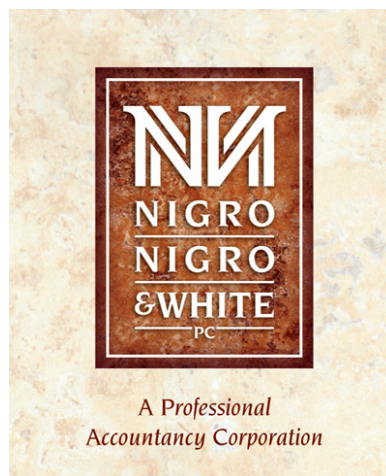


**PROPOSITION O**  
**BOND BUILDING FUND OF**  
**SWEETWATER UNION HIGH SCHOOL DISTRICT**  
**SAN DIEGO COUNTY**

**PERFORMANCE AND FINANCIAL**

**AUDIT REPORT**  
**For the Fiscal Year Ended**  
**June 30, 2009**



**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended June 30, 2009  
Table of Contents**

---

**FINANCIAL STATEMENTS**

	<u>Page</u>
Introduction and Citizens' Bond Oversight Committee Member Listing .....	1
Independent Auditors' Report.....	2
Balance Sheet .....	4
Statement of Revenues, Expenditures and Changes in Fund Balance.....	5
Notes to Financial Statements.....	6

**OTHER SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – Proposition O Bond Building Fund .....	13
--	----

**OTHER INDEPENDENT AUDITORS' REPORTS**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	14
Independent Auditors' Report on Performance.....	16

**FINDINGS AND RECOMMENDATIONS SECTION**

Schedule of Findings and Recommendations.....	21
---	----

**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
Introduction and Citizens' Bond Oversight Committee Member Listing  
June 30, 2009**

---

Sweetwater Union High School District "the District" was established in 1920 and covers approximately 153 square miles. The District provides education for grades 7-12 and is currently operating: ten middle schools, twelve high schools, one continuation, four adult schools and four alternative education schools. One charter school also operates within the District boundaries.

On November 7, 2006, the voters of San Diego County approved by more than 55% Proposition O, authorizing the issuance and sale of \$644,000,000 of general obligation bonds. On March 12, 2008, the District issued Series 2008A of the Election of 2006 General Obligation Bonds in the amount of \$180,000,000.

Proposition O was a Proposition 39 bond. The passage of Proposition 39 on November 7, 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 for facilities projects.

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

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2009:

<b>Name</b>	<b>Title</b>	<b>Representation</b>
Rudy Gonzalez	Chairperson	Senior Citizen Organization
Yolanda Hernandez	Vice Chairperson	At Large Member
Debbie Espe	Member	Taxpayer Association
Robert Garcia	Member	Parent Organization
Jane McGill	Member	At Large Member
Cynthia Melcher	Member	Parent Organization
Lourdes Valdez	Member	Business Community



A Professional  
Accountancy Corporation

**Jeff Nigro, CPA**

**Elizabeth Nigro, CPA**

**Christy White, CPA**

MURRIETA OFFICE  
PH: 951.698.8783  
FAX: 951.699.1064  
25090 Jefferson Avenue  
Murrieta, CA 92562

SAN DIEGO OFFICE  
PH: 619.270.8222  
FAX: 619.260.9085  
2727 Camino Del Rio S.  
Suite 219  
San Diego, CA 92108

**MEMBERS OF**

- American Institute of CPAs
- California Society of CPAs
- California Association of School Business Officials
- Community Associations Institute

WEBSITE  
[www.nnwcpa.com](http://www.nnwcpa.com)

Licensed by the California  
Board of Accountancy

Proposition O Citizens' Bond Oversight Committee and  
Governing Board Members of  
Sweetwater Union High School District  
Chula Vista, California

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of the Proposition O Bond Building Fund of Sweetwater Union High School District (the "District") and the related statement of revenues, expenditures and changes in fund balance as of and for the fiscal year ended June 30, 2009. These financial statements are the responsibility of the District's management. 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 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.

