



Chula Vista Elementary
School District

Proposition E Building Fund
General Obligation Bond

Financial Statements &
Supplementary Information

June 30, 2020



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Chula Vista Elementary School District

Proposition E Building Fund (21-39)

Table of Contents

June 30, 2020

<u>INTRODUCTION & CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING</u>	<u>1</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	<u>2</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	<u>5</u>
<u>FINANCIAL STATEMENTS</u>	<u>8</u>
Balance Sheet.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	9
Notes to the Financial Statements.....	10
<u>SUPPLEMENTARY INFORMATION</u>	<u>22</u>
General Obligation Bonds Project List.....	22
<u>OTHER INDEPENDENT AUDITORS' REPORTS</u>	<u>23</u>
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 <i>Government Auditing Standards</i>	23
Independent Auditor's Report on Performance	25
<u>AUDITOR'S RESULTS, FINDINGS & RECOMMENDATIONS</u>	<u>30</u>
Schedule of Auditor's Results	30
Schedule of Findings and Questioned Costs.....	31
Schedule of Prior Year Audit Findings.....	32

**Chula Vista Elementary School District
 Proposition E Building Fund (21-39)
 Introduction & Citizens’ Oversight Committee Member Listing**

On November 6, 2012 the Chula Vista Elementary School District was successful under Proposition E in obtaining District voters to issue up to \$90,000,000 in General Obligation Bonds pursuant to a 55% vote in a bond election. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended.

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

The Chula Vista Elementary School District Proposition E Independent Citizens’ Oversight Committee as of June 30, 2020 was comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Jason C. Hurtado-Prater	Chairperson - At Large Member Representative	September 2021
Floyd R. Strayer	Vice Chair - At Large Member Representative	September 2021
Jolyn DePriest, Ph.D.	Business Community Representative	September 2021
Gloria McKearney	Taxpayers Association Representative	September 2021
Benjamin H. Lien	Parent of Student Representative	September 2021
Nancy Kerwin	Senior Citizens Organization Representative	September 2021
Martha Juarez	Parent of Student Representative	September 2021
James L. Smyth	At Large Member Representative	September 2021

Independent Auditor's Report

To the Citizens' Oversight Committee
Chula Vista Elementary School District
Proposition E Building Fund (21-39)
Chula Vista, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Chula Vista Elementary School District Proposition E Building Fund (21-39), which comprise the balance sheet as of June 30, 2020, 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Chula Vista Elementary School District Proposition E Building Fund (21-39) as of June 30, 2020, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements present only the Building Fund (21-39) which is specific to Proposition E Building Fund (21-39) and is not intended to present fairly the financial position and results of operations of Chula Vista Elementary School District in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information identified in the table of contents 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 April 15, 2021, on our consideration of Chula Vista Elementary School District Proposition E Building Fund’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. 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 District’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 on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated April 15, 2021 on our consideration of the District’s compliance with the requirements of Proposition 39 with regards to the Proposition E Building Fund (21-39). That report is an integral part of our audit of the Chula Vista Elementary School District Proposition E Building Fund (21-39) for the fiscal year ended June 30, 2020 and should be considered in assessing the results of our financial audit.

Wilkinson Hadley King & Co LLP

El Cajon, California
April 15, 2021

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
PROPOSITION E BUILDING FUND GENERAL OBLIGATION BONDS
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2020
(Unaudited)

This section of the Chula Vista Elementary School District's (CVESD) Proposition E Building Fund annual financial and performance report presents the discussion and analysis of the Proposition E bond program during the fiscal year that ended June 30, 2020. This Management Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements that immediately follow this section.

