

**MEASURE E GENERAL OBLIGATION BOND OF  
POINT ARENA SCHOOLS  
PERFORMANCE AND FINANCIAL AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
AUDIT REPORT  
Table of Contents  
June 30, 2014**

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	<u>Page</u>
Introduction and Citizens’ Oversight Committee Member Listing.....	1
Independent Auditors’ Report.....	2

**FINANCIAL SECTION**

Balance Sheet.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance.....	5
Notes to Financial Statements.....	6

**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 <i>Government Auditing Standards</i> .....	13
Independent Auditors’ Report on Performance.....	15

**FINDINGS AND RESPONSES SECTION**

Schedule of Findings and Responses.....	18
Summary Schedule of Prior Audit Findings.....	19

**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS**

**Introduction and Citizens’ Oversight Committee Member Listing**

**June 30, 2014**

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Point Arena Schools (the “District”) was founded on July 13, 1885 under the laws of the State of California. This District operates under a locally elected seven-member Board form of government and provides educational services to grades K – 12 as mandated by the state and federal agencies. Point Arena Schools is comprised of the Arena Union Elementary School District and the Point Arena Joint Union High School District. The Districts operate one elementary school, two high schools, and maintain an independent study program. The Districts are governed by a single board of elected officials.

In November 2003, the voters of Mendocino County approved by more than the required 55% favorable vote the Measure E bond, authorizing the issuance and sale of general obligation bonds, not to exceed \$3.7 million. Measure E is a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed in the full text of the Measure E ballot measure as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for bond-designated facilities projects.

The Measure E bonds were issued by the District, through the County of Mendocino. On June 22, 2004, Series 2004 of the Measure E bond authorization was issued, which consisted of current interest bonds with an initial par amount of \$2,810,000 with stated interest rates of 2.0% to 5.5% and maturing through June 1, 2029. During 2010-11, there was a partial defeasance of bonds of \$1,615,000. As of June 30, 2014, the principal balance outstanding on the Measure E Series 2004 bonds was \$970,000.

On June 7, 2005, Series 2005 of the Measure E bond authorization was issued, which consisted of current interest and capital appreciation bonds with an initial par amount of \$889,062 with stated interest rates of 5.0% to 5.29% and maturing through August 1, 2043. As of June 30, 2014, the principal balance outstanding on the Measure E Series 2005 bonds, excluding accreted interest to date, was \$889,062.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure E including formation, composition and purpose of the Citizens’ Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens’ Oversight Committee was comprised of the following members as of June 30, 2014:

<b>Member Name</b>	<b>Affiliation</b>
Rick O’Neil	Business Owner
Jeff Watts	Taxpayers’ Organization
Chrissy Sundstrom	Site Council Representative
Vern McNamee	Community Member at Large
Denise Fisher	Parent of Child Enrolled in District
Colleen Cross	Superintendent, District Rep.
Scott Ritchie	Maintenance Director, District Rep.

## INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Rubio

Governing Board Members and  
Measure E Citizens' Bond Oversight Committee  
Point Arena Schools  
Point Arena, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure E Bond of Point Arena Schools (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Measure E Bond Building Fund's basic 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.

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

Corporate Office:  
348 Olive Street  
San Diego, CA 92103

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

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State Board of Accountancy*

### **Auditor's Responsibility (continued)**

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

As discussed in Note 1A, the financial statements present only the individual Measure E Bond Building Fund, consisting of the net construction proceeds of Election 2004 Series and 2005 Series bonds as issued by the District, through the County of Mendocino, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure E Bond Building Fund of Point Arena Schools as of June 30, 2014 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015 on our consideration of the Measure E Bond's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Measure E Bond'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 February 18, 2015, on our consideration of the Measure E Bond's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure E Bond Building Fund for the fiscal year ended June 30, 2014 should be considered in assessing the results of our financial audit.

*Christy White Associates*

San Diego, California  
February 18, 2015

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## **FINANCIAL SECTION**

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**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
Balance Sheet  
June 30, 2014**

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**ASSETS**

Cash in county treasury \$ 24,480

**Total Assets** 24,480

**LIABILITIES AND FUND BALANCE**

**Fund Balance**

Restricted for capital projects 24,480

**Total Fund Balance** 24,480

**Total Liabilities and Fund Balance** \$ 24,480

The accompanying notes to financial statements are an integral part of this statement.

