

**Palmdale School District**  
**Minutes of the Citizen's Bond Oversight Committee**  
**Tuesday, October 9, 2018**  
**Palmdale School District (Facilities Department Conference Room)**  
**3 Palmdale, CA. 93550**

- 1) CALL TO ORDER – Stacy Foote meeting to order at 5:30 p.m.
- 2) ROLL CALL - Stacy Foote
- Present: Al Tsai, Trixie Pitt, dgett Pitt, Cristina Mendoza, Vladimir Gomez
- 3) PLEDGE OF ALLEGIANCE
- 4) APPROVE THE MINUTES FROM THE NOVEMBER 14, 2017 MEETING – Approved unanimously
- 5) SUMMER 2018 PROJECTS – AL TSAI

**Al reviewed the three Facilities Master Plan projects completed.**

**The projects were awarded to three general contractors for the following scope of work:**

**Painting Contractors, Inc. for the "Exterior Painting Project" at eight schools (Cimarron Elementary School, Desert Rose Elementary School, Joshua Hills Elementary School, Mesquite Elementary School, Oak Tree Community Day School, Ocotillo Elementary School, Palm Tree Elementary School and Summerwind Elementary School) in the amount of \$962,000.00.**

**Klassen Corporation for the "Drinking Fountain" Project at eight schools (Cimarron Elementary School, Desert Rose Elementary School, Joshua Hills Elementary School, Mesquite Elementary School, Oak Tree Community Day School, Ocotillo Elementary School, Palm Tree Elementary School and Summerwind Elementary School) in the amount of \$880,000.00.**

**CyberTech Construction Company for the alteration of four modular classrooms into "Future Learning Environments" project (to be completed during the Summer of 2018) at Joshua Hills Elementary School in the amount of \$373,777.00.**

**The project list for Measure DD allows funding for:**

- Repair and improve school building exteriors, security windows and outdoor painting
- Replace or replace aging plumbing at school sites
- Upgrade aging and deteriorating school sites, classrooms, science labs, computer labs, and libraries
- Provide current classroom technology to support 21st Century education

**6) FACILITIES MASTER PLAN – AL TSAI**

**Electronic review of the Program and Project Budget by Group (#1-7) and Architect assignments. The four architects selected by a Request for Qualification (RFQ) process are assigned to one or more of the project groups. Estimated costs are project costs to include design, inspection, and construction.**

7) AUDITED REPORT FOR MEASURE W, MEASURE PSD AND GENERAL OBLIGATION BONDS –  
AL TSAI

**Al reviewed the most recent audit findings – Zero findings. The audit was for Measure W and DD for the year ending 2017. Expenditures for PSD will be audited the following year.**

8) HIGHLIGHTS OF JUNIPER INTERMEDIATE SCHOOL/DOS CAMINOS SCHOOL PROJECT -  
AL TSAI

**Al reviewed photos from the project showing progress of work in the lower quad, kindergarten classrooms, interior quads, etc. Challenges at this site include unforeseen conditions and the work arounds/repairs required. Primary challenge is upgrading the existing sewer lines and connects.**

**Al reviewed Change orders no. 3-7 and most significant cost for each COR.**

**Change Order No. 3 Additional COSTS related to: replacing galvanized piping, installing a roof substrate, regulated materials abatement, storm drain servicing, and additional ceiling attachments, in the amount of \$245,382.41.**

**Change Order No. 4 Additional COSTS related to: replacing VCT with LVT floor tiles, relocate two condensers, and provide gas service to Bldg. B HVAC units in the amount of \$326,642.07.**

**Change Order No. 5 Additional COSTS related to (abandon existing storm drain pipe line in the lower quad; accelerate the schedule for Building B, Multipurpose Room in the amount of \$83,726.63.**

**Change Order No. 6 Additional COSTS related to: additional blocking and strapping per CCD-A No. 3A, remake doors B08, B09 to meet fire rated requirements in the amount of \$76,533.57.**

**Change Order No. 7 Additional costs related to extended general conditions (fixed operating costs) at Dos Caminos School (formerly Juniper Intermediate School) in the amount of \$428,949.42.**

9) UPCOMING 2019/2020 PROJECTS – AL TSAI

**Review of the Facilities Master Plan Phase 2 projects to commence in the summer of 2019 to include future learning spaces, makers spaces, GEN7 pathway and science buildings, play field and equipment upgrades, etc. 2020 projects are in the beginnings of design.**

10) COMMENTS FROM THE FLOOR

Persons wishing to make comments to the Citizen's Bond Oversight Committee may do so at this time.