FINANCIAL HIGHLIGHTS

- In November 2012, local voters in School facilities Improvement District (SFID) No. 1 approved Proposition E, a \$90 million general obligation bond to provide funds to renovate and modernize facilities and improve technology at the District's oldest schools. In June 2013, the District issued \$31,000,000, 2012 Election, Series A, General Obligation Bonds. The Series B bonds were issued in February 2015 for \$14,000,000, and the Series C bonds were issued in January 2017 for \$45,000,000.
- Proceeds from the Series A and Series B were used in 2013 to install wireless local access networking technology improvements at 24 of the District's oldest school sites and to modernize Lilian J. Rice, Castle Park and Rosebank elementary schools during the summer of 2014 and Vista Square, Hilltop and Ella B. Allen elementary schools during the summer of 2015.
- Proceeds from the Series C were used for the modernization of Harborside, Karl H. Kellogg and John J. Montgomery elementary schools during the summer of 2018 and remaining funds was used to partially fund the modernization of Sunnyside elementary school during the summer of 2019.
- The fund balance for the Proposition E Building Fund decreased by \$4.1 million in fiscal year 2019-20 mainly due to construction expenditures for the modernization Sunnyside elementary schools.
- Revenues including Transfers In were \$1.5 million with expenditures at \$5.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the financial statements, and the performance audit required by state law.

The District accounts for Proposition E bond activity in the District's Building Fund. The Building Fund is a governmental fund type accounted for on a modified accrual basis of accounting.

FINANCIAL ANALYSIS OF PROPOSITION E BUILDING FUND

Balance Sheet

The District's Proposition E Building Fund balance as of June 30, 2020 was \$0 (see Table A-1). The funds are used to finance the modernization of school sites. Construction began during the summer of 2019 for Sunnyside Elementary.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
PROPOSITION E BUILDING FUND GENERAL OBLIGATION BONDS
 Management Discussion and Analysis
 for the Fiscal Year Ended June 30, 2020
 (Unaudited)

Table A-1			
Proposition E Building Fund			
Balance Sheet			
	Governmental Activities		Percentage Increase (Decrease)
	<u>2020</u>	<u>2019</u>	
Cash in County Treasury	\$0	\$7,889,224	(100%)
Other Current Assets	<u>47,942</u>	<u>71,903</u>	(33.3%)
Total Assets	\$47,942	\$7,961,127	(99.4%)
Total Liabilities	<u>47,942</u>	<u>3,770,207</u>	(98.7%)
Total Fund Balance	\$0	\$4,190,920	(100%)

Fund Balance (or Change in Fund Balance)

The District's total Proposition E Building Bond revenue from interest income decreased by \$326,576. The total expenditures decreased by \$21.7 million. In January 2020, the District received \$2.9M from the State School Facilities Program as reimbursement for modernization cost of Leonardo Da Vinci Charter school. \$1.4M was transferred to the Bond Building fund 21-39 and the remaining balance will be returned to the Office of Public School Construction. The total revenue comprised mainly of the interest income. The total expenditures of \$5.7 million represents only Proposition E authorized expenditures.

Table A-2			
Change and Fund Balance			
	Governmental Activities		Percentage Increase (Decrease)
	<u>2020</u>	<u>2019</u>	
Total Revenues	\$104,588	\$431,164	(75.7%)
Total Expenditures	<u>5,732,773</u>	<u>27,443,842</u>	(79.1%)
Excess of Expenditures over Revenue	(\$5,628,185)	(\$27,012,678)	(79.2%)
Transfers In/ (Out)	<u>1,437,265</u>	<u>0</u>	
Change in fund balance	(\$4,190,920)	(\$27,012,678)	
Beginning Fund Balance	<u>4,190,920</u>	<u>31,203,598</u>	
Ending Fund Balance	\$0	\$4,190,920	(100%)

FACTORS BEARING ON THE DISTRICT BOND PROGRAM'S FUTURE

The District has fully expended the Proposition E funds.

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT
PROPOSITION E BUILDING FUND GENERAL OBLIGATION BONDS**
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2020
(Unaudited)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to determine the District's accountability for the money it receives. Additional financial information can be obtained by contacting the following:

Office of the Deputy Superintendent
Chula Vista Elementary School District
84 East "J" Street
Chula Vista, CA 91910

Financial Statements

**Chula Vista Elementary School District
Proposition E Building Fund (21-39)**

Balance Sheet

June 30, 2020

ASSETS

Current Assets

Accounts receivable	\$	47,513
Due from other funds		429
Total Current Assets		<u>47,942</u>

TOTAL ASSETS \$ 47,942

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable	\$	429
Due to other funds		47,513
Total Current Liabilities		<u>47,942</u>

Total Liabilities 47,942

Fund Balance

Restricted for capital projects		-
Total Fund Balance		<u>-</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 47,942

