

LINDSAY UNIFIED SCHOOL DISTRICT

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

JUNE 30, 2017

LINDSAY UNIFIED SCHOOL DISTRICT

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

JUNE 30, 2017

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

**TABLE OF CONTENTS
JUNE 30, 2017**

FINANCIAL SECTION

Independent Auditor's Report	2
Building Fund (Measure L)	
Balance Sheet	4
Statement of Revenues, Expenditures, and Changes in Fund Balance	5
Notes to Financial Statements	6

SUPPLEMENTARY INFORMATION

Schedule of Long-Term Obligations	11
Reconciliation of Annual Financial Report With Audited Building Fund (Measure L)	14
Note to Supplementary Information	15

OTHER INDEPENDENT AUDITOR'S REPORT

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>	17
--	----

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statement Findings	20
Summary Schedule of Prior Audit Findings	21

FINANCIAL SECTION



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

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT

Governing Board and
Citizens Oversight Committee
Lindsay Unified School District
Lindsay, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Lindsay Unified School District's (the District), Building Fund (Measure L), and the related notes to the financial statements, as of and for the year ended June 30, 2017, 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 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 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 financial position of the Building Fund (Measure L) of the Lindsay Unified 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 L, and are not intended to present fairly the financial position and changes in financial position of Lindsay Unified 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 Matters

Our audit was conducted for the purpose of forming opinions on the financial statements of the Lindsay Unified School District's Building Fund (Measure L). The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the District's Building Fund (Measure L) 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* in considering the District's Building Fund (Measure L) internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 7, 2017

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

**BALANCE SHEET
JUNE 30, 2017**

ASSETS

Deposits and investments	\$ <u>557</u>
--------------------------	---------------

FUND BALANCE

Restricted for capital projects	\$ <u>557</u>
---------------------------------	---------------

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

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

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

REVENUES

Local Sources	
Interest income	\$ 23,231
Increase/(decrease) in fair value of investments	(35,470)
Total Revenues	<u>(12,239)</u>

EXPENDITURES

Supplies	
Materials and supplies	74,130
Noncapitalized equipment	52,455
Services	
Professional/consulting services and operating expenditures	1,212
Capital outlay	
Buildings and Improvements of buildings	3,984,451
Debt service	
Principal	1,775,000
Interest and other	282,650
Total Expenditures	<u>6,169,898</u>

DEFICIENCY OF EXPENDITURES OVER REVENUES (6,182,137)

Other Financing Sources:

Proceeds from bond issuance	<u>2,057,650</u>
-----------------------------	------------------

NET CHANGE IN FUND BALANCE (4,124,487)

FUND BALANCE - BEGINNING 4,125,044

FUND BALANCE - ENDING \$ 557

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

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lindsay Unified School District Building Fund (Measure L) 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 Lindsay Unified School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

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

Fund Accounting

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

Basis of Accounting

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

Budgets and Budgetary Accounting

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

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

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

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 L)

As of June 30, 2017, the fund balance of the Building Fund 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.

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 May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

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

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.

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.

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

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

General Authorizations

Limitations as they relate to interest rate 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

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 manages its exposure to interest rate risk by investing in the County Pool. The District's Building Fund (Measure L) maintains an investment of \$557 with the Tulare County Investment Pool, with an average maturity of 546 days.

NOTE 3 - CONTINGENCIES

Litigation

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

SUPPLEMENTARY INFORMATION

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017**

Measure L Bonded Debt

The outstanding general obligation bonded debt issued under Measure L is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds
				Outstanding July 1, 2016	Redeemed	Outstanding June 30, 2017
5/21/13	8/1/43	3.00-5.00%	\$ 5,185,000	\$ 5,185,000	\$ -	\$ 5,185,000
8/5/14	8/1/39	2.00-5.25%	1,500,000	1,430,000	50,000	1,380,000
6/1/17	8/1/46	3.38-4.00%	2,000,000	2,000,000	-	2,000,000
Total				<u>\$ 8,615,000</u>	<u>\$ 50,000</u>	<u>\$ 8,565,000</u>

The voters of the District passed a \$16,000,000 bond election on November 6, 2012. In May 2013, the District issued \$5,185,000 of Election of 2012, Series 2013A General Obligation Bonds for the purpose of financing the renovation, construction and improvement of school facilities. The 2013A Bonds were the first series of bonds to be issued under the 2012 authorization. The bonds were issued as current interest bonds. Interest is payable semiannually on each February 1 and August 1 commencing August 1, 2013.

On August 5, 2014, the District issued Election of 2012, Series 2014B General Obligation Bonds in the amount of \$1,500,000 in Current Interest Bonds for the purpose of financing the renovation, construction and improvement of school facilities. The bonds yield interest ranging from 2.00 percent to 5.25 percent. The bonds mature incrementally on a yearly basis from August 1, 2015 through August 1, 2039. Interest on the Current Interest Bonds is payable semiannually each February 1 and August 1 until maturity, commencing February 1, 2015. The 2014B Bonds were the second series of bonds to be issued under the 2012 authorization.

On June 1, 2017, the District issued \$2,000,000 of Election of 2012, Series 2017C General Obligation Bonds. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2018. The bonds were issued to prepay a portion of the 2010 Qualified Zone Academy Bonds, the proceeds of which were used by the District to finance the renovation of certain facilities of the District. The bonds are the third series of bonds to be issued under the authorization.

See accompanying note to supplementary information.

