

**ETIWANDA SCHOOL DISTRICT**

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

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**JUNE 30, 2017**

**ETIWANDA SCHOOL DISTRICT**

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

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**JUNE 30, 2017**

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

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JUNE 30, 2017**

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

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT

Governing Board and  
Citizens Oversight Committee  
Etiwanda School District  
Etiwanda, CA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Etiwanda School District's (the District), Building Fund (Measure I), 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 statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements, whether due to error or fraud. 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Building Fund (Measure I) of the Etiwanda School District at 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.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure I, and are not intended to present fairly the financial position and changes in financial position of Etiwanda 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 December 5, 2017, on our consideration of the District's Building Fund (Measure I) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's Building Fund (Measure I) internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Building Fund (Measure I) internal control over financial reporting and compliance.

*Varrick, Tinn, Day & Co., LLP*

Rancho Cucamonga, California  
December 5, 2017

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**BALANCE SHEET  
JUNE 30, 2017**

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**ASSETS**

Investments	\$ 45,488,224
Accounts receivable	18,841
Due from other funds	<u>1,319</u>
<b>Total Assets</b>	<b><u><u>\$ 45,508,384</u></u></b>

**LIABILITIES AND FUND BALANCE**

**Liabilities:**

Accounts payable	\$ 423,543
Due to other funds	<u>91,096</u>
<b>Total Liabilities</b>	<b><u>514,639</u></b>

**Fund Balance:**

Restricted for capital projects funds	<u>44,993,745</u>
<b>Total Liabilities and Fund Balance</b>	<b><u><u>\$ 45,508,384</u></u></b>

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

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

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<b>REVENUES</b>	
Interest income	\$ 18,841
<b>EXPENDITURES</b>	
Current	
Materials and supplies	2,397
Services and other operating expenditures	77,346
Capital outlay	
Building and improvements to buildings	557,636
Equipment	148,043
Cost of issuance	464,977
<b>Total Expenditures</b>	<u>1,250,399</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(1,231,558)</u>
<b>OTHER FINANCING USES</b>	
Other sources - proceeds from bond issuance	<u>46,225,303</u>
<b>NET CHANGE IN FUND BALANCE</b>	44,993,745
<b>FUND BALANCE - BEGINNING</b>	-
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 44,993,745</u></u>

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

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of the Etiwanda School District's (the District) Building Fund (Measure I) 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 District's 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 Etiwanda School District used to account for Measure I projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure I. These financial statements are not intended to present fairly the financial position and results of operation of the Etiwanda School District in compliance with accounting principles generally accepted in the United States of America.

**Fund Accounting**

The operations of the Building Fund (Measure I) 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 (Measure I) 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.

# ETIWANDA SCHOOL DISTRICT BUILDING FUND (MEASURE I)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### 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 I)

As of June 30, 2017, 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.

### 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.

### New Accounting Pronouncements

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

***NOTE 2 - INVESTMENTS***

**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 instrument; 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 agreement; 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.

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**Investment 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 statement 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.

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**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 is to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Investment Pool. The District maintains a Building Fund (Measure I) investment of \$45,488,224 with the San Bernardino County Investment Pool, with an average maturity of 341 days.

**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 rating by a nationally recognized statistical rating organization. The District's investment in the San Bernardino County Investment Pool is rated AAA/V1 by Standard and Poor's Investor Services.

***NOTE 3 - FAIR VALUE MEASUREMENTS***

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District that are not available to other market participants.

Uncategorized - Investments in the San Bernardino County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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The District's fair value measurements are as follows at June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
San Bernardino County Investment Pool	<u>\$ 45,438,454</u>	<u>\$ 45,438,454</u>

***NOTE 4 - ACCOUNTS RECEIVABLE***

Accounts receivable at June 30, 2017, consisted of the following:

Interest	<u>\$ 18,841</u>
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***NOTE 5 - DUE FROM OTHER FUNDS***

A balance of \$1,319 is due from the Special Reserve for Capital Outlay Projects Fund resulted from costs paid by the Building Fund.

***NOTE 6 - ACCOUNTS PAYABLE***

Accounts payable at June 30, 2017, consisted of the following:

Professional Services	\$ 65,145
Capital outlay	358,398
	<u>\$ 423,543</u>

***NOTE 7 - DUE TO OTHER FUNDS***

A balance of \$91,096 is due to the Special Reserve Fund for Capital Outlay Projects resulted from costs paid by the Special Reserve Fund for Capital Outlay Projects.

***NOTE 8 - FUND BALANCE***

The fund balance at June 30, 2017, is restricted for capital projects in the amount of \$44,993,745.