As discussed in Note 1A, the financial statements present only the individual Proposition O Bond Building Fund and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Proposition O Bond Building Fund of Sweetwater Union High School District as of June 30, 2009 and for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2010 on our consideration of Proposition O Bond Building Fund of Sweetwater Union High School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Proposition O Bond Building Fund of Sweetwater Union High School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



San Diego, California

January 27, 2010

## *Financial Section*

---

---

**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
Balance Sheet  
June 30, 2009**

---

**ASSETS**

Cash in county treasury	\$	135,762,470
Accounts receivable - interest		554,668
Due from other funds		29,650,000

Total Assets \$ 165,967,138

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$	1,960,909
Due to other funds		89,336

Total Liabilities 2,050,245

**Fund Balance**

Reserved for capital projects		163,916,893
-------------------------------	--	-------------

**Total Liabilities and Fund Balance** \$ 165,967,138

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

**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2009**

---

<b>REVENUES</b>	
Earnings on investments	\$ 3,844,388
<b>Total Revenues</b>	3,844,388
<b>EXPENDITURES</b>	
Plant services	371,034
Facility acquisition and construction	20,644,689
<b>Total Expenditures</b>	21,015,723
<b>Deficiencies of Revenues</b>	
<b>Under Expenditures</b>	(17,171,335)
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in	6,965,055
Transfers out	(48,623)
<b>Total Other Financing Sources (Uses)</b>	6,916,432
<b>Net Change in Fund Balance</b>	(10,254,903)
<b>Fund Balance, July 1, 2008</b>	174,171,796
<b>Fund Balance, June 30, 2009</b>	\$ 163,916,893

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



**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2009**

---

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

Sweetwater Union High School District (the “District”) was founded in 1920 and is located in San Diego County. The District serves more than 42,000 students, grades 7 through 12, on 32 campuses located across 4 different cities.

On November 6, 2006 the District voters authorized \$644 million in General Obligation Bonds (Proposition O) for the remodeling and renovations of items which improve learning and safety at every Sweetwater Union High School District campus by repairing/earthquake retrofitting classrooms and restrooms by installing upgraded fire safety systems, security fencing, and safety lighting. In addition, funds will be used to upgrade science labs and computer technology, improve handicap accessibility, replace leaky roofs, heating and air conditioning, outdated plumbing, and remove asbestos, mold, and lead paint.

An advisory committee to the District’s Governing Board and Superintendent, called the Proposition O Citizens’ Bond Oversight Committee, was established. The Committee’s oversight goals include: advising on bond construction priorities, reviewing school bond construction plans, verifying the project plans are in alignment with the budget, and ensuring compliance with the conditions of Proposition O.

The statements presented are for the individual Proposition O Bond Building Fund and are not intended to be a complete presentation of the District’s financial position or results of operations.

B. Accounting Policies

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

**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2009**

---

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

C. Basis of Accounting

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

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collected 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.

D. 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 encumbrances are liquidated as of June 30.

E. Deposits and Investments

In accordance with Education Code Section 41001, the District maintains a substantial portion of 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.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

---

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

G. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The adopted and final budget are presented for the Proposition O Bond Building Fund in the supplementary information section.

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.

**NOTE 2 – CASH IN COUNTY TREASURY**

Cash and investments as of June 30, 2009 consisted of the following:

Cash in county treasury	\$135,762,470
-------------------------	---------------

Policies and Practices

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

*Cash in County Treasury* – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

---

**NOTE 2 – CASH IN COUNTY TREASURY (continued)**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District's Building Fund maintains an investment with the San Diego County Investment Pool with a fair value of approximately \$136,251,215 and an amortized book value of \$135,762,470. The weighted average maturity for this pool is 332 days as of June 30, 2009.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The individual investments within the San Diego County Investment Pool are rated at Aaa by Standard & Poor's Investment Direct.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2009 amounting to \$554,668 consists of interest on Proposition O Bond investments held in the county treasury.

**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

---

**NOTE 4 – PROPOSITION O GENERAL OBLIGATION BONDS**

General Obligation Bonds

On March 12, 2008, the District issued Series 2008A of the Election of 2006 Proposition O General Obligation Bonds in the amount of \$180,000,000 with issuance costs in the amount of \$3,735,785 and interest rates that range from 3.0% - 5.5%.