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

**Chula Vista Elementary School District
Proposition E Building Fund (21-39)**

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2020

REVENUES

Interest income	\$	57,076
E-rate reimbursement		<u>47,513</u>

TOTAL REVENUES 104,589

EXPENDITURES

Other operating expenses:		
Supplies		18,705
Insurance		12,668
Rent		359
Other construction services		27,062
Capital outlay:		
Building improvements		4,899,018
Architect planning		419,496
Other reimbursables		73,605
Construction management		150,689
Building tests and exams		112,748
Telephone system		13,532
Hazardous material test & removal		4,462
Other construction costs		<u>429</u>

TOTAL EXPENDITURES 5,732,773

OTHER SOURCES

Interfund transfers in		<u>1,437,265</u>
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TOTAL OTHER SOURCES 1,437,265

NET CHANGE IN FUND BALANCE (4,190,919)

FUND BALANCE, BEGINNING OF YEAR 4,190,919

FUND BALANCE, END OF YEAR \$ -

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

Chula Vista Elementary School District

Proposition E Building Fund (21-39)

Notes to the Financial Statements
For the Year Ended June 30, 2020

A. Summary of Significant Accounting Policies

Chula Vista Elementary School District Proposition E Building Fund (21-39), hereinafter referred to as the “Bond Fund”, accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The Bond Fund was formed to account for renovation of schools for Chula Vista Elementary School District (District), through expenditures of general obligation bonds issued under Proposition E, authorized by registered voters on November 6, 2012.

The Bond Fund operates under a locally selected Citizens’ Oversight Committee comprised of seven members formed in accordance with the Local School Construction Bonds Act of 2000, at Section 15264 *et seq.* of the Education Code, Proposition 39. The reporting entity consists only of the Bond Fund of the District. These financial statements are intended to present only the financial position and results of operations of the Bond Fund in conformity with accounting principles generally accepted in the United States of America, and accordingly do not present the financial position and results of operations of the District.

2. Basis of Accounting – Measurement Focus

Bond Fund. The bond fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Bond Fund considers all revenues reported in the fund to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of interest earned. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the Bond Fund incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Bond Fund’s policy to use restricted resources first, then unrestricted resources.

Chula Vista Elementary School District

Proposition E Building Fund (21-39)

Notes to the Financial Statements, Continued

June 30, 2020

3. Encumbrances

Encumbrance accounting is used in the Bond Fund to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid or at year end, whichever is sooner.

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Bond Fund. By state law, the District's governing board must adopt a final budget no later than July 1st. A public hearing must be conducted to receive comments prior to adoption. The District's governing board has satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

5. Revenues and Expenses

a. Revenues – Exchange and Non-Exchange

On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, property taxes, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Chula Vista Elementary School District

Proposition E Building Fund (21-39)

Notes to the Financial Statements, Continued

June 30, 2020

b. Expenditures

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the bond fund as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the Bond Fund.

6. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Bond Fund does not have any cash held in banks or revolving fund. Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code §41001, the Bond Fund maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

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

b. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds of the District. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Chula Vista Elementary School District

Proposition E Building Fund (21-39)

Notes to the Financial Statements, Continued

June 30, 2020

c. Fund Balances – Governmental Funds

Fund balances of the Bond Fund 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 items) or legally required to remain intact (such as revolving cash accounts or principal of a permanent fund).

Restricted Fund Balance represents amounts that are subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations, or may be imposed by law through 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 or resolution. 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.

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 convey 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.

Chula Vista Elementary School District

Proposition E Building Fund (21-39)

Notes to the Financial Statements, Continued

June 30, 2020

7. Use of 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.

8. Fair Value Measurements

The Bond Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs to an asset or liability.

Chula Vista Elementary School District

Proposition E Building Fund (21-39)

Notes to the Financial Statements, Continued

June 30, 2020

9. New Accounting Pronouncements

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2020. Those newly implemented pronouncements are as follows:

GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update – 2018
- Implementation Guide No. 2019-1, Implementation Guidance Update – 2019
- Implementation Guide No. 2019-2, Fiduciary Activities

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases

There have been no adjustments to the financial statements or note disclosures as a result of adoption of the accounting policies.

