

EL TEJON UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE "E" BOND PROGRAM
FINANCIAL AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2012

EL TEJON UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE "E" BOND PROGRAM
FINANCIAL AUDIT REPORT
JUNE 30, 2012

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NANCY L. ROBERTS, CPA
TELEPHONE
(661) 327-4511

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS
2100 "E" STREET
BAKERSFIELD, CALIFORNIA 93301
rjcpa@att.net

SEAN JAMES, CPA
FACSIMILE
(661) 327-4509

The Board of Trustees
Bond Oversight Committee
El Tejon Unified School District
Lebec, California 93243

Independent Auditors' Report

We have audited the accompanying balance sheet of the Measure "E" General Obligation Bond Building Fund (the "Fund") of El Tejon Unified School District (the "District") as of June 30, 2012, and the related statements of revenues, expenditures and changes in fund balance and of revenues, expenditures, and changes in fund balance budget to actual as of and for the fiscal year ended June 30, 2012. These financial statements are the responsibility of the District's management. 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 and 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 reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the individual Measure "E" General Obligation Bond Building Fund and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure "E" General Obligation Bond Building Fund of El Tejon Unified School District, as of June 30, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013 on our consideration of Measure "E" General Obligation Bond Building Fund of the El Tejon Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

January 11, 2013

EL TEJON UNIFIED SCHOOL DISTRICT
MEASURE "E" GENERAL OBLIGATION BOND BUILDING FUND
BALANCE SHEET
FOR THE YEAR ENDING JUNE 30, 2012

ASSETS	
Cash in County Treasury	\$ 280,487
Accounts receivable	<u>472</u>
ASSETS	<u>\$ 280,959</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	<u>\$ -</u>
Fund Balances	
Restricted for construction	<u>\$ 280,959</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 280,959</u>

The notes to the financial statements are an integral part of these statements.

EL TEJON UNIFIED SCHOOL DISTRICT
 MEASURE "E" GENERAL OBLIGATION BOND BUILDING FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDING JUNE 30, 2012

REVENUES	
Interest earnings	\$ 4,520
Total Revenues	4,520
EXPENDITURES	
Supplies	856
Services and other operating expenditures	1,140,539
Capital outlay	3,423
Total Expenditures	1,144,818
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,140,298)
OTHER FINANCING SOURCES (USES)	
Total Other Financing Sources (Uses)	-
Net Change in Fund Balance	(1,140,298)
Fund Balance June 30, 2011	1,421,257
Fund Balance June 30, 2012	\$ 280,959

The notes to the financial statements are an integral part of these statements.

EL TEJON UNIFIED SCHOOL DISTRICT
 MEASURE "E" GENERAL OBLIGATION BOND BUILDING FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDING JUNE 30, 2012

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Interest earnings	\$ 20,000	\$ 4,520	\$ (15,480)
Total Revenues	<u>20,000</u>	<u>4,520</u>	<u>(15,480)</u>
EXPENDITURES			
Supplies	1,500	856	644
Services and other operating expenditures	1,439,000	1,140,539	298,461
Capital outlay	<u>3,424</u>	<u>3,423</u>	<u>1</u>
Total Expenditures	<u>1,443,924</u>	<u>1,144,818</u>	<u>299,106</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,423,924)	(1,140,298)	283,626
OTHER FINANCING SOURCES (USES)			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,423,924)	(1,140,298)	283,626
Fund Balance June 30, 2011	<u>1,421,257</u>	<u>1,421,257</u>	<u>-</u>
Fund Balance June 30, 2012	<u>\$ (2,667)</u>	<u>\$ 280,959</u>	<u>\$ 283,626</u>

The notes to the financial statements are an integral part of these statements.

EL TEJON UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE "E" BOND PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In the Election of 2005, Series 2006 the District voters authorized \$7,120,000 in General Obligation Bonds (Measure "E") for the purpose of relieving school overcrowding, improving school safety, replacing portable classrooms with equipped permanent classrooms, building a multipurpose facility at the elementary school and constructing and equipping a new elementary. In response, an advisory committee to the District's Governing Board and Superintendent, the Measure "E" Bond Oversight Committee, was established. The Committee's oversight goals include: advising on bond construction priorities, reviewing school bond construction plans, verifying that project plans are in alignment with the budget, and ensuring compliance with conditions of Measure "E".

The bond proceeds and uses are accounted for in the District's Bond Building fund. The statements presented are for the individual Measure "E" General Obligation Bond Building Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

Accounting Policies

The El Tejon Unified School 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).

Basis of Accounting

The financial statements of the Measure "E" General Obligation Bond 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 management to make estimates and assumptions that affect certain 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates

NOTE 2 – CASH

Policies and Practices

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

Cash in County Treasury – The District is considered 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.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The Fund maintains an investment with the Kern County Investment Pool with a fair value of approximately \$280,487 and a book value of \$280,487.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Kern County Investment Pool is rated AAA/MR1 by Moody's Investor Service.

Concentration of Credit Risk

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 in the amount of \$472 represent the amount due from the Kern County Treasurer for interest earnings for the quarter ended June 30, 2012.

NOTE 4 – MEASURE “E” GENERAL OBLIGATION BONDS

The bonds were authorized at an election of the registered voters in 2005 at which more than 55 percent of the voters authorized the issuance and sale of \$7,120,000 general obligation bonds. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the district for the payment of interest and principal of the bonds.

The annual requirements to amortize all general obligation bonds payable, outstanding as of June 30, 2012, are as follows:

<u>Year End June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 210,000	\$ 291,139	\$ 501,139
2014	230,000	269,139	499,139
2015	250,000	252,639	502,639
2016	260,000	242,439	502,439
2017	270,000	231,839	501,839
2018	280,000	220,839	500,839
2019	295,000	209,154	504,154
2020	305,000	196,779	501,779
2021	320,000	183,769	503,769
2022	330,000	170,036	500,036
2023	345,000	155,693	500,693
2024	360,000	140,621	500,621
2025	375,000	124,678	499,678
2026	390,000	107,944	497,944
2027	410,000	90,444	500,444
2028	425,000	72,125	497,125
2029	445,000	52,763	497,763
2030	465,000	32,288	497,288
2031	485,000	10,912	495,912
Totals	<u>\$ 6,450,000</u>	<u>\$ 3,055,240</u>	<u>\$ 9,505,240</u>

NOTE 5 – SUBSEQUENT EVENTS

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through January 11, 2013 that would require adjustment to or disclosure in these financial statements.

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Board of Trustees and the
Citizens' Bond Oversight Committee
El Tejon Unified School District
Lebec, California

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards

We have audited the financial statements of the Measure "E" General Obligation Bond Building Fund of the El Tejon Unified School District (the "District") as of June 30, 2012, and have issued our report thereon dated January 11, 2013. 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.

Internal Control Over Financial Reporting

Management of El Tejon Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered El Tejon Unified School District'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 El Tejon Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the El Tejon Unified School District'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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Tejon Unified School District'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*.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

January 11, 2013

EL TEJON UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE "E" BOND PROGRAM
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2012

There were no financial findings for the year ending June 30, 2012.

EL TEJON UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE "E" BOND PROGRAM
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2012

There were no financial findings for the year ending June 30, 2011.