

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 FUNDING
FINANCIAL AUDIT – MEASURE S**

June 30, 2015

TEMPLE CITY UNIFIED SCHOOL DISTRICT
PROPOSITION 39 FUNDING
FINANCIAL AUDIT
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INDEPENDENT AUDITOR'S REPORT

The Board of Education
The Citizens' Oversight Committee
Temple City Unified School District
Temple City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Bond Building Fund – Measure S (Fund) of the Temple City Unified School District (District), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bond Building Fund – Measure S, of the District, as of June 30, 2015, and the respective changes in financial position for the fiscal 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 – Measure S and do not present fairly the financial position of the District, as of June 30, 2015, and the change in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United State 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 15, 2015, on our consideration of the District’s internal control over the Bond Building Fund’s 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 controls 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 internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated December 15, 2015 on our consideration of the Bond Building Fund – Measure S’s compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Bond Building Fund – Measure S for the fiscal year ended June 30, 2015 should be considered in assessing the results of our financial audit.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 15, 2015

TEMPLE CITY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
BOND BUILDING FUND – MEASURE S
June 30, 2015

Assets	
Cash in County Treasury	\$ 30,153,542
Accounts and interest receivable	<u>100,319</u>
Total assets	<u>\$ 30,253,861</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ <u>1,110,027</u>
Total liabilities	<u>1,110,027</u>
Fund Balance:	
Restricted for construction	<u>29,143,834</u>
Total fund balance	<u>29,143,834</u>
Total liabilities and fund balance	<u>\$ 30,253,861</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BOND BUILDING FUND – MEASURE S
For the Fiscal Year Ended June 30, 2015

Revenues:	
Interest	\$ 220,790
	<u>220,790</u>
Total revenues	<u>220,790</u>
 Expenditures:	
Contracted services and other operating expenditures	950,744
Books and supplies	66,018
Capital outlay	5,549,696
	<u>6,566,458</u>
Total expenditures	<u>6,566,458</u>
Excess (deficiency) of revenues over expenditures	(6,345,668)
Fund balance, July 1, 2014	<u>35,489,502</u>
Fund balance, June 30, 2015	<u>\$ 29,143,834</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
BOND BUILDING FUND – MEASURE S
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ -	\$ 220,790	\$ 220,790
Total revenues	<u> </u>	<u>220,790</u>	<u>220,790</u>
Expenditures:			
Contracted services and other operating expenditures	950,744	950,744	
Books and supplies	66,019	66,018	1
Capital outlay	<u>6,058,237</u>	<u>5,549,696</u>	<u>508,541</u>
Total expenditures	<u>7,075,000</u>	<u>6,566,458</u>	<u>508,542</u>
Excess (deficiency) of revenues over expenditures	<u>(7,075,000)</u>	<u>(6,345,668)</u>	<u>729,332</u>
Net change in fund balance	(7,075,000)	(6,345,668)	729,332
Fund balance, July 1, 2014	<u>35,489,502</u>	<u>35,489,502</u>	
Fund balance, June 30, 2015	<u>\$ 28,414,502</u>	<u>\$ 29,143,834</u>	<u>\$ 729,332</u>

See Notes to Financial Statements

TEMPLE CITY UNIFIED SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE S
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants (AICPA).

Fund Structure

The Statement of Revenues, Expenditures, and Changes in Fund Balance is a statement of financial activities of the Bond Building Fund – Measure S related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, and transfers to other funds. Consequently, these statements do not purport to present the result of operations of the net income or loss for the period as would a statement of income for a profit-type organization.

Basis of Accounting

The Bond Building Fund – Measure S of the Temple City Unified School District (District) is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

Budget

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual includes a column entitled “Final Budget”. The amounts in this column represent the most recent updated budget information provided by the District.

Fund Balance

As of June 30, 2015, the fund balance of the Bond Building Fund – Measure S 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.

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Building Fund – Measure S are determined by its measurement focus. The Bond Building Fund – Measure S is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Bond Building Fund – Measure S are accounted for in the basic financial statements of the District.

TEMPLE CITY UNIFIED SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE S
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount revenues and expenditures/expenses during the report period. Actual results could differ from those reported.

NOTE 2 – DEPOSITS – CASH IN COUNTY TREASURY

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The fair value of the District’s Measure S Bond Building Fund deposits in this pool as of June 30, 2015, as provided by the County Treasurer, was \$30,153,542. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District did not have any excess expenditures over appropriations.

NOTE 4 – BONDED DEBT

2012 Measure S General Obligation Bond, 2013 Series A

On November 6, 2012, \$128,800,000 in general obligation bonds were authorized by an election held within the Temple City Unified School District. On August 7, 2013, \$39,998,164 of the general obligation bonds were sold under Proposition 39/Measure S 2012, which provides that proceeds of the bonds will be used to finance the renovation, construction, and acquisition of classrooms and school facilities, upgrade science labs and computer systems, repair or replace old and worn-out roofs, restrooms, floors, walkways, heating, lighting, plumbing, water and electrical systems, upgrade instructional technology in classrooms, upgrade and expand wireless systems, telecommunications, internet and network connections, make other District-wide basic health and safety upgrades as needed, and to pay certain cost of issuance associated with the Bonds. The Bonds are general obligations of the District payable solely from ad valorem taxes.

The outstanding related bonded debt for the District for Measure S, 2013 Series A at June 30, 2015, is:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2014</u>	<u>Repayment Current Year</u>	<u>Outstanding June 30, 2015</u>
8/7/2013	4.0%-6.5%	2043	<u>\$ 39,998,164</u>	<u>\$ 39,998,164</u>	<u>\$ 495,000</u>	<u>\$ 39,503,164</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE S
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 4 – BONDED DEBT (CONTINUED)

2012 Measure S General Obligation Bond, 2013 Series A (Continued)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2015, is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 525,000	\$ 1,729,100	\$ 2,254,100
2017	625,000	1,708,100	2,333,100
2018	490,000	1,683,100	2,173,100
2019		1,663,500	1,663,500
2020		1,663,500	1,663,500
2021-2025	1,200,000	8,623,447	9,823,447
2026-2030	1,074,041	11,276,442	12,350,483
2031-2035	2,734,830	14,713,652	17,448,482
2036-2040	12,569,293	10,324,664	22,893,957
2041-2044	20,285,000	2,878,876	23,163,876
	<u>\$ 39,503,164</u>	<u>\$ 56,264,381</u>	<u>\$ 95,767,545</u>



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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

The Board of Education
The Citizens' Oversight Committee
Temple City Unified School District
Temple City, 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 financial statements of the Bond Building Fund – Measure S (Fund) of the Temple City Unified School District (District) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 15, 2015

TEMPLE CITY UNIFIED SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE S
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015

There were no findings and questioned costs related to the financial audit of the Bond Building Fund – Measure S for the fiscal year ended June 30, 2015.