Each speaker is requested to limit their comments to no more than three minutes. Please fill out a Speaker Card and turn it in to the Chair if you wish to address the Committee.

11) COMMENTS FROM COMMITTEE MEMBERS

12) OTHER

**The offer to tour any of the projects is an open ended invitation for all committee members. Check schedules for meeting dates FY2019-20.**

13) **ADJOURNMENT @ 6:48 p.m.**

On June 19, 2018, the Board of Trustees approved Consent/Superintendent 16.b.3.n., "Approval of Award of Contract with **Prime Painting Contractors, Inc. for the Exterior Painting Project** (to be completed during the Summer of 2018) at eight schools (Cimarron Elementary School, Desert Rose Elementary School, Joshua Hills Elementary School, Mesquite Elementary School, Oak Tree Community Day School, Ocotillo Elementary School, Palm Tree Elementary School and Summerwind Elementary School) in the amount of \$962,000.00. This is a Group 2 Facilities Master Plan project. Funding is provided by Fund 21 (Measure DD, Measure PSD) and Fund 49 (CFD)."

On June 19, 2018, the Board of Trustees approved Consent/Superintendent Item 16.b.3.i., "Approval of Award of Contract with **Klassen Corporation for the Drinking Fountain Project** (to be completed during the Summer of 2018) at eight schools (Cimarron Elementary School, Desert Rose Elementary School, Joshua Hills Elementary School, Mesquite Elementary School, Oak Tree Community Day School, Ocotillo Elementary School, Palm Tree Elementary School and Summerwind Elementary School) in the amount of \$880,000.00. This is a Group 2 Facilities Master Plan project. Funding is provided by Fund 21 (Measure DD, Measure PSD Funds) and Fund 49 (CFD)."

On June 5, 2018, the Board of Trustees approved Action/Superintendent Item 19.a.2.a., "Approval of Award of Contract with **CyberTech Construction Company for the alteration of four modular classrooms into Future Learning Environments project** (to be completed during the Summer of 2018) at Joshua Hills Elementary School in the amount of \$373,777.00. This is a Group 6 Facilities Master Plan project. Funding is provided by Fund 21 (Measure DD, Measure PSD) and Fund 49 (CFD)."

ad  
Summer  
2018  
projects





The Board of Trustees approved on November 7, 2017, Consent/Superintendent item 17.b.2.m. Approval of **Change Order No. 3** with Klassen Corporation. Additional COSTS related to: teaching wall white boards, upper quad irrigation/landscape, electrical/low voltage system verification, replacing galvanized piping, installing a roof substrate, regulated materials abatement, storm drain servicing, and additional ceiling attachments, at former Juniper Intermediate School campus (Phase 1, Administration Building and Phase 2) for occupancy by Dos Caminos School (Grades K-8) in the amount of \$245,382.41. (NOTE: Change Orders No. 1, No. 2, and No. 3 represents a cumulative 5.6% increase from the original contract amount). Funding is provided by Fund 21 (Measure DD Funds).

The Board of Trustees approved on February 6, 2018, Consent/Superintendent item 15.b.2.b. Approval of **Change Order No. 4** with Klassen Corporation. Additional COSTS related to: replacing VCT with LVT floor tiles, schedule acceleration to accommodate receipt of furniture delivery in Upper Quad, install required HSS steel members and additional framing, re-feed panel CP-1, replace handrails to meet code, HVAC ducting re-layout to avoid structural beams, relocate two condensers, additional materials to clean up stage ceiling and soffit, replace “2x” framing, and provide gas service to Bldg. B HVAC units (additional work is value-added at request of the District and unforeseen work is site conditions in conflict with existing as-built drawings), at former Juniper Intermediate School campus (Phase 1, Administration Building and Phase 2) for occupancy by Dos Caminos School (Grades K-8) in the amount of \$326,642.07. (Note: Change Orders No. 1, No. 2, No. 3, and No. 4 represent a cumulative 8.3% increase from the original contract amount). Funding is provided by the Fund 21 (Measure DD Funds).

