



CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG
BUILDING FUND (21)
GENERAL OBLIGATION BONDS

Audit Report

June 30, 2019



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



**CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
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**CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Introduction and Citizens' Oversight Committee Member Listing**

On November 8, 2016 the Cardiff School District was successful in obtaining authorization from District voters to issue up to \$22,000,000 in General Obligations Bonds pursuant to a 55% vote. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed 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.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 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 Proposition 39 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

The Bonds may be issued under the provisions of the California Education Code (starting at Section 15100), under the provisions of the California Government Code (starting at Section 53506), or under any other provision of law authorizing the issuance of general obligation bonds by school districts. The Bonds may be issued in series by the District from time to time, and each series of Bonds shall mature within the legal limitations set forth in the applicable law under which the Bonds are issued.

The Cardiff School District Measure GG Citizens' Oversight Committee as of June 30, 2019 was comprised of the following members:

<u>Name</u>	<u>Position</u>
Christine Bruington	Active Member of Senior Citizens Organization
Chris Fowler	Active Member of a Business Organization
Bill Moser	Community at Large
Chuck Nichols	Active Member of Senior Citizens Organization
Jenny Pieratt	Parent of District Student
Dave Smiley	Community at Large
Rhea Stewart	Community at Large
Adam Sweet	Active Member of Parent Teacher Organization
Kenneth Williams	San Diego Tax Payers Association

INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and
Citizens' Oversight Committee
Cardiff School District
Cardiff-By-The Sea, California**

Report on Financial Statements

We have audited the accompanying financial statements of Proposition 39 Measure GG Building Fund (21) of Cardiff School District, which comprise the balance sheet as of June 30, 2019, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition 39 Measure GG Building Fund (21) of Cardiff School District as of June 30, 2019, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B, the financial statements present only the Proposition 39 Measure GG Building Fund (21) which is specific to Proposition 39 and is not intended to present fairly the financial position and results of operations of Cardiff School District in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America required that the Management's Discussion and Analysis identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis and is not a required part of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2020, on our consideration of Cardiff School District'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 Cardiff School District's internal control over financial reporting and compliance.

Report on Other Legal and regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated February 26 , 2020 on our consideration of the District's compliance with the requirements of Proposition 39 with regards to the Proposition 39 Measure GG Building Fund (21). That report is an integral part of our audit of the District's Proposition 39 Measure GG Building Fund (21) for the fiscal year ended June 30, 2019 and should be considered in assessing the results of our financial audit.

El Cajon, California
February 26, 2020

CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

This section of Cardiff School District's Proposition 39 Measure GG Building Fund (21) annual financial and performance report presents our discussion and analysis of the Measure GG bond program during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's Measure GG bond financial statements and performance audit, which immediately follows this section.

FINANCIAL HIGHLIGHTS

- The fund balance for the Measure GG Building Fund (21) amounted to \$19,566,969 as of June 30, 2019 compared to \$13,342,820 as of June 30, 2018.
- Revenues, which consisted of interest, was \$236,552 for the year ended June 30, 2019 compared to \$206,884 for the year ended June 30, 2018.
- Expenditures were \$1,849,902 for the year ended June 30, 2019 compare to \$674,539 for the year ended June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the Measure GG Bond Building Fund financial statements, and the performance audit required by state law.

The District accounts for Measure GG bond activity in the District's Building Fund. The Building Fund is a governmental fund type accounted for on a modified accrual basis of accounting that does not include fixed assets nor long-term liabilities.

FINANCIAL ANALYSIS OF THE MEASURE GG BOND BUILDING FUND

Balance Sheet

The District's Measure GG Bond Building Fund balance as of June 30, 2019 was \$19,721,024(see Table A-1). The \$19,721,024 in cash and cash equivalents represent cash held in an investment pool for purposes associated only with the bond authorization approved by the voters. It has been determined the Measure GG funds cannot be used for Routine Restricted Maintenance expenditures in the General Fund.

CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Management's Discussion and Analysis Continued
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Table A-1

ASSETS

Current Assets

Cash and cash equivalents	\$ 19,721,024
Accounts receivable	82,406
Total Current Assets	19,803,430

TOTAL ASSETS	\$ 19,803,430
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LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable	\$ 236,460
Total Current Liabilities	236,460

Total Liabilities	236,460
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Fund Balance

Restricted for capital projects	19,566,970
Total Fund Balance	19,566,970

TOTAL LIABILITIES AND FUND BALANCE	\$ 19,803,430
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**CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS**

Management's Discussion and Analysis Continued
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Fund Balance (or Change in Fund Balance)

The interest income reported represents funds earned on the cash held by the county treasurer. Total expenditures represents only Measure GG authorized expenditures.

	2019
REVENUES	
Interest income	\$ 236,552
TOTAL REVENUES	236,552
EXPENDITURES	
Other operating expenses:	
Consultants	128,960
Legal services	12,686
Other construction services	72,862
Capital outlay:	
Architect planning	902,831
Project Manager	138,144
Office of State Architect	258,750
Telephone system	23,389
Contractor	312,280
TOTAL EXPENSES	1,849,902
OTHER SOURCES	
Proceeds from sale of bonds	8,000,000
Cost of Issuance	(284,038)
Other sources	121,538
TOTAL OTHER SOURCES	7,837,500
NET CHANGE IN FUND BALANCE	6,224,150
FUND BALANCE, BEGINNING OF YEAR	13,342,820
FUND BALANCE, END OF YEAR	\$ 19,566,970

**CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Management’s Discussion and Analysis Continued
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

Long-Term Debt Comparison

At the end of June 30, 2019 Cardiff School District had \$22,798,949 in long-term debt outstanding related to General Obligation Bonds.

	2019
GENERAL OBLIGATION BONDS PAYABLE	
Due within one year	\$ 154,661
Due in more than one year	22,644,288
TOTAL GENERAL OBLIGATION BONDS PAYABLE	\$ 22,798,949

MEASURE GG BOND BUILDING FUND BUDGETARY HIGHLIGHTS

Proposition 39 Measure GG is accounted for in the Building Fund of the District. The District’s initial budget is adopted by July 1. Over the course of the year, the District’s budget is revised several times to reflect changes in funding and expenditures.

FACTORS BEARING ON THE DISTRICT BOND PROGRAM’S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the existing circumstances that could affect its financial health in the future:

- Possible increases in building costs during construction

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s Measure GG bond finances and to determine the District’s accountability for the money it receives. Additional financial information can be obtained by contacting the following:

Courtney Jasper
Courtney.Jasper@cardiffschool.com
Chief Business Officer
Cardiff School District
1888 Montgomery Avenue
Cardiff, CA 92007

FINANCIAL STATEMENTS

CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Balance Sheet
June 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$ 19,721,024
Accounts receivable	82,406
Total Current Assets	<u>19,803,430</u>

TOTAL ASSETS \$ 19,803,430

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable	\$ 236,460
Total Current Liabilities	<u>236,460</u>

Total Liabilities 236,460

Fund Balance

Restricted for capital projects	<u>19,566,970</u>
Total Fund Balance	<u>19,566,970</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 19,803,430

The accompanying notes are an integral part of this statement.

CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2019

REVENUES	
Interest income	\$ 236,552
TOTAL REVENUES	236,552
EXPENDITURES	
Other operating expenses:	
Consultants	128,960
Legal services	12,686
Other construction services	72,862
Capital outlay:	
Architect planning	902,831
Project Manager	138,144
Office of State Architect	258,750
Telephone system	23,389
Contractor	312,280
TOTAL EXPENSES	1,849,902
OTHER SOURCES (USES) OF FUNDS	
Proceeds from sale of bonds	8,000,000
Cost of Issuance	(284,038)
Other sources	121,538
TOTAL OTHER SOURCES	7,837,500
NET CHANGE IN FUND BALANCE	6,224,150
FUND BALANCE, BEGINNING OF YEAR	13,342,820
FUND BALANCE, END OF YEAR	\$ 19,566,970

The accompanying notes are an integral part of this statement.

CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements
Year Ended June 30, 2019

A. Definition of the Fund

In November 2016, Building Fund (21) was formed to account for property acquisition and renovation of current schools for the Cardiff School District (District), through expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2016. Fund (21) is the Building Fund of the District.

B. Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Structure

The accompanying financial statements are used to account for the transactions of the Building Fund specific to Proposition 39 Measure GG Building Fund (21) as defined in Note A and are not intended to present fairly the financial position and results of operations of Cardiff School District in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses 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.

