27,067,772</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
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2023**

REVENUES	
Other local sources	\$ 954,339
Total Revenues	<u>954,339</u>
 EXPENDITURES	
Current	
Plant services	276,988
Facilities acquisition and construction	9,311,999
Total Expenditures	<u>9,588,987</u>
 NET CHANGE IN FUND BALANCE	 (8,634,648)
Fund Balance - Beginning	<u>34,569,019</u>
Fund Balance - Ending	<u>\$ 25,934,371</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, 2023**

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, 2023**

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 or 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, 2023 consisted of the following:

Investment in county treasury	\$ 27,564,063
Net decrease in fair value of investments	(751,815)
Total	<u>\$ 26,812,248</u>

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MEASURE V BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

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, 2023**

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 \$26,812,248. The average weighted maturity for this pool is 438 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.

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, 2023 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 26,812,248
Total	<u>\$ 26,812,248</u>

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MEASURE V BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023 totaled \$249,951, representing interest earnings due from the San Diego County Treasury.

NOTE 4 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2023 are summarized as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Measure V Bond Building Fund</u>	
General Fund	\$ -	\$ -	\$ 5,573	\$ 5,573
Measure V Bond Building Fund	19,208	45,939	-	65,147
Total	\$ 19,208	\$ 45,939	\$ 5,573	\$ 70,720

NOTE 5 – ACCRUED LIABILITIES

Accounts payable at June 30, 2023 consisted of the following:

Payroll	\$ 1,730
Construction	1,066,524
Total	\$ 1,068,254

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, 2023.

B. Construction Commitments

As of June 30, 2023, the District had commitments with respect to unfinished Measure V capital projects of \$17,959,415.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MEASURE V BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

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, 2023 are as follows:

Year Ended June 30,	Principal	Interest	Total
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	105,000	1,568,700	1,673,700
2029 - 2033	1,705,000	7,697,100	9,402,100
2034 - 2038	4,275,000	7,113,100	11,388,100
2039 - 2043	7,885,000	5,915,900	13,800,900
2044 - 2048	12,865,000	3,865,900	16,730,900
2049 - 2052	12,435,000	897,900	13,332,900
Total	\$ 43,170,000	\$ 33,419,800	\$ 76,589,800

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
 MEASURE V BOND BUILDING FUND
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2023**

NOTE 8 – EXPENDITURES BY PROJECT

Expenditures by project for the year ended June 30, 2023 are as follows:

Parkway Sports and Health Science Academy	\$	714,100
Fletcher Hills Elementary		55,844
Murray Manor Elementary		42,535
Northmont Elementary		80,423
La Mesa Arts Academy		1,020,333
La Mesa Dale Elementary		171,238
Lemon Avenue Elementary		40,624
Maryland Avenue Elementary		43,156
Rolando Elementary		64,123
Spring Valley Academy		993,115
Casa De Oro Elementary		390,995
Highlands Elementary		163,265
Murdock Elementary		125,520
Loma Elementary		82,863
Sweetwater Springs Community School		389,121
STEAM Academy at La Presa		2,988,072
Avondale Elementary		91,979
Bancroft Elementary		76,071
Kempton Literacy Academy		97,610
La Presa Elementary		142,341
Rancho Elementary		77,006
Bond Administration		205,467
District-wide		1,483,622
Operations Center		49,564
Total	\$	9,588,987

NOTE 9 – SUBSEQUENT EVENT

General Obligation Bond Issuance

On August 8, 2023, the District issued \$50,000,000 of Election 2020, Series B general obligation bonds to finance construction, improvement, and modernization projects within the District. The bonds were issued as current interest bonds with interest rates ranging from 4.00% to 5.00% and will mature through August 1, 2051.

OTHER INDEPENDENT AUDITORS' REPORTS

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

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, 2023, 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 10, 2024.

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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding #2023-001 that we consider to be significant deficiencies.

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*.

La Mesa-Spring Valley School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the La Mesa-Spring Valley School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The La Mesa-Spring Valley School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 10, 2024

REPORT ON PERFORMANCEIndependent Auditors' Report

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

We were engaged to conduct a performance audit of the Measure V Bond Building Fund of La Mesa-Spring Valley School District (the "District") for the year ended June 30, 2023.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The results of our tests indicated that the District, in all significant respects, expended Measure V Bond Building Fund only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. The procedures performed and the related results are further described in the accompanying audit procedures and results section.

This report is intended solely for the information and use of the District, and is not intended to be and should not be used by anyone other than this specified party.



San Diego, California
January 10, 2024

AUDIT PROCEDURES AND RESULTS SECTION

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MEASURE V BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023.

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 \$3.9 million of non-personnel expenditures or 46% of total 2022-23 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.

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.

The previous Report on Performance is an integral part of the above performance audit results.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MEASURE V BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)

Contract Bidding Procedures

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, 2023. 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 projects:

- Bundles B and C Site Improvements Project
- District-wide – Painting Project
- Technology Equipment

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

We reviewed the detail of contracts and tested a representative sample of change orders during the fiscal year ended June 30, 2023 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.

We reviewed a total of two (2) change orders for various Measure V projects that were ongoing during the 2022-23 fiscal year and verified that the total of the change orders did not exceed ten percent of the total contract value. All change orders were properly reviewed and approved by management and the governing board in accordance with District policy.

FINDINGS AND RECOMMENDATIONS SECTION

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
 MEASURE V BOND BUILDING FUND
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 FOR THE YEAR ENDED JUNE 30, 2023**

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>Yes</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

FINDING #2023-001: INTERNAL CONTROL OVER FINANCIAL REPORTING – INTERFUND BALANCES (30000)

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all journal entries recorded in the preparation of the District’s financial statements. Additionally, all interfund due to and due from balances recorded during the year-end closing process should be cleared in the subsequent fiscal year once the related cash transactions have occurred.

Condition: During our audit, we identified a deficiency in internal control over financial reporting as the District did not have sufficient controls in place to allow for the clearing of interfund due to and due from balances from the prior fiscal year.

Effect: Interfund receivable and payable amounts owed from activity that occurred during the 2021-2022 fiscal year remained outstanding as of June 30, 2023.

Cause: Administrative oversight.

Repeat Finding: This is not a repeat finding.

Recommendation: The District should implement procedures to ensure that interfund balances are monitored, reconciled, and repaid in a timely manner.

Corrective Action Plan: All interfund due to and due from balances will be cleared following the year-end closing process in the subsequent fiscal year after all related cash transactions have occurred. This process has been added to the year-end closing timeline and will be checked by the director of fiscal services. This process has also been added to the 1st and 2nd interim timelines, so that the due to and due from balances are checked periodically throughout the year by the director of fiscal services.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MEASURE V BOND BUILDING FUND
SCHEDULE OF FINDINGS AND RECOMMENDATIONS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023.

PART IV – PRIOR AUDIT FINDINGS

There were no findings or recommendations for the year ended June 30, 2022.

The previous Report on Performance is an integral part of the above performance audit results.