

**LAMMERSVILLE UNIFIED SCHOOL DISTRICT**

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MEASURE L MEASURE L GENERAL OBLIGATION BONDS, ELECTION OF 2016  
FINANCIAL AUDIT

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**JUNE 30, 2017**



**Cichella & Tokunaga, LLP**

Certified Public Accountants



LAMMERSVILLE UNIFIED SCHOOL DISTRICT

MEASURE L MEASURE L GENERAL OBLIGATION BONDS, ELECTION OF 2016

JUNE 30, 2017

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# Cichella & Tokunaga, LLP

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Lammersville Unified School District  
and

Citizens' Oversight Committee  
Measure L General Obligation Bonds, Election of 2016

### Report on the Financial Statements

We have audited the accompanying financial statements of the Lammersville Unified School District's (the District) Measure L General Obligation Bonds, Election of 2016, General Obligation Bond Fund (the Bond Fund), as of and for the year ended June 30, 2017.

### 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 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 principles used and the reasonableness of significant accounting 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.

### Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Measure L General Obligation Bonds, Election of 2016 Bond Fund of the Lammersville Unified School District at

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June 30, 2017, and the results of its operations for the period then ended in conformity 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 financial activities Measure L General Obligation Bonds, Election of 2016 Bond Fund, as of June 30, 2017, and are not intended to present fairly the financial position and the results of operations of Lammersville Unified School District in conformity with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2017, on our consideration of the Bond Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 with the results of our audit.

*Cichella & Tokunaga, LLP*

El Dorado Hills, California  
January 9, 2017

**LAMMERSVILLE UNIFIED SCHOOL DISTRICT**

**MEASURE L GENERAL OBLIGATION BONDS, ELECTION OF 2016  
BALANCE SHEET  
JUNE 30, 2017**

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**Assets**

Deposits and Investments	\$ 22,026,684
Due from Other Funds	-
Total Assets	<u>22,026,684</u>

**Liabilities**

Accounts Payable	<u>98,252</u>
Total Liabilities	<u>98,252</u>

**Fund Balance**

Unreserved:	
Designated for General Obligation Bonds, Election of 2016 Projects	<u>21,928,432</u>
Total Fund Balance	<u>21,928,432</u>
Total Liabilities and Fund Balance	<u>\$ 22,026,684</u>

*The accompanying notes are an integral part of these statements*

**LAMMERSVILLE UNIFIED SCHOOL DISTRICT**

**MEASURE L GENERAL OBLIGATION BONDS, ELECTION OF 2016  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**Revenues**

Interest Revenue	\$ 117,282
Total Revenues	<u>117,282</u>

**Expenditures**

Facilities acquisition and construction	23,933,850
Total Expenditures	<u>23,933,850</u>

**Excess (Deficiency) of Revenue Over Expenditures** (23,816,568)

**Other Financing Sources (Uses)**

Proceeds from sale of bonds	45,745,000
Net Financing Sources (Uses)	<u>45,745,000</u>

**Net Change in Fund Balance**

Fund Balance - July 1, 2016	-
Fund Balance - June 30, 2017	<u>\$ 21,928,432</u>

*The accompanying notes are an integral part of these statements*



# LAMMERSVILLE UNIFIED SCHOOL DISTRICT

## MEASURE L GENERAL OBLIGATION BONDS, ELECTION OF 2016 NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Measure L General Obligation Bonds, Election of 2016 Fund (the Bond Fund) of the Lammersville Unified School District (the District) 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. The Bond 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 the financial activity of the Measure L General Obligation Bonds, Election of 2016 Fund only. The Bond Fund was established to account for the expenditures of general obligation bonds issued under the Bond Election of 2016. These financial statements are not intended to present the financial position and results of operations of the Lammersville Unified School District as a whole, in conformity with accounting principles generally accepted in the United States of America.

The Bonds were authorized to be issued at an election held on June 7, 2016, by 55% or more of the votes cast by eligible voters within the District. The Measure L authorized the District to issue bonds in an aggregate principal amount not to exceed \$56,000,000 to finance new construction and additions to and modernization of school facilities for the District.

On November 15, 2016 the District issued General Obligation Bonds 2016 Election, Series A, in the amount of \$56,000,000 for the purpose of financing school facilities, property and equipment. The Bonds have a variable interest rate of 3.00 percent - 5.00 percent and matures on August 1, 2046.

The Bond Project List lists the specific projects the District proposes to finance with proceeds of the Measure L Bonds. Listed projects and upgrades will be completed as needed at a particular school site. Each project is assumed to include its share of costs of the election and bond issuance, architectural, engineering, and similar planning costs, construction management, and customary contingency for unforeseen design and construction costs. The final cost of each project will be determined as plans are finalized, construction bids are awarded, and projects are completed. In addition, certain construction funds expected from non-bond sources, including State grant funds for eligible projects, have not yet been secured. Therefore, the Board of Education cannot guarantee that the bonds will provide sufficient funds to allow completion of all listed projects.