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017**

Debt Service Requirements to Maturity

Series 2013 A

The bonds mature through 2044 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ -	\$ 223,138	\$ 223,138
2019	-	223,138	223,138
2020	-	223,138	223,138
2021	25,000	223,138	248,138
2022	25,000	222,387	247,387
2023-2027	205,000	1,094,535	1,299,535
2028-2032	580,000	1,025,162	1,605,162
2033-2037	1,065,000	866,738	1,931,738
2038-2042	1,760,000	563,050	2,323,050
2043-2044	1,525,000	80,750	1,605,750
Total	<u>\$ 5,185,000</u>	<u>\$ 4,745,174</u>	<u>\$ 9,930,174</u>

Series 2014 B

The bonds mature through 2040 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 65,000	\$ 53,731	\$ 118,731
2019	80,000	52,431	132,431
2020	95,000	50,831	145,831
2021	10,000	48,931	58,931
2022	15,000	48,731	63,731
2023-2027	135,000	236,270	371,270
2028-2032	225,000	209,812	434,812
2033-2037	410,000	138,038	548,038
2038-2040	345,000	28,400	373,400
Total	<u>\$ 1,380,000</u>	<u>\$ 867,175</u>	<u>\$ 2,247,175</u>

See accompanying note to supplementary information.

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017**

Series 2017 C

The bonds mature through 2040 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ -	\$ 49,320	\$ 49,320
2019	-	78,562	78,562
2020	-	78,562	78,562
2021	-	78,562	78,562
2022	-	78,562	78,562
2023-2027	-	392,812	392,812
2028-2032	-	392,812	392,812
2033-2037	-	392,812	392,812
2038-2042	230,000	385,053	615,053
2043-2036	1,770,000	194,000	1,964,000
Total	<u>\$ 2,000,000</u>	<u>\$ 2,121,057</u>	<u>\$ 4,121,057</u>

See accompanying note to supplementary information.

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
BUILDING FUND (MEASURE L)
JUNE 30, 2017**

There were no adjustments to the Unaudited Actual Building Fund (Measure L), which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Long-Term Obligations

This schedule provides a debt repayment schedule associated with the bond proceeds received through issuance of Proposition 39 obligations.

Reconciliation of Annual Financial Report with Audited Building Fund (Measure L)

This schedule provides the information necessary to reconcile the fund balance of the Building Fund (Measure L) reported on the Unaudited Actual Financial Report to the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORT



**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
Lindsay Unified School District
Lindsay, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Lindsay Unified School District (the District) Building Fund (Measure L), 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 7, 2017.

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure L, and are not intended to present fairly the financial position and changes in financial position of Lindsay Unified 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, we considered Lindsay 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 Lindsay Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lindsay 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 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 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, significant deficiencies or material weaknesses. 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 Lindsay Unified School District's Building Fund (Measure L) 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 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.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 7, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2017**

None reported.

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

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

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

LINDSAY UNIFIED SCHOOL DISTRICT

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

JUNE 30, 2017

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

**TABLE OF CONTENTS
JUNE 30, 2017**

Independent Auditor's Report on Performance	1
Authority for Issuance	2
Purpose of Issuance	2
Authority for the Audit	2
Objectives of the Audit	3
Scope of the Audit	3
Procedures Performed	3
Conclusion	3
Schedule of Findings and Questioned Costs	4
Summary Schedule of Prior Year Audit Findings	5



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

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and
Citizens Oversight Committee
Lindsay Unified School District
Lindsay, California

We were engaged to conduct a performance audit of the Lindsay Unified School District (the District) Building Fund (Measure L) 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, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 7, 2017

LINDSAY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE L)

JUNE 30, 2017

AUTHORITY FOR ISSUANCE

The general obligation bonds associated with Measure L were issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, Article XIII A of the California Constitution (the State), and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Tulare County Board of Supervisors (the Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District on March 14, 2013.

The District received authorization at an election of the registered voters of the District held on November 6, 2012, which authorized the issuance of \$16,000,000 of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. To date, the District has issued three series of bonds under the authorization. In May 2013, the District issued \$5,185,000 of Election of 2012, Series 2013A General Obligation Bonds, in August 2014, the District issued Election of 2012, Series 2014B General Obligation Bonds in the amount of \$1,500,000, and in June 2017, the District issued Election of 2012, Series 2017C General Obligation Bonds in the amount of \$2,000,000.

PURPOSE OF ISSUANCE

To modernize, construct, and improve classrooms and student support facilities at our older schools and ensure comparable classrooms for all students throughout the District, increase student access to computers and modern classroom technology, provide the local match for State grants, and reduce utility operating costs, shall the Lindsay Unified School District be authorized to issue up to \$16,000,000 in bonds at legal interest rates, with an independent Citizens' Oversight Committee, annual audits, and no money for administrator salaries.

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 citizens' oversight committee.

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

JUNE 30, 2017

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

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure L.
2. Determine whether salary transactions, if any, charged to the Building Fund were in support of Measure L 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 L). 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 L as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 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.
2. Our sample included transactions totaling \$5,754,491 which represents 93.3 percent of the total expenditures of \$6,169,898.
3. We verified that funds from the Building Fund (Measure L) were 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 Lindsay Unified School District has properly accounted for the expenditures held in the Building Fund (Measure L) and that such expenditures were made for costs authorized by the voters of the District.

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

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

None reported.

**LINDSAY UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L)**

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

There were no audit findings reported in the prior year's schedule of findings and questioned costs.