

MORENO VALLEY UNIFIED SCHOOL DISTRICT

RIVERSIDE COUNTY
MORENO VALLEY, CALIFORNIA

FINANCIAL AND PERFORMANCE AUDIT
2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A
BUILDING FUND

JUNE 30, 2016

JLG
Jeanette L. Garcia & Associates
CERTIFIED PUBLIC ACCOUNTANT

MORENO VALLEY UNIFIED SCHOOL DISTRICT
 2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A
 BUILDING FUND
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Financial Section



Jeanette L. Garcia,
CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education and Citizens' Oversight Committee
Moreno Valley Unified School District
Moreno Valley, California

Report on the Financial Statements

We have audited the accompanying balance sheet of the Moreno Valley Unified School District 2014 Election, General Obligation Bond, Series A Building Fund, as of June 30, 2016, and the related statement of revenues, expenditures and changes in fund balance for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

As discussed in Note 1, the financial statements present only the individual 2014 Election, General Obligation Bond, Series A Building Fund of the Moreno Valley Unified School District and are not intended to present fairly the financial position of the Moreno Valley Unified School District in conformity with accounting principles generally accepted in the United States of America.

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 opinions 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 opinions.

Member:

American
Institute of
Certified Public
Accountants

California
Society of
Certified Public
Accountants

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the transactions of the Moreno Valley Unified School District 2014 Election General Obligation Bond, Series A Building Fund, as of and for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the balance sheet of the Moreno Valley Unified School District 2014 Election, General Obligation Bond, Series A Building Fund, the related statement of revenues, expenditures and changes in fund balance, and the related notes to the financial statements. The supplementary exhibits are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary exhibits have not been subjected to the auditing procedures applied in the audit of the balance sheet of the Moreno Valley Unified School District 2014 Election, General Obligation Bond, Series A Building Fund, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the Moreno Valley Unified School 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. The purpose of that report is 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 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 Moreno Valley Unified School District's internal control over financial reporting and compliance.



Redlands, California
December 15, 2016

MORENO VALLEY UNIFIED SCHOOL DISTRICT
2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A
BUILDING FUND
BALANCE SHEET
JUNE 30, 2016

STATEMENT 1

ASSETS

Cash (Note 2)

 Cash in County Treasury

\$ 93,719,382

 Accounts Receivable (Note 3)

27,098

TOTAL ASSETS

\$ 93,746,480

LIABILITIES AND FUND BALANCE

Liabilities

 Accounts Payable

\$ 1,991,159

Fund Balance

 Assigned

91,755,321

TOTAL LIABILITIES AND FUND BALANCE

\$ 93,746,480

The Notes to Financial Statements are an integral part of this statement.

MORENO VALLEY UNIFIED SCHOOL DISTRICT
 2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>REVENUES</u>	
Other Local Revenues	\$ 387,222
<u>EXPENDITURES</u>	
Facilities Acquisition and Construction	<u>9,517,448</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,130,226)
<u>FUND BALANCE</u> - JULY 1, 2015	<u>100,885,547</u>
<u>FUND BALANCE</u> - JUNE 30, 2016	<u><u>\$ 91,755,321</u></u>

The Notes to Financial Statements are an integral part of this statement.

MORENO VALLEY UNIFIED SCHOOL DISTRICT
2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Moreno Valley Unified School District conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and by the American Institute of Certified Public Accountants. The following is a summary of the significant accounting policies:

Reporting Entity

On November 4, 2014, the District voters authorized up to \$398 million in General Obligation Bonds for the purposes of financing the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The measure was approved by more than 55% of the vote. In response, an advisory committee to the District's Board of Education and Superintendent, the Citizens' Bond Oversight Committee, was established. The Committee's oversight goals include: informing the public on the expenditures of Bond proceeds, reviewing expenditure reports to ensure that Bond proceeds are expended only for purposes set forth in the ballot measure, and ensuring compliance with conditions of the ballot measure.

In April 2015, the Moreno Valley Unified School District issued 2014 General Obligation Bonds, Series A in the amount of \$103,000,000.

The proceeds and uses of the bonds are accounted for within the District's Building Fund. The statements presented are for the individual 2014 General Obligation Bonds, Series A within the Building Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

Basis of Accounting

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

The accompanying financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "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. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

MORENO VALLEY UNIFIED SCHOOL DISTRICT
2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all government funds. By State law, the District's Board of Education must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Education satisfied these requirements.