At June 30, 2009, the principal balance outstanding on these bonds was \$173,475,000. The annual requirements to amortize the District’s Proposition O, Series 2008A, general obligation bonds outstanding as of June 30, 2009, is as follows:

<b>Series 2008A</b>			
Fiscal Year	Principal	Interest	Total
2009-10	\$ 1,095,000	\$ 9,202,963	\$ 10,297,963
2010-11	1,560,000	9,148,213	10,708,213
2011-12	50,000	9,089,713	9,139,713
2012-13	495,000	9,087,838	9,582,838
2013-2014	970,000	9,070,513	10,040,513
2014-2019	5,630,000	44,808,788	50,438,788
2019-2024	940,000	43,861,944	44,801,944
2024-2028	-	43,806,406	43,806,406
2028-2033	24,550,000	42,040,156	66,590,156
2033-2038	38,260,000	34,029,156	72,289,156
2038-2043	49,425,000	22,847,344	72,272,344
2043-2047	50,500,000	7,295,624	57,795,624
Total	<u>\$ 173,475,000</u>	<u>\$ 284,288,656</u>	<u>\$ 457,763,656</u>

**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2009**

---

**NOTE 5 – CONSTRUCTION COMMITMENTS**

As of June 30, 2009, the District had commitments with respect to unfinished capital projects of approximately \$48.0 million to be paid from Proposition O bond funds.

Project	Remaining Balance
Planning and Operations	\$ 154,747
Chula Vista Middle School	7,918,843
Chula Vista Middle School Cafeteria	260,595
Granger Jr. High School	42,125
Montgomery Middle School	1,294,554
Montgomery Middle School Interim Housing	264,170
National City Middle School	8,648,639
National City Interim Housing	31,844
National City Middle School Project 2	1,620,403
Southwest Middle Project 1	7,794,784
Southwest Middle Interim Housing	54,318
Bonita Vista High School Gym Renovation	29,404
Chula Vista High School Project 1	3,007,162
Chula Vista High School Concrete Bleachers	13,104
Hilltop Highschool Project 1	2,420,548
Hilltop High Interim Housing	101,673
Mar Vista High School Project 1	1,593,255
Mar Vista High Interim Housing	261,892
Montgomery High School Project 1	2,087,014
Southwest High School Project 1	2,446,429
Sweetwater High School Project 1	5,689,541
Sweetwater High School Concrete Bleachers	11,485
Sweetwater High Interim Housing	2,260,729
	<hr/>
Total Outstanding Construction Commitments	<u><u>\$ 48,007,258</u></u>

**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

---

**NOTE 6 – INTERFUND ACTIVITIES**

A. Due From/Due To Other Funds

Interfund receivable and payable balances as of June 30, 2009 are as follows:

	Due To Other Funds			Total
	General Fund	Prop O Building Fund	Other Governmental Funds	
General Fund	\$ -	\$ 10,053	\$ -	\$ 10,053
Prop O Building Fund	28,650,000	-	1,000,000	29,650,000
Other Governmental Funds	-	79,283	-	79,283
Total	\$ 28,650,000	\$ 89,336	\$ 1,000,000	\$ 29,739,336

General Fund due to the Prop O Building Fund for a temporary loan to be repaid	\$ 28,650,000
Child Development Fund due to the Building Prop. O Fund for a temporary loan to be repaid	1,000,000
Building Prop. O Fund due to the General Fund for PERS Reduction charges as well as other costs incurred	10,053
Building Prop O Fund due to the County School Facilities Fund for a reversal of incorrect journal entry	79,283
	<u>\$ 29,739,336</u>

B. Interfund Transfers

Interfund transfers as of June 30, 2009 are as follows:

	Interfund transfers Out			Total
	Non "Prop O" Building Fund	"Prop O" Building Fund	Other Governmental Funds	
"Prop O" Building Fund	\$ 7,847	\$ -	\$ 6,957,208	\$ 6,965,055
Other Governmental Funds	-	(48,623)	-	(48,623)
Total	\$ 7,847	\$ (48,623)	\$ 6,957,208	\$ 6,916,432

