

MEASURE "S"
GENERAL OBLIGATION BOND
BUILDING FUND OF
MOORPARK UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2014



**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF MOORPARK UNIFIED
SCHOOL DISTRICT**

For the Fiscal Year Ended June 30, 2014

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Financial Section

INDEPENDENT AUDITORS' REPORT

The Board of Education and the
Citizens' Bond Oversight Committee
Moorpark Unified School District
Moorpark, California

We have audited the accompanying balance sheet of the Measure "S" General Obligation Bond Building Fund of Moorpark Unified School District as of June 30, 2014, and the related statement of revenues, expenditures and changes in fund balance as of and for the year ended June 30, 2014. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

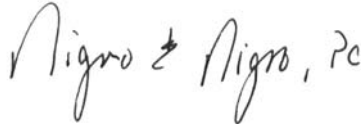
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 1A, the financial statements present only the individual Measure "S" 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 financial position of the Measure "S" General Obligation Bond Building Fund of Moorpark Unified School District, as of June 30, 2014, and the results of its operations for the period 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 March 14, 2016 on our consideration of the Measure "S" General Obligation Bond Building Fund of Moorpark 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the Building Fund of Moorpark Unified School District's financial statements as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
March 14, 2016

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF MOORPARK UNIFIED
SCHOOL DISTRICT**

Balance Sheet

June 30, 2014

	<u>Measure "S"</u>
ASSETS	
Cash	\$ 5,249,634
Accounts receivable	<u>6,485</u>
Total Assets	<u><u>\$ 5,256,119</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 808,230
Fund Balance	
Restricted for capital projects	<u>4,447,889</u>
Total Liabilities and Fund Balance	<u><u>\$ 5,256,119</u></u>

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF MOORPARK UNIFIED
SCHOOL DISTRICT**

*Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2014*

	<u>Measure "S"</u>
REVENUES	
Interest earnings	<u>\$ 22,378</u>
EXPENDITURES	
Current:	
Salaries and benefits	305,191
Materials, supplies & non-capitalized equipment	1,416,951
Services & other operating expenditures	1,806,789
Capital outlay	1,948,646
Debt service:	
Debt issuance costs	<u>241,390</u>
Total Expenditures	<u>5,718,967</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,696,589)</u>
OTHER FINANCING SOURCES AND USES	
Proceeds from bond issuance	3,000,000
Premium on issuance	<u>241,390</u>
Total Other Financing Sources and Uses	<u>3,241,390</u>
Net Change in Fund Balance	(2,455,199)
Fund Balance, July 1, 2013	<u>6,903,088</u>
Fund Balance, June 30, 2014	<u><u>\$ 4,447,889</u></u>

MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF MOORPARK UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On November 4, 2008 the District voters authorized an additional \$39 million in General Obligation Bonds (Measure "S") for the purpose of financing the addition and modernization of school facilities for the District. In response, an advisory committee to the District's Governing Board and Superintendent, the Citizens 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 the Measures.

On February 11, 2009 the District issued the first series of Measure "S" bonds, Series 2008A, in the amount of \$11,000,537. On October 20, 2011 the District issued the second series of Measure "S" bonds, Series 2008B, in the amount of \$19,999,575.80. On November 21, 2013 the District issued the third series of Measure "S" bonds, Series 2008C, in the amount of \$3,000,000. The bond proceeds and uses are accounted for in the District's Bond Building Fund in sub-fund 214.

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

B. Accounting Policies

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).

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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 Measure "S" 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 of accounting 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.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions 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.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 during the reporting period. Actual results could differ from those estimates.