These budgets are revised by the District's Board of Education and District Superintendent during the year to give consideration to unanticipated income and expenditures. The final revised budget that is presented in the financial statements consists of the original Board approved documents plus all revisions through June 30, 2016.

Formal budgetary integration was employed 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. Expenditures cannot legally exceed appropriations by major object account.

Accounting Estimates

The presentation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures (expenses) during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrance accounting is used in all budgeted funds 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. All outstanding encumbrances were liquidated at June 30.

Fund Balance Reserves and Designations

In the governmental funds Balance Sheet, fund balance amounts are reported within the fund balance categories below:

- Nonspendable – This is fund balance associated with revolving cash funds, inventories and prepaids.
- Restricted – This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Committed – This includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Education (the District's highest level of decision-making authority).
- Assigned – These funds are intended to be used by the government (District) for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – This is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

MORENO VALLEY UNIFIED SCHOOL DISTRICT
 2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

When fund balance resources are available for a specific purpose in multiple classifications, the District would use the most restrictive funds first.

Cash and Cash Equivalents

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. CASH AND DEPOSITS

Cash at June 30, 2016, with regards to the 2014 Election consisted of the following:

	<u>Building Fund</u>
Pooled Funds:	
Cash in County Treasury	<u><u>\$ 93,719,382</u></u>

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Riverside County Treasury as part of the investment pool (\$6,504,638,893 as of June 30, 2016). 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. The District is considered to be an involuntary participant in the external investment pool. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The fair market value of this pool as of June 30, 2016, as provided by the pool sponsor, was \$6,514,396,169. The County is required by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

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 and in Money Market Mutual Fund U.S. Treasury Fund obligations. The District maintains an investment with the Riverside County Investment Pool with a fair value of approximately \$93,859,966 and an amortized book value of \$93,719,382. The average weighted maturity for this pool is 1.15 years.

MORENO VALLEY UNIFIED SCHOOL DISTRICT
 2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2016, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District does not place limits on the amount it may invest in any one issuer. At June 30, 2016, the District had no concentration of credit risk.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized.

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

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, with regards to the 2014 Election consisted of the following:

	<u>Building Fund</u>
Accounts Receivable	
Local Sources:	
Interest	<u>\$ 27,098</u>

MORENO VALLEY UNIFIED SCHOOL DISTRICT
 2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

4. BONDED DEBT

The outstanding general obligation bonded debt at June 30, 2016, with regards to the 2014 Election is the following:

Bond	Date of Bond	Year of Maturity	Rate of Interest	Amount of Original Issue	Bonds Outstanding July 1, 2015	Issued During Year	Matured During Year	Bonds Outstanding June 30, 2016
2014 Series A	4/15/2015	2045	3.00-5.00%	<u>\$103,000,000</u>	<u>\$ 103,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,000,000</u>

The total annual requirement to amortize the Election of 2014, Series A general obligation bonds payable, outstanding at June 30, 2016, is summarized below:

Year Ending June 30	Principal	Interest	Total
2017	\$ 6,020,000	\$ 4,312,900	\$ 10,332,900
2018	6,200,000	4,129,600	10,329,600
2019	1,600,000	4,004,600	5,604,600
2020	1,120,000	3,957,875	5,077,875
2021	1,350,000	3,909,400	5,259,400
2022-26	5,060,000	18,708,500	23,768,500
2027-31	7,930,000	17,294,425	25,224,425
2032-36	15,685,000	14,905,500	30,590,500
2037-41	26,315,000	10,759,300	37,074,300
2042-45	<u>31,720,000</u>	<u>3,354,500</u>	<u>35,074,500</u>
Total	<u>\$ 103,000,000</u>	<u>\$ 85,336,600</u>	<u>\$ 188,336,600</u>

MORENO VALLEY UNIFIED SCHOOL DISTRICT
 2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

5. COMMITMENTS AND CONTINGENCIES

Construction Commitments

At June 30, 2016, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitments</u>	<u>Expected Date of Completion</u>
Armada Elementary School	\$ 6,078,907	August 2016
Badger Springs Middle School	389,809	February 2017
Butterfield Elementary School	1,874,253	February 2017
Canyon Springs High School	1,734,375	August 2018
Creekside Elementary School	85,323	February 2017
Edgemont Elementary School	6,637,973	July 2018
High School No. 5	8,148,447	July 2019
Honey Hollow Elementary School	72,311	February 2017
Landmark Middle School	272,443	February 2017
Moreno Valley High School	4,285,346	October 2019
Mountain View Middle School	360,326	February 2017
Palm Middle School	42,562	February 2017
Security Cameras	376,040	December 2016
Serrano Elementary School	1,037,857	February 2017
Sunnymead Elementary School	<u>6,183,099</u>	February 2017
Total	<u>\$ 31,395,972</u>	