**Chula Vista Elementary School District
Proposition E Building Fund (21-39)**

Notes to the Financial Statements, Continued
June 30, 2020

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

The following funds are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	Not Applicable	Not Applicable

C. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2020 consisted of:

	<u>Accounts Receivable</u>
Interest receivable	\$ 47,513
Total Accounts Receivable	<u>\$ 47,513</u>

D. Accounts Payable

Accounts payable balances as of June 30, 2020 consisted of:

	<u>Account Payable</u>
Vendor payables	\$ 429
Total Accounts Payable	<u>\$ 429</u>

Chula Vista Elementary School District
Proposition E Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2020

E. Interfund Balances & Activities

1. Due to and From Other Funds

Balances due to and due from other funds at June 30, 2020 consisted of the following:

<u>Interfund Receivable (Due From Other Funds)</u>	<u>Interfund Payable (Due To Other Funds)</u>	<u>Amount</u>	<u>Purpose</u>
Bond Fund (21-39)	General Fund	\$ 429	Reimbursement of expenditures
General Fund	Bond Fund (21-39)	47,513	Reimbursement of expenditures
	Total	<u>\$ 47,942</u>	

2. Transfers to and From Other Funds

Interfund transfers involving the Building Fund (21-39) as of June 30, 2020 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Building Fund (21-39)	County School Facilities Fund	<u>\$ 1,437,265</u>	Capital projects expenditures
	Total	<u>\$ 1,437,265</u>	

F. Short Term Debt Activity

The Bond Fund accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as other financing sources. The Bond Fund did not issue any short-term debt during the fiscal year ended June 30, 2020.

Chula Vista Elementary School District

Proposition E Building Fund (21-39)

Notes to the Financial Statements, Continued

June 30, 2020

G. General Obligation Bonds

In June 2013, the District issued \$31,000,000, 2012 Election, Series A, General Obligation Bonds. The issue consisted of \$31,000,000 of current interest bonds with interest rates ranging from 2.00% to 5.50% with annual maturities from August 2014 through August 2037. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2014. The bonds were authorized at an election of the registered voters of Improvement District No. 1 held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of the bonds in order to finance the renovation, acquisition, construction, repair, and equipping of classrooms, schools, sites, and facilities as approved by the voters for schools in Improvement District No. 1.

In February 2015 the District issued \$14,000,000, 2012 Election, Series B, General Obligation Bonds. The issue consisted of \$14,000,000 of current interest bonds with interest rates ranging from 3.00% to 5.00% with annual maturities from August 2016 through August 2039. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015.

The bonds were authorized at an election of the registered voters of improvement District No. 1 held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of the bonds in order to finance the renovation, acquisition, construction, repair, and equipping of classrooms, schools, sites, and facilities as approved by the voters for schools in Improvement District No. 1. The bonds represent the second set of bonds pursuant to the authorization.

In January 2017, the District issued \$45,000,000, 2012 Election, Series C, General Obligation Bonds, issued a premium of \$2,430,996, of which \$163,625 was allocated to the Building Fund and the remaining amount of \$2,267,371 to the Debt Service Fund. The issue consisted of \$45,000,000 of current interest bonds with interest rates ranging from 4.00% to 5.00% with annual maturities from August 2017 through August 2041. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2017. The bonds were authorized at an election of the registered voters of Improvement District No. 1 held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of the bonds in order to finance the renovation, acquisition, construction, repair, and equipping of classrooms, schools, sites, and facilities as approved by the voters for schools in Improvement District No. 1.

General obligation bonds at June 30, 2020 consisted of the following:

Description	Delivery Date	Interest rate	Maturity Date	Original Issue Amount	Balance Beginning of Year	Current Year Increases	Current Year Decreases	Balance End of Year
2012 Election Series A	06/20/13	2.00-5.50%	08/01/37					
Principal				\$ 31,000,000	\$ 24,050,000	-	\$ 430,000	\$ 23,620,000
Premium				960,059	744,821	-	13,317	731,504
Total 2012A				<u>31,960,059</u>	<u>24,794,821</u>	<u>-</u>	<u>443,317</u>	<u>24,351,504</u>
2012 Election Series B	02/19/15	3.00-5.00%	08/01/39					
Principal				14,000,000	11,225,000	-	205,000	11,020,000
Premium				764,272	612,782	-	11,191	601,591
Total 2012B				<u>14,764,272</u>	<u>11,837,782</u>	<u>-</u>	<u>216,191</u>	<u>11,621,591</u>
2012 Election Series C	01/24/17	4.00-5.00%	08/01/41					
Principal				45,000,000	45,000,000	-	60,000	44,940,000
Premium				2,430,996	2,430,996	-	3,241	2,427,755
Total 2012C				<u>47,430,996</u>	<u>47,430,996</u>	<u>-</u>	<u>63,241</u>	<u>47,367,755</u>
Total 2012 Election				<u>\$ 94,155,327</u>	<u>\$ 84,063,599</u>	<u>\$ -</u>	<u>\$ 722,749</u>	<u>\$ 83,340,850</u>