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF MOORPARK UNIFIED
SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2014

NOTE 2 – CASH

Pooled Funds

In accordance with Education Code Section 41001, the District maintains all of its Building Fund cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2014, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

NOTE 3 – GENERAL OBLIGATION BONDS

A summary of the outstanding Measure "S" bond debt of the District as of June 30, 2014 is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014
2008A	2/11/2009	8/1/2033	4.25% to 6.95%	\$ 11,000,537	\$ 11,000,537	\$ -	\$ -	\$ 11,000,537
2008B	10/20/2011	8/1/2042	2.00% to 4.00%	19,999,576	19,659,576	-	300,000	19,359,576
2008C	11/21/2013	8/1/2017	2.00% to 4.00%	3,000,000	-	3,000,000	-	3,000,000
					<u>\$ 30,660,113</u>	<u>\$ 3,000,000</u>	<u>\$ 300,000</u>	<u>\$ 33,360,113</u>

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2014 are as follows:

Fiscal Year	Principal	Interest	Total
2014-15	\$ 430,000	\$ 168,322	\$ 598,322
2015-16	1,273,775	211,512	1,485,287
2016-17	1,488,380	247,633	1,736,013
2017-18	1,742,451	312,186	2,054,637
2018-19	685,548	367,939	1,053,487
2019-24	3,366,263	3,374,694	6,740,957
2024-29	3,681,999	6,024,506	9,706,505
2029-34	5,863,068	21,518,920	27,381,988
2034-39	9,077,903	32,472,304	41,550,207
2039-43	5,750,726	32,876,066	38,626,792
	<u>\$ 33,360,113</u>	<u>\$ 97,574,082</u>	<u>\$ 130,934,195</u>

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF MOORPARK UNIFIED
SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2014

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014 in the amount of \$6,485 represents the amount due from the County Treasurer for interest earnings for the quarters ended March 31, 2014 and June 30, 2014.

NOTE 5 – CONSTRUCTION COMMITMENTS

As of June 30, 2014, the District had commitments of approximately \$0.4 million which will be paid from a combination of state and local funds.

Supplementary Information

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF MOORPARK UNIFIED
SCHOOL DISTRICT**

Detail Schedule of Expenditures By Location

June 30, 2014

	Measure "S"	
	Total 2013-14 Expenditures	Total Cumulative Expenditures
Flory Elementary School	\$ -	\$ -
Mountain Meadows Elementary School	16,504	16,504
Peach Hill Elementary School	-	-
Campus Canyon Elementary School	399	399
Walnut Canyon Elementary School	-	-
Arroyo West Elementary School	-	-
Community High School	-	-
Chaparral Middle School	21,961	21,961
Mesa Verde Middle School	1,098,430	1,114,572
Moorpark High School	933,157	7,820,925
New K-8 School	-	-
All Other Projects	3,407,126	21,051,240
	<u>3,407,126</u>	<u>21,051,240</u>
Total	<u>\$ 5,477,577</u>	<u>\$ 30,025,601</u>

Other Independent Auditors' Reports



INDEPENDENT AUDITORS' 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 and the
Citizens' Bond Oversight Committee
Moorpark Unified School District
Moorpark, 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 Measure "S" General Obligation Bond Building Fund of Moorpark Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Moorpark Unified School 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 Moorpark Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Moorpark Unified School 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 District'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

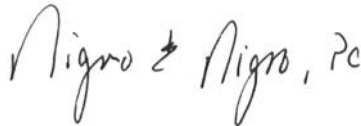
As part of obtaining reasonable assurance about whether Moorpark Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-1.

Moorpark Unified School District's Response to Finding

Moorpark Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Moorpark Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California
March 14, 2016

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Education and the
Citizens' Bond Oversight Committee
Moorpark Unified School District
Moorpark, California

We have examined the Moorpark Unified School District's compliance with the performance requirements for the Proposition 39 Measure "S" General Obligation Bond for the fiscal year ended June 30, 2014, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- The expenditures charged to the Moorpark Unified School District Building Fund are documented.
- 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 "S".
- Any discrepancies or weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens' Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

Scope of the Audit

The scope of our performance audit covered the fiscal period from July 1, 2013 to June 30, 2014. The 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 the proceeds of the bonds, were also included within the scope of our audit. Expenditures incurred subsequent to June 30, 2014 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, 2014 for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure "S" with regards to the approved bond projects list. We performed the following procedures:

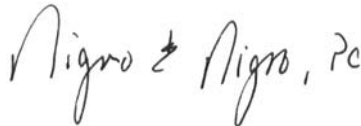
To meet our objectives, audit tests were performed and included, but were not limited to the following:

- We verified that bond funds were deposited in the District's name and invested in accordance with applicable legal requirements.
- We tested approximately \$2.4 million in bond fund invoices paid. This includes testing payments for validity, allowability, and accuracy.
- We reviewed the approved project listing as set out in the Measure "S" election documents.
- We visited construction sites at Mesa Verde Middle and Moorpark High Schools to ensure that expenditures made corresponded with the actual work performed at the site.
- We verified that funds from the Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects, and we verified that funds held in the Building Fund were not used for salaries of school administrators or other operating expenses of the District.
- We reviewed a sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.
- We verified that the District did not exceed change order limitations in excess of 10% pursuant to Public Contract Code.

Our audit of compliance made for the purpose set forth in the preceding paragraph would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the Measure "S" General Obligation Bond proceeds listed and tested above, except as described in the findings and responses section of this report.

This report is intended for the information of the Board of Education, management and the Citizens' Bond Oversight Committee; however, this report is a matter of public record.



Murrieta, California
March 14, 2016

Findings and Responses

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF MOORPARK UNIFIED
SCHOOL DISTRICT**

Schedule of Audit Findings and Responses

June 30, 2014

Finding 2014-1: Unallowable Expenditures

During the review of expenditures for Measure "S," the auditor noted that the District spent funds on student assessment software, which is provided by the Ventura County Office of Education. The expense is not attributable to classroom use, as required by the project listing, and does not improve student access to modern technology. Additionally, the expense is a normal operating expense of the District, and will continue to be incurred on an ongoing basis after the bond funds are exhausted. Payment of operating expenses with bond funds are considered prohibited by the California Constitution, Article XIII A, Section 1(b)(3)(A), which states that bond proceeds are subject to restricted use and shall not be used for school operating expenses.

Recommendation: The District should ensure that all items coded to the bond fund fall under the approved project listing for the Bond funds. During the payment process, there should be a second review of what is being applied to the bond fund to ensure that what is actually being processed for payment, is applicable to the bond fund.

District Response: As we noted in last year's audit, a secondary audit of technology expenses was instituted to ensure the appropriateness of purchases. In the case of the assessment software purchased, we do believe that this software is of utmost classroom importance and use, allowing teachers to provide timely and effective feedback to their students as they learn and master new content. Research shows that good assessment is equivalent to good instruction and we believe that this was an appropriate expense allowing students improved access to modern technology.

MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF MOORPARK UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2014

Original Finding No.	Finding	Recommendation	Current Status
<i>Finding 2013-1: Unallowable Expenditures</i>	<p>During the review of expenditures for Measure "S," auditor noted that the District spent funds on the annual contract renewal for Zangle software support services, which is provided by the Ventura County Office of Education. Zangle is the District's attendance software. While the expense is a technological expense, it is not attributable to classroom use as required by the project listing and does not improve student access to modern technology as required in the bond language. Additionally, the expense is a normal operating expense of the District, and will continue to be incurred on an ongoing basis after the bond funds are exhausted. Payment of operating expenses with bond funds are considered prohibited by the California Constitution, Article XIII A, Section 1(b)(3)(A), which states that bond proceeds are subject to restricted use and shall not be used for school operating expenses.</p>	<p>The District should ensure that all items coded to the bond fund fall under the approved project listing for the Bond funds. During the payment process, there should be a second review of what is being applied to the bond fund to ensure that what is actually being processed for payment, is applicable to the bond fund. Additionally, the District should reimburse the bond fund for the cost of the renewal fee.</p>	<p>Partially Implemented. See Finding 2014-1.</p>
<i>Finding 2013-2: Approval of Expenditures</i>	<p>During the review of expenditures for Measure "S" the auditor noted seven of the forty expenditures in which the approval was dated after the invoice date, indicating that the expenditure was incurred prior to going through the District's pre-approval process. Pre-approval of the expenditure is an important control to ensure that the expenditure is appropriate under bond requirements and falls within budgetary guidelines.</p>	<p>We recommend that all expenditures be pre-approved prior to the ordering of goods and services to ensure their appropriateness and encumbrance by management before the District is obligated to pay.</p>	<p>Implemented.</p>