Supplementary Information

MORENO VALLEY UNIFIED SCHOOL DISTRICT
2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
BALLOT MEASURE M

EXHIBIT A

“To upgrade classrooms, science labs, career-training facilities and computer systems to keep pace with technology, fix aging classrooms/schools, improve student safety and security, repair, construct, acquire classrooms, facilities, sites/equipment, prepare students for success in college/high-demand jobs, protect instruction in math, science, technology and the trades, shall Moreno Valley Unified School District issue \$398,000,000 in bonds at legal rates, with mandatory audits, independent citizen oversight, no funds for administrator salaries, and all money staying local?”

Bonds - Yes

Bonds - No

MORENO VALLEY UNIFIED SCHOOL DISTRICT
2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
FULL TEXT OF BALLOT MEASURE M

EXHIBIT B

The following is the full proposition presented to the voters by the Moreno Valley Unified School District.

Moreno Valley Local School Improvement Measure. “To upgrade classrooms, science labs, career-training facilities and computer systems to keep pace with technology, fix aging classrooms/schools, improve student safety and security, repair, construct, acquire classrooms, facilities, sites/equipment, prepare students for success in college/high-demand jobs, protect instruction in math, science, technology and the trades, shall Moreno Valley Unified School District issue \$398,000,000 in bonds at legal rates, with mandatory audits, independent citizen oversight, no funds for administrator salaries, and all money staying local?”

PROJECT LIST

The Board of Education of the Moreno Valley Unified School District is committed to providing facilities and equipment needed for career and technology education classes so students are prepared for college and good paying jobs in fields like science, technology, business and the trades. To that end, the Board evaluated the District’s urgent and critical facility needs, including safety issues, class size, computer and information technology, enrollment trends and prepared a Facility Master Plan which is incorporated herein in its entirety, in developing the scope of projects to be funded. The District conducted a facilities evaluation and received extensive public input in developing this Project List through school site meetings, community presentations, opinion leader input, and interactive materials. Teachers, staff, students, community members and the Board have prioritized the key health and safety needs so that the most critical facility needs are addressed. The Board concluded that if these needs are not addressed now, the problems will only become more pressing and expensive to address. **Therefore, in approving this Project List, the Board of Education determines that the District should:**

- (i) provide the facilities and equipment needed for career and technical education classes so students RECEIVE A 21ST CENTURY EDUCATION and are prepared for college and good paying jobs in fields like science, technology and the trades; and**
- (ii) IMPROVE STUDENT SAFETY and security systems, including security lighting, fencing, smoke detectors, fire alarms, and sprinklers; and**
- (iii) repair or replace old, leaky roofs, worn-out floors, rusty plumbing and faulty electrical systems; and**
- (iv) make funding available to protect the quality of instruction and core subjects such as math, science, arts and technology; and**
- (v) modernize schools and classrooms to improve access for students with disabilities; and**
- (vi) adhere to specific FISCAL ACCOUNTABILITY safeguards such as:**
 - (a) Sacramento must be prohibited from taking any of the funds raised,**
 - (b) All expenditures must be subject to annual independent financial audits, and**
 - (c) An independent citizens’ oversight committee must be appointed to ensure that all funds are spent only as authorized.**

MORENO VALLEY UNIFIED SCHOOL DISTRICT
2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
FULL TEXT OF BALLOT MEASURE M

The Project List includes the following types of upgrades and improvements at the District schools:

School Renovation, Repair and Upgrade Projects

Goal and Purpose: Since providing the facilities and equipment needed for career and technical education classes so students are prepared for college and good paying jobs in fields like science, technology, business and the trades is critical, local schools will benefit from projects including:

- Repair or replace old, worn-out roofs, floors, rusty plumbing, and electrical systems.
- Upgrade classrooms, science labs, career-training facilities and computer systems to keep pace with changing technology.
- Repair and modernize outdated classrooms and school buildings.
- Upgrade classrooms and science labs so that they comply with current standards.
- Add electrical service capacity to relieve overloaded electrical systems so that it can handle modern instructional technology.
- Provide improved, up-to-date technology infrastructure.
- Add classrooms, labs and school facilities to prevent overcrowding.
- Replace outdated septic tank sewer system by connecting to local municipal system.