Transfer from the Building Fund to the Building Prop O Fund for State portion of savings	\$ 7,847
Transfer from County School Facilities Fund to Building Prop O Fund for State portion of savings	6,957,208
Transfer from Building Prop O Fund to the County School Facilities Fund that should have originally been charged	(48,623)
	<u>\$ 6,916,432</u>

## *Supplementary Information Section*

---

---



**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
Budgetary Comparison Schedule – Proposition O Building Fund  
For the Fiscal Year Ended June 30, 2009**

---

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget -
	Original	Final		Pos (Neg)
<b>Revenues</b>				
Other local	\$ 3,000,000	\$ 8,000,000	\$ 3,844,388	\$ (4,155,612)
Total Revenues	3,000,000	8,000,000	3,844,388	(4,155,612)
<b>Expenditures</b>				
Classified salaries	160,471	182,279	182,278	1
Employee benefits	66,825	53,578	53,568	10
Books and supplies	1,814,307	2,627,716	130,221	2,497,495
Services and other operating expenditures	711,653	703,092	134,730	568,362
Capital outlay	129,215,894	184,256,532	20,514,926	163,741,606
Total Expenditures	131,969,150	187,823,197	21,015,723	166,807,474
Excess (deficiency) of revenues over (under) expenditures	(128,969,150)	(179,823,197)	(17,171,335)	162,651,862
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	6,925,414	6,965,055	39,641
Transfers out	-	-	(48,623)	(48,623)
Total Other Financing Sources (Uses)	-	6,925,414	6,916,432	(48,623)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(128,969,150)	(172,897,783)	(10,254,903)	162,603,239
Fund Balances, July 1, 2008	174,171,796	174,171,796	174,171,796	-
Fund Balances, June 30, 2009	\$ 45,202,646	\$ 1,274,013	\$ 163,916,893	\$ 162,603,239

## *Other Independent Auditors' Reports*

---

---



A Professional  
Accountancy Corporation

Jeff Nigro, CPA

Elizabeth Nigro, CPA

Christy White, CPA

MURRIETA OFFICE  
PH: 951.698.8783  
FAX: 951.699.1064  
25090 Jefferson Avenue  
Murrieta, CA 92562

SAN DIEGO OFFICE  
PH: 619.270.8222  
FAX: 619.260.9085  
2727 Camino Del Rio S.  
Suite 219  
San Diego, CA 92108

MEMBERS OF

- American Institute of CPAs
- California Society of CPAs
- California Association of School Business Officials
- Community Associations Institute

WEBSITE  
[www.nnwcpa.com](http://www.nnwcpa.com)

Licensed by the California  
Board of Accountancy

Proposition O Citizens' Bond Oversight Committee and  
Governing Board Members of  
Sweetwater Union High School District  
Chula Vista, California

**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**

We have audited the accompanying balance sheet of the Proposition O Bond Building Fund of Sweetwater Union High School District (the "District") and the related statement of revenues, expenditures and changes in fund balance as of and for the fiscal year ended June 30, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Proposition O Bond Building Fund of Sweetwater Union High School District's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Proposition O Bond Building Fund of Sweetwater Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Proposition O Bond Building Fund of Sweetwater Union High School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting, which is described as item #2009-1. 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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Proposition O Bond Building Fund of Sweetwater Union High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 *Governmental Auditing Standards*.

Sweetwater Union High School District's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Sweetwater Union High School District's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the Proposition O Citizens' Bond Oversight Committee, the District's Governing Board, management, and the taxpayers of Sweetwater Union High School District and is not intended to be and should not be used by anyone other than the specified parties.