Chula Vista Elementary School District
Proposition E Building Fund (21-39)

Notes to the Financial Statements, Continued

June 30, 2020

The annual requirements to amortize the bonds outstanding at June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 840,000	\$ 3,219,927	\$ 4,059,927
2022	1,010,000	3,178,877	4,188,877
2023	1,190,000	3,129,777	4,319,777
2024	1,385,000	3,072,052	4,457,052
2025	1,595,000	3,001,077	4,596,077
2026-2030	11,645,000	13,601,500	25,246,500
2031-2035	18,950,000	10,500,806	29,450,806
2036-2040	28,430,000	5,836,673	34,266,673
2041-2045	14,535,000	592,500	15,127,500
Totals	<u>\$ 79,580,000</u>	<u>\$ 46,133,189</u>	<u>\$ 125,713,189</u>

Premium/Discount

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Bond discount arises when the market rate of interest is lower than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and the discount decrease the face value of the bond. The premium and discount are then amortized over the life of the bond using the economic interest method.

Effective interest on general obligation bonds issued at a premium/discount are as follows:

	2012 Series A	2012 Series B	2012 Series C
Total Interest	\$ 17,592,565	\$ 6,454,065	\$ 39,427,896
Less Bond Premium	<u>(960,059)</u>	<u>(764,272)</u>	<u>(2,430,996)</u>
Net Interest	\$ 16,632,506	\$ 5,689,793	\$ 36,996,900
Par Amounts of Bonds	\$ 31,000,000	\$ 14,000,000	\$ 45,000,000
Periods	25	25	25
Effective Interest Rate	2.15%	1.63%	3.29%

Chula Vista Elementary School District
Proposition E Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2020

H. Commitments and Contingencies

1. 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 Bond Fund as of June 30, 2020.

2. Construction Commitments

As of June 30, 2020, the Bond Fund had no remaining construction commitments.

Chula Vista Elementary School District

Proposition E Building Fund (21-39)

Notes to the Financial Statements, Continued

June 30, 2020

I. Upcoming Accounting Guidance

The Governmental Accounting Standards Board (GASB) issues pronouncements and additional guidance for governmental agencies to establish consistent accounting across all governments in the United States. The following table represents items that have been issued by GASB that will become effective in future periods:

Description	Date Issued	Fiscal Year Effective
GASB Statement 84, Fiduciary Activities	01/2017	2020-21
GASB Statement 87, Leases	06/2017	2021-22
GASB Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period	06/2018	2021-22
GASB Statement 90, Majority Equity Interest – an amendment of GASB Statements 14 and 61	08/2018	2020-21
GASB Statement 91, Conduit Debt Obligations	05/2019	2022-23
GASB Statement 92, Omnibus 2020	01/2020	2021-22
GASB Statement 93, Replacement of Interbank Offered Rates	03/2020	2020-21
GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements	03/2020	2022-23
GASB Statement 96, Subscription-Based Information Technology Arrangements	05/2020	2022-23
GASB Statement 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements 14, 84 and supersession of GASB Statement 32	06/2020	2021-22
GASB Implementation Guide No. 2019-1, Implementation Guidance Update – 2019	04/2019	2020-21
GASB Implementation Guide No. 2019-2, Fiduciary Activities	06/2019	2020-21
GASB Implementation Guide No. 2019-3, Leases	08/2019	2021-22
GASB Implementation Guide No. 2020-1, Implementation Guidance Update – 2020	04/2020	2021-22

The effects of the upcoming guidance and pronouncements on the Bond Fund's financial statements has not yet been determined.