**School Health and Safety
and Energy Efficiency School Projects**

Goal and Purpose: Since good, safe and up-to-date schools are a wise investment to (i) help protect and improve local property values, (ii) help reduce crime and gang activity, (iii) improve quality of education, and (iv) reduce maintenance costs, thereby returning more money to the classroom and allowing the District to retain qualified teachers and protect instruction in core subjects like math, science and technology, schools and school sites will benefit from a variety of health and safety projects, such as:

Student Safety

- Upgrade fire alarm systems to automatic systems, repair fire safety equipment, add sprinklers and fire safety doors to make students safe in the event of an emergency.
- **Modernize schools and classrooms to improve access for students with disabilities.**
- **Upgrade and install new security systems, such as security lighting, fencing, smoke detectors, and fire alarms and sprinklers.**
- Replace aging, outdated portables with permanent classrooms that meet 21st century health, safety and academic standards.
- Upgrade emergency communication systems to improve student safety.
- Add classrooms, labs and school facilities to prevent overcrowding.

MORENO VALLEY UNIFIED SCHOOL DISTRICT
2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
FULL TEXT OF BALLOT MEASURE M

- Remove hazardous materials like asbestos and lead paint from older school sites.

Energy Efficiency – Returning Savings to the Classroom

- **Install energy efficient systems to save money and protect the quality of instruction in core subjects like reading, math, science, arts and technology.**
- Replace older heating, ventilation, air conditioning and lighting systems with building code compliant, energy efficient systems which will save money, allowing the District to **attract and retain qualified teachers.**

**District-Wide Instructional Technology and Wiring Projects
To Provide a 21st Century Education**

Goal and Purpose: To upgrade classroom computers and computer technology to allow our teachers and students to attend College or to compete in today’s job market by providing them with 21st Century technology skills and a strong background in science, math, business and technology:

- Upgrade instructional technology in the classroom for improved student learning.
- Provide and maintain up-to-date technology, data and communication equipment.
- Upgrade and expand wireless systems, telecommunications, Internet and network connections, upgrade electrical wiring.
- Upgrade and replace computers, hardware and infrastructure systems, classroom and library technology and teaching equipment to enhance instruction.

* * *

The listed projects will be completed as needed. Each project is assumed to include its share of furniture, equipment, architectural, engineering, and similar planning costs, program management, staff training expenses and a customary contingency, and escalation for unforeseen design and construction costs. In addition to the listed projects stated above, the Project List also includes the payment of the costs of preparation of all facility planning, facility assessment reviews, environmental studies, construction documentation, inspection and permit fees, and temporary housing of dislocated District activities caused by bond projects. The upgrading of technology infrastructure includes, but is not limited to, servers, switches, routers, modules, smart boards, sound projection systems, wireless networks, portable interface devices, printers, upgrade voice-over-IP, phone systems, call manager and network security/firewall, and other miscellaneous equipment. The District may establish a classroom technology fund to keep our technology up-to-date and ensure local schools keep pace with advancing technology. The repair of school facilities includes the upgrading/replacing school site parking, campus accessibility, utilities, and grounds, playground equipment, hard court surfaces, shade structures for student assembly and protecting students from inclement weather during lunch, libraries, District support facilities, multi-purpose rooms, cafeterias; enhance signage; install fire sensors; complete funding needed to build a new high school; athletic facilities and play fields including turf, may be upgraded for safety and operational efficiency; upgrade electrical wiring; construct labs, music and staff support rooms and restrooms; renovate and paint interior and exterior building surfaces to extend their useful life; improve physical education/athletic facilities; security, install safety and communication systems and equipment; window and floor coverings (including tiles and carpeting); acquire kitchen equipment; upgrade irrigation systems; make improvements and acquire furnishings and/or other electronic equipment and systems; construct a new elementary school; install solar and water recycling and energy management systems.