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

As of June 30, 2017, the Building Fund (Measure I) had the following commitments with respect to unfinished projects:

<u>Measure I Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Caryn Elementary New Restroom Building	\$ 957,403	2017-2018
Proposition 39 Energy Projects	232,475	2017-2018
	<u>\$ 1,189,878</u>	

**Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Measure I General Obligation Bond Funds at June 30, 2017.

**NOTE 10 - RECONCILIATION FUND BALANCE**

Summarized below is the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

FUND BALANCE	
Balance, June 30, 2017, Unaudited Actuals	\$ 45,038,295
Increase in:	
Accounts payable	(44,550)
Balance, June 30, 2017, Audited Financial Statement	<u>\$ 44,993,745</u>

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***INDEPENDENT AUDITOR'S REPORT***

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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 and  
Citizens Oversight Committee  
Etiwanda School District  
Etiwanda, CA

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 Etiwanda School District (the District) Building Fund (Measure I), as of and for the year ended June 30, 2017, and the related notes of the financial statements, and have issued our report thereon dated December 5, 2017.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure I, and are not intended to present fairly the financial position and changes in financial position of Etiwanda 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 the Etiwanda School District's Building Fund (Measure I) 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 the Etiwanda School District's Building Fund (Measure I) internal control. Accordingly, we do not express an opinion on the effectiveness of the Etiwanda School District's Building Fund (Measure I) 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Building Fund (Measure I) 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 Etiwanda School District's Building Fund (Measure I) financial statements are free of 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 Building Fund (Measure I) 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 Building Fund (Measure I) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinck, Trinn, Day & Co., LLP

Rancho Cucamonga, California  
December 5, 2017

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2017**

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None reported.

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

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As this is the first year for reporting the Building Fund (Measure I) funds, there are no prior year Financial Statement Findings.

**ETIWANDA SCHOOL DISTRICT**

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

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**JUNE 30, 2017**

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**PERFORMANCE AUDIT  
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JUNE 30, 2017**

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

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**INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE**

Governing Board and  
 Citizens Oversight Committee  
 Etiwanda School District  
 Etiwanda, CA

We were engaged to conduct a performance audit of the Etiwanda School District (the District) Building Fund (Measure I) for the year ended June 30, 2017.

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. 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's Building Fund (Measure I) funds are in compliance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

*Vavrinek, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
 December 5, 2017

# **ETIWANDA SCHOOL DISTRICT BUILDING FUND (MEASURE I)**

**JUNE 30, 2017**

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## ***AUTHORITY FOR ISSUANCE***

The general obligation bonds associated with Measure I 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 District received authorization from an election held on November 8, 2016, to issue bonds of the District in an aggregate principal amount not to exceed \$137,000,000 to finance 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 bonds represent the first series of the authorized bonds to be issued.

## ***PURPOSE OF ISSUANCE***

The general obligation bond funds of the District would be used to repair/upgrade neighborhood schools, meet safety, academic, technology standards and reduce overcrowding by improving school security, including 9-1-1 emergency communications, cameras, wiring, smoke alarms/door locks; upgrading classroom computers, water pipes, labs/libraries; acquiring, constructing, equipping and repairing classrooms/sites/facilities.

## ***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.
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.

# **ETIWANDA SCHOOL DISTRICT BUILDING FUND (MEASURE I)**

**JUNE 30, 2017**

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## ***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 I.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measure I and not for District general administration or operations.

## ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2016 to June 30, 2017. 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, 2017, 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 fiscal year ended June 30, 2017, for the Building Fund (Measure I). 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 I as to the approved bond projects list. We performed the following procedures:

1. We received the general ledger and verified that a separate Building Fund (Measure I) of the District has been established to account for the receipt of Bond proceeds and expenditures of the funds for the period July 1, 2016 through June 30, 2017.
2. We selected a sample of expenditures for the period starting July 1, 2016 and ending June 30, 2017, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
3. Our sample included transactions totaling \$911,160. This represents 73 percent of the total expenditures of \$1,250,399.
4. We verified that funds from the Building Fund (Measure I) were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

## ***CONCLUSION***

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

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

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None reported.

**ETIWANDA SCHOOL DISTRICT  
BUILDING FUND (MEASURE I)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

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As this is the first year for reporting the Building Fund (Measure I) funds, there are no prior year Schedule of Findings or Questioned Costs.



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

VALUE THE *difference*

To the Board of Trustees, Management,  
and Citizens' Bond Oversight Committee  
Etiwanda School District  
Etiwanda, California

We have audited the financial statements of the Building Fund (Measure I) of Etiwanda School District (the District) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 12, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the District's Building Fund (Measure I) financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### *Disagreements With Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To the Board of Trustees, Management,  
and Citizens' Bond Oversight Committee  
Etiwanda School District  
Page 2 of 2

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 5, 2017.

*Management Consultations With Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of the Board of Trustees, management of the Etiwanda School District, and the Citizens' Bond Oversight Committee of the District and it is not intended to be, and should not be, used by anyone other than these specified parties.

*Vanneth Tuma, Day & Co, LLP*

Rancho Cucamonga, California  
December 5, 2017