**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2014**

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<b>REVENUES</b>	
Interest income	\$ 136
	<hr/>
<b>Total Revenues</b>	<b>136</b>
	<hr/>
<b>EXPENDITURES</b>	
Facilities acquisition and construction	
Land improvements	12,568
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<b>Total Expenditures</b>	<b>12,568</b>
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<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(12,432)</b>
	<hr/>
<b>Net Change in Fund Balance</b>	<b>(12,432)</b>
	<hr/>
<b>Fund Balance, July 1, 2013</b>	<b>36,912</b>
	<hr/>
<b>Fund Balance, June 30, 2014</b>	<b>\$ 24,480</b>
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The accompanying notes to financial statements are an integral part of this statement.



**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
Notes to Financial Statements  
June 30, 2014**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The District operates under a locally elected seven-member Board of government and education services to grade K-12 as mandated by the State.

On November 4, 2003 the District voters authorized \$3.7 million in General Obligation Bonds (Measure E) for the purpose of financing the addition and modernization of school facilities for the District.

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

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

**B. Accounting Policies**

The District accounts for its 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").

**C. Encumbrance**

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.

**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
Notes to Financial Statements, continued  
June 30, 2014**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. 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 are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected 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.

**E. Fund Balance**

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The five classifications are *Nonspendable*, *Restricted*, *Committed*, *Assigned* and *Unassigned*. The category applicable to Proposition 39 bonds is the *Restricted* classification. The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**F. Deposits and Investments**

In accordance with Education Code Sections 15357 and 41001, the District maintains a portion of its cash in the Mendocino County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**G. 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 E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
Notes to Financial Statements, continued  
June 30, 2014**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as cash in county treasury in the amount of \$24,480.

**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, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
Notes to Financial Statements, continued  
June 30, 2014**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies some of the investment types permitted in the investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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 District maintains an investment with the Mendocino County Investment Pool with a fair value of approximately \$25,170 and an amortized book value of \$24,480. The weighted average maturity for this pool as of June 30, 2014 is 1.25 years.

**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
Notes to Financial Statements, continued  
June 30, 2014**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**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. As of June 30, 2014, the pooled investments in the County Treasury were rated an average of AA/Aa2 by Standard & Poor’s and Moody.

**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 five percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**NOTE 3 – MEASURE E GENERAL OBLIGATION BONDS**

An election of the registered voters of the District was held on November 4, 2003, at which more than 55% of persons voting on the proposition voted to authorize the issuance and sale of \$3.7 million principal amount of general obligation bonds. The bonds were issued to finance the repair, construction, acquisition and equipping of new classrooms and school facilities throughout the District.

The outstanding bonded debt of the District’s Measure E general obligation bonds at June 30, 2014 is:

<b>Series</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Bonds Outstanding June 30, 2014</b>
2004	7/8/2004	6/1/2029	2.00-5.50%	\$ 2,810,000	\$ 1,025,000	\$ -	\$ 55,000	\$ 970,000
2005	6/22/2005	8/1/2043	5.00-5.29%	889,062	889,062	-	-	889,062
				<u>\$ 3,699,062</u>	<u>\$ 1,914,062</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 1,859,062</u>

**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
Notes to Financial Statements, continued  
June 30, 2014**

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**NOTE 3 – MEASURE E GENERAL OBLIGATION BONDS (continued)**

**2004 Series**

2004 Series Measure E bonds were issued by the District on June 22, 2004 with an initial par amount of \$2,810,000 and stated interest rates ranging from 2.0% to 5.50% and originally maturing through June 1, 2029. On October 21, 2010, the Board approved a partial in-substance defeasance of \$1,615,000, effective January 20, 2011, resulting in the amount of bonds outstanding to be reduced. This defeasance caused for a revised debt obligation payment schedule maturing through August 1, 2022. As of June 30, 2014, the principal balance outstanding on the Measure E 2004 series was \$970,000.

The annual requirements to amortize Measure E 2004 series general obligation bonds payable of the District, outstanding as of June 30, 2014, are as follows:

<b>Year Ended</b>				
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2015	\$ 65,000	\$ 44,861	\$	109,861
2016	75,000	42,014		117,014
2017	85,000	38,661		123,661
2018	100,000	34,668		134,668
2019	110,000	30,005		140,005
2020-2023	535,000	54,905		589,905
Total	\$ 970,000	\$ 245,114	\$	1,215,114

**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
Notes to Financial Statements, continued  
June 30, 2014**

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**NOTE 3 – MEASURE E GENERAL OBLIGATION BONDS (continued)**

**2005 Series**

2005 Series Measure E bonds were issued by the District on June 22, 2005, consisting of current interest and capital appreciation bonds with an initial par amount of \$889,062 and stated interest rates ranging from 5.0% to 5.29% and maturing through August 1, 2043. As of June 30, 2014, the principal balance outstanding on the Measure E 2005 series was \$889,062.