MORENO VALLEY UNIFIED SCHOOL DISTRICT
2014 ELECTION, GENERAL OBLIGATION BOND, SERIES A BUILDING FUND
FULL TEXT OF BALLOT MEASURE M

The Project List also includes the refinancing of any outstanding lease obligations, or the bridge loans taken to initiate voter approved projects. The allocation of bond proceeds may be affected by the District's receipt of State matching funds and the final costs of each project. In the absence of State matching funds, which the District will aggressively pursue to reduce the District's share of the costs of the projects, the District may not be able to complete some of the projects listed above. The budget for each project is an estimate and may be affected by factors beyond the District's control. Some projects throughout the District, such as gyms, fields and performing arts facilities, may be undertaken as joint use projects in cooperation with other local public or non-profit agencies. The final cost of each project will be determined as plans are finalized, construction bids are awarded and projects are completed. Based on the final costs of each project, certain of the projects described above may be delayed or may not be completed. Demolition of existing facilities and reconstruction of facilities scheduled for repair and upgrade may occur, if the Board determines that such an approach would be more cost-effective in creating enhanced and operationally efficient campuses. Necessary site acquisition, preparation/restoration and landscaping, may occur in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation, utility lines, trees and landscaping, redirecting fire access, and acquiring any necessary easements, licenses, or rights of way to the property.

Bond proceeds shall be expended only for the specific purposes identified herein. Proceeds of the bonds may be used to pay or reimburse the District for the cost of District staff when performing work on or necessary and incidental to the bond projects. The District shall create an account into which proceeds of the bonds shall be deposited and comply with the reporting requirements of Government Code § 53410.

FISCAL ACCOUNTABILITY: IN ACCORDANCE WITH EDUCATION CODE SECTION 15272, THE BOARD OF EDUCATION WILL APPOINT A CITIZENS' OVERSIGHT COMMITTEE AND CONDUCT ANNUAL INDEPENDENT AUDITS TO ASSURE THAT FUNDS ARE SPENT ONLY ON DISTRICT PROJECTS AND FOR NO OTHER PURPOSE. THE EXPENDITURE OF BOND MONEY ON THESE PROJECTS IS SUBJECT TO STRINGENT FINANCIAL ACCOUNTABILITY REQUIREMENTS. BY LAW, PERFORMANCE AND FINANCIAL AUDITS WILL BE PERFORMED ANNUALLY, AND ALL BOND EXPENDITURES WILL BE MONITORED BY AN INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE TO ENSURE THAT FUNDS ARE SPENT AS PROMISED AND SPECIFIED. THE CITIZENS' OVERSIGHT COMMITTEE MUST INCLUDE, AMONG OTHERS, REPRESENTATION OF A BONA FIDE TAXPAYERS ASSOCIATION, A BUSINESS ORGANIZATION AND A SENIOR CITIZENS ORGANIZATION. NO DISTRICT EMPLOYEES OR VENDORS ARE ALLOWED TO SERVE ON THE CITIZENS' OVERSIGHT COMMITTEE.

No Administrator Salaries: Proceeds from the sale of the bonds authorized by this proposition shall be used only for the acquisition, construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, and not for any other purpose, including teacher and school administrator salaries and other operating expenses.



Jeanette L. Garcia,
CPA

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 Auditor's Report

To the Board of Education and Citizens' Oversight Committee
Moreno Valley Unified School District
Moreno Valley, 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 Moreno Valley Unified School District for the 2014 Election, General Obligation Bond, Series A Building Fund, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Jeanette L Garcia + Associates". The signature is written in a cursive, flowing style.

Redlands, California
December 15, 2016

AUDITOR'S REPORT ON STATE COMPLIANCE

Jeanette L. Garcia,
CPA

Board of Education and Citizens' Oversight Committee
Moreno Valley Unified School District
Moreno Valley, California

We have audited the accompanying financial Statements of the 2014 Election, General Obligation Bond, Series A Building Fund, of the Moreno Valley Unified School District (the District) as of and for the year ended June 30, 2016. Our audit was made in accordance with auditing standards generally accepted in the United States of America; and the standards for financial and compliance 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with specified requirements.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following requirements:

Proceeds from the sale of the bonds are used only for the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the bonds.

Proper bidding procedures have been observed/met.

The District is in compliance with budget constraints per the Citizens' Oversight Committee.

Bond monies are used only on projects which were voter approved.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2016.

This report is intended solely for the information and use of the Citizens' Oversight Committee, Board of Education, management, and taxpayers of the Moreno Valley Unified School District and is not intended to be, and should not be, used by anyone other than these specified parties.

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Redlands, California
December 15, 2016