An oversight committee to the District's Governing Board and Superintendent, called the Citizens' Oversight Committee (COC), was established pursuant to the requirements of State law and the provisions of the Bond. The COC is required by state law to actively review and report on the proper expenditure of taxpayers' money for school construction. The COC provides oversight and advises the public whether the District is spending the Bond funds for school capital improvements within the scope of projects outlined in the Bond project list. In fulfilling its duties, the COC reviews, among other things, the District's annual performance and financial audits of activity.

## LAMMERSVILLE UNIFIED SCHOOL DISTRICT

### MEASURE L GENERAL OBLIGATION BONDS, ELECTION OF 2016 NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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#### **Basis of Accounting**

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

The financial statements of the Bond Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Long-term debt is not included as a liability of the Measure L General Obligation Bonds, Election of 2016 resources, but is disclosed separately in the notes to financial statements. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

#### **Deposits and Investments**

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

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost.

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; 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.

#### **Accounting Policies**

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

#### **Fund Balance - Governmental Funds**

As of June 30, 2017, fund balances of the Bond Fund are classified as restricted. 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.

**LAMMERSVILLE UNIFIED SCHOOL DISTRICT**

**MEASURE L GENERAL OBLIGATION BONDS, ELECTION OF 2016  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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.

**Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**Summary of Deposits and Investments**

At June 30, 2017 the Building Fund deposits and investments consist of the following:

Cash in county treasurer	\$ 22,026,684
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**County Pool Investments**

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.

# LAMMERSVILLE UNIFIED SCHOOL DISTRICT

## MEASURE L GENERAL OBLIGATION BONDS, ELECTION OF 2016 NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### General Authorization

Limitation as they related to interest rate risk, credit risk, and concentration of credit risk are indicated in the following schedule:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

### 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 pool.

### NOTE 3 – CONSTRUCTION COMMITMENTS

The Bond Building Fund had no construction commitments as of June 30, 2017.

**LAMMERSVILLE UNIFIED SCHOOL DISTRICT**

**MEASURE L GENERAL OBLIGATION BONDS, ELECTION OF 2016  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 4 – GENERAL OBLIGATION BONDS**

**Bonded Debt**

The outstanding general obligation bonded debt of the District at June 30, 2017 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2017
				Outstanding July 1, 2016	Issued/ Accretion	Redeemed	
11/15/2016	8/1/2046	3.00%-5.00%	\$ 56,000,000	\$ -	\$ 56,000,000	\$ -	\$ 56,000,000

**Debt Service Requirements to Maturity**

The bonds mature through 2040 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	-	1,584,642	\$ 1,584,642
2019	-	2,367,100	2,367,100
2020	-	2,367,100	2,367,100
2021	-	2,367,100	2,367,100
2022	-	2,367,100	2,367,100
2023-2027	1,600,000	11,758,900	13,358,900
2028-2032	5,120,000	11,113,750	16,233,750
2033-2037	10,150,000	9,326,750	19,476,750
2038-2042	15,180,000	6,730,600	21,910,600
2043-2047	23,950,000	3,037,000	26,987,000
<b>Total</b>	<b>56,000,000</b>	<b>\$ 53,020,042</b>	<b>\$109,020,042</b>

# Cichella & Tokunaga, LLP

Certified Public Accountants

## **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 Education  
Lammersville Unified School District

and

Citizens' Oversight Committee  
Measure L General Obligation Bonds, Election of 2016

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 accompanying financial statements of the Measure L General Obligation Bonds, Election of 2016 Fund (the Bond Fund), as of and for the year ended June 30, 2017, and have issued our report thereon dated January 9, 2017.

As discussed in Note 1, the financial statements present only the Fund specific to the Bond Fund, and are not intended to present fairly the financial position and results of operations of Lammersville Unified School District (the District) in conformity with accounting principles generally accepted in the United States of America.

### **Internal Control Over Financial Reporting**

Management of the Bond Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Bond Fund's internal control over financial reporting as a basis for 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 the Bond Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bond Fund's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 previously.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Bond Fund's 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 entity's internal control or no 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.

*Cedell + Tolson, LLP*

El Dorado Hills, California  
January 9, 2017

There are no matters to report for the fiscal year ended June 30, 2017.

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**LAMMERSVILLE UNIFIED SCHOOL DISTRICT**  
**MEASURE 1 GENERAL OBLIGATION BONDS, ELECTION OF 2016**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**