The annual requirements to amortize Measure E 2005 series general obligation bonds payable of the District, outstanding as of June 30, 2014, are as follows:

<b>Year Ended</b>				
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2015	\$ -	\$ -	\$ -	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020-2024	-	-	-	-
2025-2029	86,342	233,658	320,000	-
2030-2034	249,773	880,227	1,130,000	-
2035-2039	288,490	1,396,510	1,685,000	-
2040-2044	264,457	1,785,543	2,050,000	-
Total	\$ 889,062	\$ 4,295,938	\$ 5,185,000	-

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**OTHER INDEPENDENT AUDITORS'  
REPORTS**

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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

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Rubio

Governing Board Members and  
Measure E Citizens' Bond Oversight Committee  
Point Arena Schools  
Point Arena, 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 E Bond Building Fund of Point Arena Schools (the "District"), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Measure E Bond Building Fund's basic financial statements, and have issued our report thereon dated February 18, 2015.

**Internal Control Over Financial Reporting**

Management of Point Arena Schools is responsible for establishing and maintaining effective 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.

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

**Corporate Office:**

348 Olive Street  
San Diego, CA 92103

toll-free: 877.220.7229

tel: 619.270.8222

fax: 619.260.9085

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's Measure E 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 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.

*Christy White Associates*

San Diego, California  
February 18, 2015

## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Rubio

Governing Board Members and  
Measure E Citizens' Bond Oversight Committee  
Point Arena Schools  
Point Arena, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure E Bond Building Fund of Point Arena Schools (the "District"), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Measure E Bond Building Fund's basic 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.

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LOS ANGELES  
SAN FRANCISCO/BAY AREA

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

In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the Measure E General Obligation Bonds for the fiscal year ended June 30, 2014. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds of the sale of the Measure E General Obligation Bonds were only used for the purposes set forth in the Measure E ballot language and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure, evaluated the remodeling, new construction and renovations of items which will improve learning and to accommodate growth in the District, with no funds expended on administrator salaries.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

<b>Internal Control Evaluation</b>
------------------------------------

**Procedures Performed:**

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding Measure E resources
- Ensure adequate separation of duties exists in the accounting for Measure E funds
- Prevent material misstatements in the Measure E financial statements
- Ensure expenditures are allocated to the proper District fund

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the fiscal year 2013-14 financial statement balances for the Measure E Bond are not materially misstated.

**Results of Procedures Performed:**

The results of our audits tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unmodified opinion was expressed on the Measure E financial statements.

<b>Facilities Site Walk</b>
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**Procedures Performed:**

We performed a site walk to verify that Measure E funds expended for the fiscal year ended June 30, 2014 were for valid facilities acquisition and construction purposes. We toured the Arena Elementary School fencing site where 2013-14 construction work occurred.

**Facilities Site Walk (continued)**

**Results of Procedures Performed:**

We viewed the fencing project at Arena Elementary School. Construction appears to be winding down as the bond project comes to a close.

**Tests of Expenditures**

**Procedures Performed:**

The following performance tests of expenditures were performed:

We tested expenditures to determine whether Measure E funds were spent solely on voter and Board approved school facilities projects (as set forth in the District's Facilities Master Plan and the Measure E ballot measure language). The expenditure testing included a sample of one (1) payment, totaling \$12,568, or 100% of total expenditures for the year ended June 30, 2014.

**Results of Procedures Performed:**

We found all expenditures tested to be in compliance with the terms of the Measure E ballot measure and applicable State laws and regulations, without exception.

**Test of Contracts and Bid Procedures**

For the fiscal year ended June 30, 2014, we did not perform bidding procedures testing due to no construction contracts being subject to formal bidding procedures. There was very little construction work completed in the 2013-14 fiscal year as the Measure E bond slowly phases out.

In our opinion, based on the fieldwork described above as well as the tests that we conducted, the District complied with the compliance requirements for the Proposition E Bond Building Fund as listed and tested above. Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on accountability requirements pursuant to the passage of Proposition 39 and the enactment of AB 1908 (Chapter 44, Statutes of 2000). Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
February 18, 2015

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# **FINDINGS AND RESPONSES SECTION**

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**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
Schedule of Findings and Responses  
For the Year Ended June 30, 2014**

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*There were no findings for the year ended June 30, 2014.*

**MEASURE E – GENERAL OBLIGATION BOND  
POINT ARENA SCHOOLS  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2014**

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*There were no prior audit findings for the year ended June 30, 2013.*