The Board of Trustees approved on March 6, 2018, Consent/Superintendent item 16.b.2.c. Approval of **Change Order No. 5** with Klassen Corporation. Additional COSTS related to (abandon existing storm drain pipe line in the lower quad; change the roof mounted exhaust fan to a ceiling mounted fan in Restrooms B29 and B30; replace existing catch basin at the upper and lower quad; infill portion of the north elevation at Building A with plaster in lieu of glass; accelerate the schedule for Building B, Multipurpose Room and furnish and install glass lights and laminated glass in Type A wood doors) at former Juniper Intermediate School campus (Phase 1, Administration Building and Phase 2) for occupancy by Dos Caminos School (Grades K-8) in the amount of \$83,726.63). (NOTE: Change Orders No. 1, 2, 3, 4, and 5 represents a cumulative 9.3% increase from the original contract amount). Funding is provided by Fund 40 (Capital Outlay).

The Board of Trustees approved on May 1, 2018, Consent/Superintendent item 18.b.2.g., “Approval of **Change Order No. 6** with Klassen Corporation. Additional COSTS related to: Electrical revisions in Building B, replacing aluminum door jambs in disrepair, new infrastructure to support new phone system, additional security system revisions, slurry in lieu of base materials below restroom slabs, additional blocking and strapping per CCD-A No. 3A, additional backing for larger marker boards, re-frame wall between Rooms B29 and B30, relocate door A23 to meet ADA clearance, additional sandblasting to remove graffiti and old paint, remove existing asphalt near new kindergarten playground, remake doors B08, B09 to meet fire rated requirements at former Juniper Intermediate School campus (Phase 1, Administration Building and Phase 2) for occupancy by Dos Caminos School (Grades K-8) in the amount of \$76,533.57. (NOTE: Change Orders No. 1, No. 2, No. 3, No. 4, No. 5, and No. 6

represents a cumulative 9.9% increase from the original contract amount). Funding is provided by Fund 21 (Building Fund).”

The Board of Trustees approved on June 19, 2018, Action/Superintendent item 17.a.1.a., “Approval of **Change Order No. 7** with Klassen Corporation for additional costs related to extended general conditions (fixed operating costs) at Dos Caminos School (formerly Juniper Intermediate School) in the amount of \$428,949.42. (Note: Change Order No. 1 through 7 represent a cumulative increase of 13.9% over the original contract amount. Funding is provided by Fund 21 (Measure DD Funds).”

*Summary*

Joshua Hills Elementary School was the first of nine schools within Palmdale School District to receive modernized **Future Learning Environments** and has served as the Prototype for the remaining eight schools. Future Learning Environments (FLE) are classroom spaces that promote a personalized approach allowing each student to take control of their own learning. Students are unique and learn in different ways. The FLE's being established within the District allows teachers to quickly adjust to a students' learning type.

### **Features & Benefits:**

- A variety of seating options and writing surfaces that are on wheels which allows the teachers/students to change the layout of the classroom quickly to adopt to the type of learning that is necessary for a successful lesson or project
- Storage space with more versatility. Storage units of all shapes and sizes are on wheels with white boards on the back. The teacher can move them around the room to create different learning hubs or stations
- Adjustable and moveable teacher lecture. The teacher will be able to lead their lesson from any point within the room and can adjust the height to create a different vibe depending on the message that is being conveyed
- Floor to Ceiling, alternating tackable and white board space. Keeping with the theme of mobility and a continuously adaptable environment, teachers will be able to utilize all sides of the classroom to present their lessons




Per the District's Facilities Master Plan, new water fountains or hydrations stations were added to various campuses throughout Palmdale School District during Summer 2018.