San Diego, California  
January 27, 2010



A Professional  
Accountancy Corporation

**Jeff Nigro, CPA**  
**Elizabeth Nigro, CPA**  
**Christy White, CPA**

MURRIETA OFFICE  
PH: 951.698.8783  
FAX: 951.699.1064  
25090 Jefferson Avenue  
Murrieta, CA 92562

SAN DIEGO OFFICE  
PH: 619.270.8222  
FAX: 619.260.9085  
2727 Camino Del Rio S.  
Suite 219  
San Diego, CA 92108

MEMBERS OF  
• American Institute of CPAs  
• California Society of CPAs  
• California Association of  
School Business Officials  
• Community Associations  
Institute

WEBSITE  
www.nnwcpa.com

Licensed by the California  
Board of Accountancy

Proposition O Citizens' Bond Oversight Committee and  
Governing Board Members of  
Sweetwater Union High School District  
Chula Vista, California

### INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

We have audited the financial statements of the Proposition O Bond Building Fund of the Sweetwater Union High School District (the "District") as of and for the fiscal year ended June 30, 2009 and have issued our report thereon dated January 27, 2010. Our audit was made in accordance with generally accepted auditing standards in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the Proposition O General Obligation Bond for the fiscal year ended June 30, 2009. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds of the sale of the Proposition O Bonds were only used for the purposes set forth in the ballot Measure and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot Measure, evaluated the remodeling, new construction and renovations of items which will enhance student learning and safety in the District, with no funds expended on administrator salaries.

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

<b>Internal Control Evaluation</b>
------------------------------------

Procedures Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud or abuse regarding Proposition O projects
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper fund(s)

<b>Internal Control Evaluation (continued)</b>
--

Procedures Performed (continued):

Construction Management:

Through our inquiry, it was determined that the Seville Group, Inc (SGI) and Gilbane Building Company were chosen as the construction management company responsible for overseeing Proposition O projects. SGI/Gilbane Building Company monitors the budget daily to make sure the projects are on track with respect to time and cost. Invoices are approved by the lead construction manager responsible for of each project in which the invoice was associated. After the invoice is approved it is forwarded to others as appropriate, such as, California Design (Architect) or the inspector of the projects. Once invoices are approved by the outside parties involved, it is further processed and sent to the District's business services department. Additionally, SGI/Gilbane assists the District with the bidding of project for services. SGI/Gilbane Building Company prepares a detailed request for proposal and the District reviews and revises the list as necessary before it is published and sent to competing vendors.

Business Services:

The Proposition O funds are tracked separately in the District general ledger by being coded to Fund 22, which rolls up into Fund 21 for County reporting purposes. The individual Goal code in the account string indicates the project to which the money is being coded. All of the purchase requisitions are reviewed by the Director of Purchasing before creating a purchase order. All purchase orders for Proposition O funds are given a purchase order number starting with "SF" to indicate Proposition O and are reviewed by the Facilities Accounting Supervisor for budget before being routed to the Senior Buyer in Purchasing. The Assistant Superintendent of Facilities approves expenditures to verify that they are appropriate per Proposition O ballot language.

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the 2008-09 financial statement balances for the Proposition O Bond Fund are not materially misstated.

Results of Procedures Performed:

The results of audits tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unqualified opinion was expressed on the financial statements.



## Facilities Site Walk

### Procedures Performed:

We performed a site walk to verify that Proposition O funds expended for the fiscal year ended June 30, 2009 were for valid facilities acquisition and construction purposes. NNW toured four District construction sites where 2008-09 construction work occurred: Chula Vista High School, Chula Vista Middle School, Southwest High School, and Hilltop High School.

### Results of Procedures Performed:

Chula Vista High School: NNW viewed the trenches dug for utility lines, concrete was poured for the foundation of the new performing arts building, the library had electrical conduit installed as well as grading of land, there was painting inside of the cafeteria, the girls gym had new plumbing, walls, gas lines, pipes, windows and doors, and there was new structural reinforcement on the football field bleachers.

Chula Vista Middle School: NNW viewed that the cafeteria was being taken apart in preparation for hazardous materials and asbestos abatement and the science building had new concrete poured for the footings and stem wall structure.

Southwest High School: NNW viewed the foundation was set-up and preparation for installation of underground utilities.

Hilltop High School: NNW viewed that stucco was stripped off the exterior of the building and preparation made for various building demolitions.