Supplementary Information

Chula Vista Elementary School District
Proposition E Building Fund (21-39)

General Obligation Bonds Project List
Year Ended June 30, 2020

Bond proceeds are required to be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the Chula Vista Elementary School District. Bond proceeds were expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the District located at the following locations:

Harborside	Kellogg
Montgomery	Sunnyside

- Upgrade computer labs and classrooms with up-to-date computers and wireless technology.
- Enhance technology infrastructure.
- Install energy cost-saving systems.
- Improve student safety by installing additional lighting, fencing, and security equipment.
- Repair and modernize aging school facilities.
- Replace relocatable classrooms that exceeded useful life and replace with new or permanent structures.
- Improve and/or replace heating, ventilation, and air-conditioning systems to improve energy efficiency.
- Upgrade playground safety fall zones.
- Upgrades for Americans with Disabilities Act compliance such as the installation of panic hardware and accessibility infrastructure.
- Upgrade and modernize restroom and classroom accessories and lighting.
- Upgrade and modernize electrical systems.
- Upgrade and modernize to energy efficient window systems.
- Upgrade and modernization of food services facilities.

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 Citizens' Oversight Committee
Chula Vista Elementary School District
Proposition E Building Fund (21-39)
Chula Vista, 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 Chula Vista Elementary School District Proposition E Building Fund (Bond Fund), which comprise the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Chula Vista Elementary School District Proposition E Building Fund's basic financial statements, and have issued our report thereon dated April 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chula Vista Elementary School District Proposition E Building Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chula Vista Elementary School District Proposition E Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Chula Vista Elementary School District Proposition E Building Fund'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 detected.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chula Vista Elementary School District Proposition E Building Fund'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 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 Bond Fund'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 Bond Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co LLP

El Cajon, California
April 15, 2021

Independent Auditor's Report on Performance

To the Citizens' Oversight Committee
Chula Vista Elementary School District
Proposition E Building Fund (21-39)
Chula Vista, California

We were engaged to conduct a performance audit of the Chula Vista Elementary School District Proposition E Building Fund (21-39), herein after referred to as the Bond Fund, for the year ended June 30, 2020.

Management's Responsibility for Performance Compliance

Our audit was limited to the objectives listed with the report which includes 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. Management is responsible for the District's compliance with those requirements.

Auditor's Responsibility

Our responsibility is to express an opinion on performance based on our audit. We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Appendix A of the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.

In planning and performing our performance audit, we obtained an understanding of the District's internal controls over the Bond Fund and related construction projects in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Fund's internal control.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our findings and conclusions based upon the audit objectives.

Objectives, Scope, & Methodology of the Audit

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements set forth in Proposition E as approved by registered voters for the fiscal year ended June 30, 2020. The objective of the audit of compliance applicable to the Bond Fund is to determine with reasonable assurance that:

- The proceeds from the sale of Proposition E General Obligation 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 Chula Vista Elementary School District (District), in establishing approved projects set forth in the ballot measure to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve facilities of the District as noted in the bond project list.

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

Internal Control Evaluation

Procedure Performed

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding project resources
- Prevent material misstatement in the project funds
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of project funds. All purchase requisitions are reviewed for proper supporting documentation. The Project Manager or appropriate District employee submits back up information to the business office to initiate a purchase requisition. The Project Manager, Deputy Superintendent, and Accounting Manager verifies that the requested purchase is an allowable project cost in accordance with the grant agreement.

Results of Procedure Performed

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

Procedure Performed

Tests of controls were performed based on identified controls from procedures above, utilizing samples of expenditures with a sample size sufficient for a high level of assurance, to determine if internal controls as designed are properly implemented and in place over the Bond Fund expenditures.

Results of Procedure Performed

The results of our audit determined that the internal controls as designed were properly implemented during the 2019-20 fiscal year.

Tests of Expenditures

Procedures Performed

We tested expenditures to determine whether Proposition E proceeds were spent solely on voter and Board approved school facilities projects as set forth in the bond Projects List and language of the Proposition E ballot measure language. Our testing was performed using a sample size sufficient to meet a high level of assurance.

Results of Procedures Performed

Expenditures tested were found to be in compliance with the terms of the Proposition E ballot measure as well as applicable state laws and regulations.