**Features & Benefits:**

- Each hydration station is made of 18-gauge Type 304 stainless steel with a satin finish that resists stain and corrosion, and has soft, rounded corners
- Freeze-resistant valve mounted in a cabinet that is installed on the inside of the wall where room temperature does not drop below 50 degrees
- Vandal-resistant stainless steel bottle filler housing with pneumatic push button operation
- Chrome-plated brass bubbler head with integral, basin shank for added strength. Shielded, angled-stream opening provides a steady, sanitary source of drinking water
- Stainless steel back panel helps protect wall from inadvertent splashing, and its decorative satin finish increases visibility and completes the fountain's attractive appearance

Regular Meeting of the Board of Trustees  
Palmdale ESD

 February 20, 2018 4:30PM

Ross W. Amspoker Board Room 39139 N. 10th Street East Palmdale, California 93550

13.c. Financial Performance Audit of Building Fund (Measure W and DD) for fiscal year ending June 30, 2017.

Rationale

STATUS: The Financial and Performance Audit of Building Fund (Measure W and DD) for fiscal year ending June 30, 2017 has been received and submitted to all required agencies. A performance audit conducted by an independent firm is a requirement of Proposition 39.

BACKGROUND: The Palmdale School District has issued General Obligation Bonds pursuant to Proposition 39. As required by Education Code Section 15278-15828, the district must conduct an annual independent financial audit until all of the proceeds of those bonds have been expended.

THIS ACTION SUPPORTS STUDENT ACHIEVEMENT BY: Ensuring that financial transactions of public school funds are managed in accordance with Generally Accepted Accounting Principles (GAAP), Board Policy, and all other applicable State and Federal law.

*Note  
only  
measure W + DD  
approved before  
re 2017*

*Review  
per S  
of  
pub. audit  
report*

**PALMDALE SCHOOL DISTRICT**

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**BUILDING FUND (MEASURE W AND MEASURE DD)  
FINANCIAL AND PERFORMANCE AUDIT REPORT**

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**JUNE 30, 2017**

**PALMDALE SCHOOL DISTRICT**

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**BUILDING FUND (MEASURE W AND MEASURE DD)  
FINANCIAL REPORT**

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**JUNE 30, 2017**

**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

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JUNE 30, 2017**

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## **FINANCIAL SECTION**

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

**VALUE THE** *difference*

## **INDEPENDENT AUDITOR'S REPORT**

Governing Board and  
Citizens Oversight Committee  
Palmdale School District  
Palmdale, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Palmdale School District's (the District), Building Fund (Measures W and DD), as of and for the year ended June 30, 2017, and the related notes to the 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 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 District'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 District'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 respective financial position of the Building Fund (Measures W and DD) of the Palmdale 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 Measures W and DD, and are not intended to present fairly the financial position and changes in financial position of Palmdale School District 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 9, 2018, on our consideration of the District's Building Fund (Measures W and DD) 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 effectiveness of the District's Building Fund (Measure W and DD) 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 (Measures W and DD) internal control over financial reporting and compliance.

VAUGHN, TRINE, DAY & CO. LLP

Rancho Cucamonga, California  
February 9, 2018

**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

**BALANCE SHEET  
JUNE 30, 2017**

	<u>Measure W</u>	<u>Measure DD</u>	<u>Total</u>
<b>ASSETS</b>			
Investments	\$ (3,080)	\$ 32,874,286	\$ 32,871,206
Accounts receivable	128,046	9,835	137,881
<b>Total Assets</b>	<u>\$ 124,966</u>	<u>\$ 32,884,121</u>	<u>\$ 33,009,087</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 7,008	\$ 1,992,338	\$ 1,999,346
<b>Fund Balances:</b>			
Restricted			
Capital projects funds	117,958	30,891,783	31,009,741
<b>Total Liabilities and Fund Balances</b>	<u>\$ 124,966</u>	<u>\$ 32,884,121</u>	<u>\$ 33,009,087</u>

