

LITTLE LAKE CITY SCHOOL DISTRICT

**BUILDING FUND (MEASURE EE)
FINANCIAL AND PERFORMANCE AUDITS)**

JUNE 30, 2018

LITTLE LAKE CITY SCHOOL DISTRICT

**BUILDING FUND (MEASURE EE)
FINANCIAL AUDIT**

JUNE 30, 2018

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**FINANCIAL AUDIT
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JUNE 30, 2018**

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Citizens Oversight Committee
Little Lake City School District
Santa Fe Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Little Lake City School District's (the District) Building Fund (Measure EE) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 District'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 District'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Building Fund (Measure EE) of the Little Lake City School District as of June 30, 2018, and the respective changes in financial position 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 1, the financial statements present only the Building Fund specific to Measure EE, and are not intended to present fairly the financial position and changes in financial position of Little Lake City School District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018, on our consideration of the District's Building Fund (Measure EE) 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 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 District's Building Fund (Measure EE) internal control over financial reporting and compliance.



Rancho Cucamonga, California
November 7, 2018

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**BALANCE SHEET
JUNE 30, 2018**

ASSETS

Accounts receivable	\$ 194
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LIABILITIES AND FUND BALANCE

LIABILITIES

Overdrafts	\$ 194
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The accompanying notes are an integral part of these financial statements.

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

REVENUES

Local income	
Interest income	\$ 11,788

EXPENDITURES

Current	
Services	
Contracted services	28,000
Services and other operating expenditures	
Architect fees on buildings	78,418
Building and improvements to buildings	2,417,832
Building inspections	68,777
Tests on buildings and improvement	20,860
Other building costs	64,138
Total Expenditures	<u>2,678,025</u>

NET CHANGE IN FUND BALANCE	(2,666,237)
FUND BALANCE - BEGINNING	<u>2,666,237</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Little Lake City School District's (the District) Building Fund (Measure EE) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The Little Lake City School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund of the Little Lake City School District used to account for Measure EE projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure EE. These financial statements are not intended to present fairly the financial position and results of operations of the Little Lake City School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Building Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

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 governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balance - Building Fund (Measure EE)

As of June 30, 2018, the fund balance is classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. There was no remaining fund balance as of June 30, 2018.

Spending Order Policy

When an expenditure is incurred for purposes 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, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation 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.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted of the following:

Interest	<u>\$ 194</u>
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NOTE 3 - OVERDRAFT

The District reported an overdraft of \$194 at June 30, 2018.

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Litigation

The District is not currently a party to any legal proceedings.

INDEPENDENT AUDITOR'S REPORT



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**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***

Governing Board
Citizens Oversight Committee
Little Lake City School District
Santa Fe Springs, 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 Little Lake City School District (the District) Building Fund (Measure EE) as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2018.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure EE, and are not intended to present fairly the financial position and changes in financial position of Little Lake City School District in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Little Lake City 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 Little Lake City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Little Lake City 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 District'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Little Lake City School District's Building Fund (Measure EE) 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
November 7, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2018**

None reported.

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

There were no audit findings reported in the prior year's schedule of financial statement findings.

LITTLE LAKE CITY SCHOOL DISTRICT

**BUILDING FUND (MEASURE EE)
PERFORMANCE AUDIT**

JUNE 30, 2018

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**PERFORMANCE AUDIT
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JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and
 Citizens Oversight Committee
 Little Lake City School District
 Santa Fe Springs, California

We were engaged to conduct a performance audit of the Little Lake City School District (the District) Building Fund (Measure EE) for the year ended June 30, 2018.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Building Fund (Measure EE) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
 November 7, 2018

LITTLE LAKE CITY SCHOOL DISTRICT BUILDING FUND (MEASURE EE)

JUNE 30, 2018

AUTHORITY FOR ISSUANCE

The general obligation bonds associated with Measure EE were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County on August 8, 2012 (the Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on July 17, 2012.

The District received authorization from an election held on November 6, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$18,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2012 Authorization). The bonds represent all series of the authorized bonds to be issued under the 2012 Authorization.

PURPOSE OF ISSUANCE

The general obligation bond funds of the District would be used to improve the quality of local schools by renovating old and outdated classrooms, restrooms, upgrading science labs and computer systems to keep pace with technology, improving student safety and security systems, repairing, constructing, acquiring classrooms, school facilities and equipment, and to remove hazardous materials and improve student safety and security systems.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizen's oversight committee.

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

JUNE 30, 2018

4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure EE.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measure EE and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2018, were not reviewed, or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period July 1 2017 through June 30, 2018, for the Building Fund (Measure EE). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure EE as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included 15 transactions totaling \$2,260,595. This represents 84 percent of the total expenditures of \$2,678,025, including expenditures related to transferred funds.
3. We verified that funds from the Building Fund (Measure EE) were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

JUNE 30, 2018

CONCLUSION

The results of our tests indicated that, in all significant respects, the Little Lake City School District has properly accounted for the expenditures held in the Building Fund (Measure EE) and that such expenditures were made for authorized Bond projects.

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

None reported.

**LITTLE LAKE CITY SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

There were no audit findings reported in the prior year's schedule of financial statement findings.