Tests of Contracts and Bid Procedures

Procedures Performed

We tested expenditures under Proposition E to determine if the expenditure was part of a valid contract, that the contract was properly approved by the District's Governing Board, and that the contract was established in compliance with Public Contract Code provisions, including bid procedures. Our testing was performed using a sample size sufficient to meet a high level of assurance.

Results of Procedures Performed

Expenditures tested were found to have valid contracts which were issued through proper approval of the District's Governing Board in compliance with Public Contract Code, including bid procedures.

Facilities Site Review

Procedures Performed

We reviewed the Independent Citizens' Oversight Committee minutes and agendas along with other pertinent information on Proposition E designated projects to determine whether the funds expended for the year ended June 30, 2020 were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Additionally, we reviewed photographs of significant bond projects to determine projects were being completed as identified in the Bond Project List.

Results of Procedures Performed

Based on review of the minutes and agenda of the Independent Citizens' Oversight Committee, expenditure documentation, review of project photographs, and other pertinent information provided, it appears the construction work performed was consistent with the Bond Project List as well as the allowable projects as identified in Proposition E ballot measures.

Citizens' Oversight Committee

Procedures Performed

We reviewed the minutes of the Citizens' Oversight Committee meetings to verify compliance with Education Code Section 15278 which requires the Citizens' Oversight Committee to:

- Actively review and report on the proper expenditure of taxpayers' money for school construction.
- Advise the public as to whether the District is in compliance with paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Ensure that bond revenues are expended only for purposes described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Ensure that no funds are used for any teacher or administrative salaries or other school operating expenses.

Additionally, Education Code Section 15278 authorizes the Citizens' Oversight Committee to:

- Receive and review copies of the annual, independent performance audit.
- Inspect school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Receive and review copies of any deferred maintenance proposals or plans developed by the District.
- Review efforts by the District to maximize bond revenues by implementing cost saving measures.

Results of Procedures Performed

In our review of the minutes of the Citizens' Oversight Committee we determined that, during the fiscal year ended June 30, 2020 the Committee fulfilled all required responsibilities identified in Education Code Section 15278 and additionally performed other authorized activities as identified in Education Code Section 15278.

Procedure Performed

We reviewed composition of the Citizens' Oversight Committee to verify compliance with Education Code Section 15282 which requires the following:

- The Citizen's Oversight Committee shall consist of at least seven members who shall serve for a minimum term of two years without compensation and for no more than three consecutive terms.
- One member shall be active in a business organization representing the business community located within the school district boundaries.
- One member shall be active in a senior citizens' organization.
- One member shall be active in a bona fide taxpayers' organization.
- One member shall be the parent or guardian of a child enrolled in the school district.
- One member shall be both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization.
- An employee or official of the school district shall not be appointed to the citizens' oversight committee.
- A vendor, contractor, or consultant of the school district shall not be appointed to the citizens' oversight committee.

Results of Procedures Performed

In our review of the Citizens' Oversight Committee composition for the fiscal year ended June 30, 2020 we determined that the Committee was in compliance with Education Code Section 15282.

Opinion on Performance

The results of our tests indicated that the District has complied with the requirements set forth in Proposition E, approved by voters on November 6, 2012 in accordance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(c) of the California Constitution.

Purpose of the Report

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

Wilkinson Hadley King & Co LLP

El Cajon, California
April 15, 2021

Auditor's Results, Findings & Recommendations

**Chula Vista Elementary School District
 Proposition E Building Fund (21-39)**

Schedule of Auditor's Results
 Year Ended June 30, 2020

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?

 Yes X No

One or more significant deficiencies identified that are
 not considered material weakness(es)?

 Yes X No

Noncompliance material to financial statements noted?

 Yes X No

PERFORMANCE AUDIT

Any audit findings disclosed that are required to be reported
 in accordance with *2019-20 Guide for Annual Audits
 of California K-12 Local Education Agencies* or
 Proposition 39?

 Yes X No

Chula Vista Elementary School District Proposition E Building Fund

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements or performance audit that are required to be reported in accordance with *Government Auditing Standards*, or *Appendix A of the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

A. Financial Statement Findings

None

B. Performance Audit Findings

None

**Chula Vista Elementary School District
Proposition E Building Fund (21-39)**

Schedule of Prior Year Audit Findings
Year Ended June 30, 2020

Finding/Recommendation	Status	Explanation if Not Implemented
There were no audit findings reported in the prior year audit.		