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

**PALMDALE SCHOOL DISTRICT  
BUILDING FUNDS (MEASURES W AND DD)**

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

	<b>Measure W</b>	<b>Measure DD</b>	<b>Total</b>
<b>REVENUES</b>			
Interest income	\$ 183,116	\$ -	\$ 183,116
Other local revenue	-	11,099	11,099
<b>Total Revenues</b>	<b>183,116</b>	<b>11,099</b>	<b>194,215</b>
<b>EXPENDITURES</b>			
Current			
Salaries and benefits	-	21,399	21,399
Supplies			
Maintenance supplies	-	57,930	57,930
Services			
Contracted services	37,723	-	37,723
Repairs	-	194,072	194,072
Professional/consulting services	-	769,287	769,287
Capital outlay			
Site improvements	-	58,780	58,780
Building and improvements	196,829	5,266,532	5,463,361
Equipment	-	702,542	702,542
Equipment replacement	-	63,305	63,305
<b>Total Expenditures</b>	<b>234,552</b>	<b>7,133,847</b>	<b>7,368,399</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(51,436)</b>	<b>(7,122,748)</b>	<b>(7,174,184)</b>
<b>Other Financing Sources:</b>			
Other sources - proceeds from bond issuance	-	25,669,030	25,669,030
Transfers in	-	1,971,071	1,971,071
<b>Net Financing Sources</b>	<b>-</b>	<b>27,640,101</b>	<b>27,640,101</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(51,436)</b>	<b>20,517,353</b>	<b>20,465,917</b>
<b>FUND BALANCES - BEGINNING</b>	<b>169,394</b>	<b>10,374,430</b>	<b>10,543,824</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 117,958</b>	<b>\$ 30,891,783</b>	<b>\$ 31,009,741</b>

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

# **PALMDALE SCHOOL DISTRICT BUILDING FUND (MEASURES W AND DD)**

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

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### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of the Palmdale School District (the District) Building Fund (Measures W and DD) 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 Palmdale 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 Palmdale School District used to account for Measures W and DD projects. These Funds were established to account for the expenditures of general obligation bonds issued under Measures W and DD. These financial statements are not intended to present fairly the financial position and results of operations of the Palmdale School District in compliance with accounting principles generally accepted in the United States of America.

#### **Fund Accounting**

The operations of the Building Fund (Measures W and DD) 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 (Measures W and DD) are 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 balances 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.

# **PALMDALE SCHOOL DISTRICT BUILDING FUND (MEASURES W AND DD)**

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

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### **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 are liquidated at June 30 since they do not constitute expenditures or liabilities.

### **Fund Balance - Building Fund (Measures W and DD)**

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.

### **Spending Order**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **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.

## **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.



**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

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

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**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.

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Treasury Investment Pool. The District maintains a building fund investment of \$32,871,206 with the Los Angeles County Investment Pool, with an average maturity of 672 days.

**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

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

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**NOTE 3 - FAIR VALUE MEASUREMENTS**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 asset may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Reported Amount	Uncategorized
Los Angeles County Treasury Investment Pool	\$ 32,871,206	\$ 32,871,206

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2017, consisted of the following:

	Measure W	Measure DD	Total
Interest	\$ 128,046	\$ 9,835	\$ 137,881

**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

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

**NOTE 5 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2017, consisted of the following:

	Measure W	Measure DD	Total
Salaries and benefits	\$ -	\$ 21,399	\$ 21,399
Supplies	-	1,708	1,708
Services	-	368,354	368,354
Retention payable	4,261	345,165	349,426
Capital outlay	2,747	1,255,712	1,258,459
	<u>\$ 7,008</u>	<u>\$ 1,992,338</u>	<u>\$ 1,999,346</u>

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

**Construction Commitments**

MEASURES W & DD PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Juniper MS - Repurpose	\$ 8,228,096	June 2018
Palmdale Learning Plaza - Phone System Replacement	1,124	June 2018
Yellen Learning Center - Phone System Replacement	2,222	June 2018
Ocotillo ES - Phone System Replacement	1,255	June 2018
Millen MS & SAGE Academy - Remediation of Playfields	492,395	June 2018
	<u>\$ 8,725,092</u>	

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***INDEPENDENT AUDITOR'S REPORT***

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

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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**