Building Fund (21) is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees 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.

CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2019

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 at June 30 since they do not constitute expenditures or liabilities.

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 reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the San Diego 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 fair value, in accordance with the requirements of GASB Statement No. 31.

Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code §53648 et.seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2019

Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts has been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

**CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2019**

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflow of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2019 the District's Proposition 39 Measure GG Building Fund (21) did not have any Deferred Inflows or Deferred Outflows of Resources.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

C. Fair Value Measurements

The Proposition 39 Measure GG Building Fund's investments at June 30, 2019, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	Amount	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External investment pools measured at fair value				
San Diego County Treasury	\$ 19,721,024	\$ -	\$ 19,721,024	\$ -
Total investments by fair value level	\$ 19,721,024	\$ -	\$ 19,721,024	\$ -

CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2019

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 §41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as 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 the 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.

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

D. Cash and Investments

Cash in County Treasury

The District maintains significantly all of its cash in the San Diego County Treasury as part of the common investment pool. As of June 30, 2019, the portion of cash in the San Diego County Treasury attributed to Building Fund (21) was \$19,721,024. The fair value of Building Fund (21)'s portion of this pool as of that date, as provided by the pool sponsor, was \$19,721,024. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

Investments

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 deposits 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.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investments risks at year end and if so, the reporting of certain related disclosures:

CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2019

a. Credit Risk

Credit risk is the risk that an issuer or their counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District's Building Fund (21) was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District's Building Fund (21) was not exposed to custodial credit risk.

- c.* Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

d. Concentration of Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District's Building Fund (21) was not exposed to custodial credit risk.

e. Interest Rate Risk

This is the risk that changes in 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's Building Fund (21) manages its exposure to interest rate risk by investing in the county pool.

f. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District's Building Fund (21) was not exposed to foreign currency risk.

CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2019

g. Investment Accounting Policy

The District is required by GASB statement No. 31 to disclose its policy for determining which investments, if any are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts using a cost-based measure; however, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts

The District's Investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's Investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's Investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This Table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's Investment policy.

**CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2019**

<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 Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

E. Accounts Receivable

As of June 30, 2019 accounts receivable consisted of:

	<u>Accounts Receivable</u>
Interest receivable	\$ 82,406
Total Accounts Receivable	<u>\$ 82,406</u>

**CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2019**

F. Accounts Payable

As of June 30, 2019 accounts payable consisted of:

	<u>Account Payable</u>
Vendor payables	\$ 236,460
Total Accounts Payable	\$ 236,460

G. General Obligation Bonds

2017 General Obligation Bonds

On February 23, 2017, the District issued \$14,000,000, 2016 Series A General Obligation bonds in order to finance the improvement of school facilities and equipment. The issue consisted of \$8,985,000 in current interest bonds with an interest rate of 2.00% to 5.00% with annual maturities from August 2018 through August 2043, a \$420,000 in term bonds with an interest rate of 5.00% with maturity August 2030. \$4,595,000 in term bonds with an interest rate of 3.625% with which matures August 1, 2046. Principal payments on the bonds are due August 1 of each year beginning August 1, 2018 while interest is payable semi-annually on February 1 and August 1 of each through maturity beginning February 1 2018. Total proceeds of \$14,000,000 with additional premium of \$435,053 resulted in \$13,830,000 deposited into the Building Fund after issuance costs of \$387,950, while remaining funds of \$217,103 were deposited into the Bond Interest and Redemption Fund to be utilized for subsequent debt service on the bonds.

2019 General Obligation Bonds

In February 2019, the District issued \$8,000,000 2016 Election, Series B, General Obligation Bonds in order to finance improvement of school facilities and equipment. The issue consisted of \$8,000,000 in current interest bonds with interest rates ranging between 4.00% and 6.45%. The issue contained \$5,735,000 in serial bonds due between August 1, 2020 and August 1, 2048. There are a total of four term bonds due August 1 in 2031, 2033, 2044, 2046 with par amounts of \$365,000, \$400,000, \$1,000,000, and \$500,000, respectively. Principal payments are due August 1 of each year beginning August 1, 2020 while interest is payable semi-annually on February 1 and August 1 of each year through maturity beginning August 1, 2019. Total proceeds of \$8,000,000 with additional premium of \$446,382 resulted in \$7,837,500 deposited into the Building Fund after issuance costs of \$284,038, while remaining funds of \$324,844 were deposited into the Bond Interest and Redemption Fund to be utilized for subsequent debt service on the bonds.

**CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2019**

The outstanding bonded debt of Proposition 39 Measure GG Building Fund (21) at June 30, 2019 is as follows:

Description	Date of Issue	Interest rate	Maturity Date	Original Issue Amount	Balance		Current Year Decreases	Balance End of Year
					Beginning of Year	Current Year Increases		
2016 Election Series A	2/23/2017	2.00-5.00%	8/1/2046					
Principal				\$ 14,000,000	\$ 14,000,000	\$ -	\$ 80,000	\$ 13,920,000
Premium				-	435,055	-	2,486	432,569
Total 2016A				<u>14,000,000</u>	<u>14,435,055</u>	<u>-</u>	<u>82,486</u>	<u>14,352,569</u>
2016 Election Series B	2/14/2019	4.00-6.45%	8/1/2048					
Principal				8,000,000	-	8,000,000	-	8,000,000
Premium				-	-	446,382	-	446,382
Total 2016B				<u>8,000,000</u>	<u>-</u>	<u>8,446,382</u>	<u>-</u>	<u>8,446,382</u>
Total 2016 Election				<u>\$ 22,000,000</u>	<u>\$ 14,435,055</u>	<u>\$ 8,446,382</u>	<u>\$ 82,486</u>	<u>\$ 22,798,951</u>

The annual requirements to amortize the general obligation bonds payable outstanding at June 30, 2019 is as follows:

Year Ended June 30,	Principal	Interest	Total
2020	150,000	852,116	1,002,116
2021	125,000	858,857	983,857
2022	-	855,732	855,732
2023	-	855,732	855,732
2024	20,000	855,232	875,232
2025-2029	710,000	4,209,283	4,919,283
2030-2034	2,035,000	5,178,820	7,213,820
2035-2039	3,895,000	3,209,439	7,104,439
2040-2044	6,405,000	2,211,498	8,616,498
2045-2048	8,580,000	821,109	9,401,109
Total	<u>21,920,000</u>	<u>19,907,815</u>	<u>41,827,815</u>

**CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2019**

Bond Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premiums are amortized over the life of the bond using effective interest rate method.

	2016 Series A	2016 Series B
Total Interest	\$ 12,803,103	\$ 6,854,484
Less Bond Premium	(435,053)	(446,382)
Net Interest	\$ 12,368,050	\$ 6,408,102
Par Amounts of Bonds	\$ 14,000,000	\$ 8,000,000
Periods	30	30
Effective Interest Rate	2.940%	2.670%

H. Construction Commitments

As of June 30, 2019 construction commitments for the Building Fund (21) are as follows:

Construction in Progress	Commitments	Expected Date of Final Completion*
Demolition of Exxisting Classrooms and Mulitpurpose Building		
New Construction of Buildings A,B,C,D,F,H,J, & L		
Modernization of Buildings E & M		
New Site Construction and Improvements including Landscaping & Utilities		
Coordination of Removal, Storage, and Reinstall of Existing FF&E	\$21,729,958	Summer 2021

* Completion date is an estimate and may change

SUPPLEMENTARY INFORMATION

**CARDIFF SCHOOL DISTRICT
 PROPOSITION 39 MEASURE GG BUILDING FUND (21)
 General Obligation Bond Project List
 Year Ended June 30, 2019**

Bond proceeds will be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the District located at the following locations:

Cardiff School	Ada Harris School
Cardiff School District	

Projects for Cardiff School Include:

