

BEARDSLEY SCHOOL DISTRICT
BAKERSFIELD, CALIFORNIA

PROPOSITION 39
MEASURE A – GENERAL OBLIGATION BONDS – BUILDING FUND
FINANCIAL AUDIT REPORT

FOR THE YEAR ENDING JUNE 30, 2017

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BEARDSLEY SCHOOL DISTRICT
PROPOSITION 39
MEASURE A – GENERAL OBLIGATION BONDS – BUILDING FUND
FINANCIAL AUDIT REPORT
FOR THE YEAR ENDING JUNE 30, 2017

TABLE OF CONTENTS

Independent Auditor’s Report	1
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Budgetary Comparison Schedule	5
Notes to the Financial Statements	6
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9
Schedule of Findings and Questioned Costs	11



Independent Auditor's Report

Board of Trustees and the
Citizens' Bond Oversight Committee
Beardsley School District
Bakersfield, California 93308

Members of the Board of Trustees and the Citizens' Bond Oversight Committee:

We have audited the accompanying financial statements of the Measure A – General Obligation Bonds – Building Fund of Beardsley School District, as of and for the year ended June 30, 2017, and the related notes to the 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. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure A – General Obligation Bonds – Building Fund of the Beardsley School District as of June 30, 2017, 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.

We have applied certain limited procedures to the budgetary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistence with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the budgetary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure A – General Obligation Bonds – Building Fund and do not purport to, and do not, present fairly the financial position of the Beardsley School District as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity 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 March 30, 2018 on our consideration of Beardsley School District's internal control over financial report for the Measure A – General Obligation Bonds – Building Fund 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 Beardsley School District's internal control over financial reporting and compliance for the Measure A – General Obligation Bonds – Building Fund.

Respectfully submitted,

Scott Erwin CPA

Scott Erwin CPA Inc.

May 31, 2018

BEARDSLEY SCHOOL DISTRICT
PROPOSITION 39
MEASURE A - GENERAL OBLIGATION BONDS - BUILDING FUND
FINANCIAL AUDIT
BALANCE SHEET
JUNE 30, 2017

ASSETS:

Cash in County Treasury	\$ 7,564,467
Accounts receivable	22,893

Total Assets	<u><u>\$ 7,587,360</u></u>
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LIABILITIES AND FUND BALANCE:

Liabilities:

Accounts payable	<u>\$ 839,651</u>
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Fund Balance:

Restricted For Construction	<u>\$ 6,747,709</u>
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Total Liabilities and Fund Balance	<u><u>\$ 7,587,360</u></u>
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The accompanying notes are an integral part of this statement.

BEARDSLEY SCHOOL DISTRICT
PROPOSITION 39
MEASURE A - GENERAL OBLIGATION BONDS - BUILDING FUND
FINANCIAL AUDIT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

REVENUES:

Interest Earnings	\$ 60,498
Total Revenues	<u>60,498</u>

EXPENDITURES:

Plant Services	204,722
Capital Outlay	<u>1,001,067</u>
Total Expenditures	<u>1,205,789</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,145,291)</u>
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OTHER FINANCING SOURCES (USES):

Proceeds From Sale of Bonds	<u>7,893,000</u>
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Net Change in Fund Balance	6,747,709
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Fund Balance June 30, 2016	-
Fund Balance June 30, 2017	<u><u>\$ 6,747,709</u></u>

The accompanying notes are an integral part of this statement.

BEARDSLEY SCHOOL DISTRICT
PROPOSITION 39
MEASURE A - GENERAL OBLIGATION BONDS - BUILDING FUND
FINANCIAL AUDIT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:			
Interest Earnings	\$ 60,500	\$ 60,498	\$ (2)
Total Revenues	<u>60,500</u>	<u>60,498</u>	<u>(2)</u>
EXPENDITURES:			
Plant Services	207,000	204,722	2,278
Capital Outlay	<u>1,030,000</u>	<u>1,001,067</u>	<u>28,933</u>
Total Expenditures	<u>1,237,000</u>	<u>1,205,789</u>	<u>31,211</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,176,500)</u>	<u>(1,145,291)</u>	<u>31,209</u>
OTHER FINANCING SOURCES (USES):			
Proceeds From Sale of Bonds	<u>7,893,000</u>	<u>7,893,000</u>	<u>-</u>
Net Change in Fund Balance	6,716,500	6,747,709	31,209
Fund Balance June 30, 2016	-	-	-
Fund Balance June 30, 2017	<u>\$ 6,716,500</u>	<u>\$ 6,747,709</u>	<u>\$ 31,209</u>

The accompanying notes are an integral part of this statement.

BEARDSLEY SCHOOL DISTRICT
PROPOSITION 39
MEASURE A - GENERAL OBLIGATION BONDS – BUILDING FUND
FINANCIAL AUDIT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. In 2016, a general obligation bond proposition (Measure A) of the District was approved by the voters of the District. Measure A authorized the District to issue up to \$12,000,000 of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39 and related state legislation, the Board of Education of the District has established a Citizens’ Bond Oversight Committee and appointed members. The principal purpose of the Citizens’ Bond Oversight Committee, as set out in state law, is to inform the public as to the expenditures made using the proceeds of the bond issued pursuant to the bond authorization.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent audit to ensure that the proceeds of the bonds deposited into the Measure A – General Obligation Bonds – Building Fund (“Building Fund”) have been expended only for authorized bond projects.

The bond proceeds and uses are accounted for in the District’s Building Fund. The statements presented are for 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

The financial statements of the Building Fund 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 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. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve a portion 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires use of management's estimates. Actual results could differ from those estimates.

NOTE 2 – CASH

Cash in County Treasury

In accordance with Education Code Section 41001, the Building Fund maintains all of its cash in the Kern County Treasury as part of the common investment pool (\$7,564,467 as of June 30, 2017). The fair value of the Building Fund's portion of this pool as of that date, as provided by the pool sponsor, was \$7,564,467. Assumptions made in determining the fair value of the pool investment portfolios are available from the County Treasurer.

Analysis of Specific Deposit and Investment Risks

GASB Statement No 40 requires a determination as to whether the Building Fund was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only 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. The rating of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Building Fund was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institutions trust department or agent but not in the Building Fund's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Building Fund's name. At year end, the Building Fund was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Building Fund was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Building Fund was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Building Fund was not exposed to foreign currency risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, in the amount of \$22,893, represents the amount due from the Kern County Treasurer for interest earnings for the quarter ended June 30, 2017.

NOTE 4 – SUBSEQUENT EVENTS

Management believes no reportable events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through May 31, 2018 that would require adjustment to or disclosure in these financial statements.



**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***

Board of Trustees and the
Citizens' Bond Oversight Committee
Beardsley School District
Bakersfield, California 93308

Members of the Board of Trustees and the Citizens' Bond Oversight Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure A – General Obligation Bonds – Building Fund of Beardsley School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Measure A – General Obligation Bonds – Building Fund of Beardsley School District's basic financial statements, and have issued our report thereon dated May 31, 2018.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure A – General Obligation Bonds – Building Fund of Beardsley School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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.

Respectfully submitted,

Scott Erwin CPA

Scott Erwin CPA Inc.

May 31, 2018

BEARDSLEY SCHOOL DISTRICT
PROPOSITION 39
MEASURE A - GENERAL OBLIGATION BONDS – BUILDING FUND
FINANCIAL AUDIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

There were no findings for the year ending June 30, 2017. There are no prior period audit findings to be reported as this is the first fiscal year under audit.