Governing Board and  
Citizens Oversight Committee  
Palmdale School District  
Palmdale, 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 Palmdale School District (the District) Building Fund (Measures W and DD), 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 February 9, 2018.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Building Fund specific to Measures W and DD, and are not intended to present fairly the financial position and changes in financial position of Palmdale 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered District's Building Fund (Measures W and DD) 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 District's Building Fund (Measures W and DD) internal control. Accordingly, we do not express an opinion on the effectiveness of District's Building Fund (Measures W and DD) 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 Building Fund (Measures W and DD) 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 Palmdale School District's Building Fund (Measures W and DD) 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 Building Fund (Measures W and DD) 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 Building Fund (Measures W and DD) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VAUGHN, TRINE, DAY & CO. LLP

Rancho Cucamonga, California  
February 9, 2018



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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2017**

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None reported.

**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

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

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

**PALMDALE SCHOOL DISTRICT**

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**BUILDING FUND (MEASURE W AND MEASURE DD)  
PERFORMANCE AUDIT**

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**JUNE 30, 2017**

**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

**PERFORMANCE AUDIT  
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JUNE 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE**

Governing Board and  
Citizens' Oversight Committee  
Palmdale School District  
Palmdale, California

We were engaged to conduct a performance audit of the Palmdale School District (the District) Building Fund (Measures W and DD) 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 (Measures W and DD) 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*

Rancho Cucamonga, California  
February 9, 2018



**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

**JUNE 30, 2017**

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***AUTHORITY FOR ISSUANCE***

**Measure W**

The Measure W Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the *California Education Code*, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County (the Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District.

The District received authorization at an election held on November 6, 2001, to issue bonds of the District in an aggregate principal amount not to exceed \$25,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2001 Authorization). The Bonds represent all series of the authorized bonds to be issued under the 2001 Authorization.

**Measure DD**

The Measure DD Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the *California Education Code*, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County (the Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District.

The District received authorization at an election held on November 6, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$220,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2012 Authorization). The Bonds represent the first series of the authorized bonds to be issued under the 2012 Authorization.

***PURPOSE OF ISSUANCE***

**Measure W**

The general obligation bond funds of Measure W of Palmdale School District would be used to reduce student overcrowding throughout the Palmdale School District, improve student safety, continue class size reduction, and obtain State funding. Projects may include, but are not limited to some of the following: construction, furnishing, and equipping of two K-8 schools (one east and one west of 25th Street East) and the renovation and construction of additional K-8 classrooms throughout the District.

# **PALMDALE SCHOOL DISTRICT BUILDING FUND (MEASURES W AND DD)**

**JUNE 30, 2017**

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## **Measure DD**

The general obligation bond funds of Measure DD of Palmdale School District would be used only for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, and not for any other purpose, including teacher and administrator salaries and other school operating expenses. Projects may include, but are not limited to some of the following: Upgrading of aging and deteriorating school sites, classrooms, science labs, computer labs, and libraries, improvement of energy efficiency to provide annual savings that will support classroom instruction, modernization of current classroom technology to support 21<sup>st</sup> century education, modernization of fire, alarm, emergency, and security systems, repairing and updating of aging student restrooms and rusting plumbing, planning and construction of additional classrooms and learning space for students, and renovation of aging and worn out classrooms and school facilities to ensure student safety.

## ***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.
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.

**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

**JUNE 30, 2017**

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***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 Measures W and DD.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measures W and DD 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 (Measures W and DD). 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 Measures W and DD 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. For Measure W our sample included transactions totaling \$214,422. This represents 91.4 percent of the total expenditures of \$234,552. As for Measure DD, our sample included transactions totaling \$4,141,811. This represents 58.1 percent of the total expenditures and other financing uses of \$7,133,847.
3. Based on our testing, we verified that funds from the Building Fund (Measures W and DD) were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held in the Building Fund (Measure DD) were not used for salaries of administrators per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

**JUNE 30, 2017**

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***CONCLUSION***

The results of our tests indicated that, in all significant respects, the Palmdale School District has properly accounted for the expenditures held in the Building Fund (Measures W and DD) and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Building Fund (Measure DD), and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

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

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None reported.

**PALMDALE SCHOOL DISTRICT  
BUILDING FUND (MEASURES W AND DD)**

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

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