## Tests of Expenditures

### Procedures Performed:

We tested expenditures to determine whether or not Proposition O funds were spent solely on voter and Board approved school facilities projects (as contained in the Facilities Master Plan). The expenditure testing included a sample of 37 payments, totaling \$4.8 million, or 23% of total expenditures for fiscal year 2008-09. Expenditures sampled in our test included payments made to the construction management company, architects, district bond position salaries and other vendors.

### Results of Procedures Performed:

We found the expenditures tested to be in compliance with the terms of the Proposition O ballot measure and applicable State laws and regulations without exception. We also determined that no bond expenditures were made on teacher or administrator salaries.

## Test of Contracts and Bid Procedures

### Procedures Performed:

For the fiscal year ended June 30, 2009, NNW performed testing of 5 contracts to determine compliance with District policy and Public Contract Code provisions related to contracting and bidding:

- Project: Sweetwater High School Grandstands  
Original Contract Award Amount: \$327,415
- Project: Chula Vista High School Grandstands  
Original Contract Award Amount: \$347,415
- Project: National City Middle School Interim Housing  
Original Contract Award Amount: \$318,444
- Project: Southwest Middle School Interim Housing  
Original Contract Award Amount: \$498,000
- Project: Bonita Vista High Bleacher Replacement  
Original Contract Award Amount: \$220,039

### Results of Procedures Performed:

We found that contracts tested followed proper bidding procedures, and were awarded in all cases to the lowest responsible bidder.



## Establishment of the Citizens' Oversight Committee

### Procedures Performed:

In accordance with AB 1908 (Assembly Bill) and Education Code section 15278, the District is required to establish a bond oversight committee for Prop 39 bonds including one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayer association, and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. The governing board of the school district shall establish and appoint members to an independent citizens' oversight committee, pursuant to Section 15282, within 60 days of the date that the governing board enters the election results on its minutes pursuant to Section 15274. We determined if the legal requirements for establishing the Citizens' Oversight Committee were met.

### Results of Procedures Performed:

We found that the District's governing Board did appoint members to the Citizens' Oversight Committee related to the Proposition 39 Bond that was passed on November 7, 2006 in a timely manner, within 60 days.

Our audit of compliance made for the purposes set forth in the second paragraph of this report would not necessarily disclose all instances of noncompliance.

In our opinion, based on the fieldwork described above, as well as other tests that we conducted, the District complied with the compliance requirements for the Proposition O Bond proceeds as listed and tested above.

This report is intended solely for the information and use of the Proposition O Citizens' Oversight Committee, the District's Governing Board, management, and the taxpayers of Sweetwater Union High School District and is not intended to be and should not be used by anyone other than these specified parties.

*Nigel Nigel & White, PC*

San Diego, California  
January 27, 2010

## *Findings and Recommendations Section*

---

---

**PROPOSITION O BOND BUILDING FUND OF  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
Schedule of Findings and Recommendations  
For the Fiscal Year Ended June 30, 2009**

---

There were findings related to the financial and performance audit of the Proposition O Bond Building Fund for the year ended June 30, 2009, set forth as follows:

**Finding #2009-1: Journal Entry Review**

The accounting technicians have the ability to make journal entries without the supervision or approval of a supervisor. This allows for the possibility of errors or fraud to go undetected in the financial statements. Note: this audit finding relates and was made to the district as a whole and not just the bond accounting function singularly.

**Recommendation:** We recommend that the District implement a procedure whereby a fiscal services manager signs off/approves all fiscal service department-initiated journal entries except for their own. This approval should also include approval of all entries made by Management. Evidence of signoff should be in the annual journal entry log, on each journal entry posted and recorded. This approval process will improve the oversight of journal entries posted during the year as well as during the year-end closing process; minimize the possibility that material errors or fraud may occur and remain undetected.

**District Response:** Beginning November 1, 2009 all journal entries are being reviewed by the Director of Fiscal Services. In addition, journal entries generated by the Director of Fiscal Services are reviewed by the Chief Financial Officer. Evidence of approval is noted by the authorizing signature.