- Replace outdated roofs.
- Renovate or replace existing deteriorating plumbing, drainage, and sewer systems.
- Upgrade inadequate electrical systems including power and low voltage to meet current electrical and accessibility codes, increase capacity, and relieve overloaded systems.
- Improve energy efficiency by replacing old and energy inefficient heating, ventilation, and air conditioning (HVAC) systems, windows, and lighting systems; also, install cost-effective systems including “green” building projects and sustainable building practices to promote energy-efficiency (e.g., Energy Management Systems (EMS), solar, electrical, etc.).
- Replace aging temporary portable classrooms with new classrooms.
- Replace outdated classrooms that are now between 55-65 years old with new classrooms.
- Construct new restrooms.
- Construct a new multipurpose room and warming kitchen to replace the current 55 year old building.
- Make health, safety, and security improvements, such as improve student drop-off and pick-up areas, upgrade campus fencing, renovate/retrofit the “brick building”.
- Replace or upgrade fire alarm systems, fire safety equipment, and emergency exit lighting improvements.
- Replace campus wide intercom and telecommunication systems, clocks, and upgrade wireless systems and internet/network connections.
- Improve handicapped accessibility by making Federal and State-mandated Americans with Disabilities Act (ADA) accessibility upgrades and as mandated by the Division of the State Architect (DSA) including site access, parking, restrooms, relocation of some existing electrical devises, drinking fountains, playground equipment, etc.
- Upgrade, renovate and improve library/computer lab, art/science lab, and school office building to be integrated with the newly constructed school facilities.
- Upgrade and improve playgrounds and playfields for school and community use; preserve existing mature trees and other landscaping where possible.
- Resurface, repair, and/or replace paved surfaces, play court areas, turf, and other grounds to eliminate safety hazards and improve outside instructional areas.

CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
General Obligation Bond Project List (Continued)
Year Ended June 30, 2019

Projects for ADA Harris School include:

- Improve energy efficiency by replacing old and energy inefficient heating, ventilation, and air conditioning (HVAC) systems, windows, and lighting systems; also, install cost-effective systems including “green” building projects and sustainable building practices to promote energy-efficiency (e.g., Energy Management Systems (EMS), solar, electrical, etc.).
- Replace aging temporary portable classrooms.
- Replace or upgrade fire alarm systems, fire safety equipment, and emergency lighting improvements.
- Replace campus wide intercom and telecommunication systems, clocks, and upgrade wireless systems and internet/network connections.

Miscellaneous district-wide projects include:

- Abate and remove hazardous materials identified prior or during construction.
- Address unforeseen conditions revealed by construction/modernization (such as water, sewage or gas line breaks, dry rot, seismic, structural, etc.)
- Other site improvements required to comply with existing building codes, including the Field Act, and access requirements of the Americans with Disabilities Act.
- Necessary preparation/restoration in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing replacing preserving, or installing irrigation, utility lines (such as gas lines, water lines, electrical lines, sewer lines, and communication lines), trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of way to the property.
- Rental or construction of storage facilities and other space on an interim basis, as needed to accommodate construction materials, equipment, and personnel, and interim classrooms (including relocatables) for students and school functions or other storage for classroom materials displaced during construction.
- Acquisition of any of the facilities on the Bond Project List through temporary lease or lease-purchase arrangements or execute purchase option under leases for any of the authorized facilities.
- All work necessary and incidental to specific projects described above, including demolition of existing structures.

OTHER INDEPENDENT AUDITORS' REPORTS

**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 Members and
Citizens' Bond Oversight Committee
Cardiff School District
Cardiff-By-The-Sea, 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 Proposition 39 Measure GG Building Fund (21) of Cardiff School District, which comprise the balance sheet as of June 30, 2019, and the related statements of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cardiff 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cardiff School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cardiff 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 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cardiff School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California
February 26, 2020

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

**Governing Board Members and
Citizens' Bond Oversight Committee
Cardiff School District
Cardiff-By-The-Sea, California**

We were engaged to conduct a performance audit of the Cardiff School District Proposition 39 Measure GG Building Bond (21) for the year ended June 30, 2019.

Management's Responsibility for Performance Compliance

Our audit was limited to the objectives listed with the report which includes 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.

Auditor's Responsibility

We conducted this performance audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Controller 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 conclusions based on our audit objectives.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund'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 on the effectiveness of the Proposition 39 Measure GG Building Bond Fund (21) Cardiff School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition 39 Measure GG General Obligation Bond for the fiscal year ended June 30, 2019. The objective of the audit of compliance applicable to Cardiff School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Proposition 39 Measure GG Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure to modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve facilities of the District.

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

Internal Control Evaluation

Procedure Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding Measure GG resources
- Prevent material misstatement in the Proposition 39 Measure GG Building Fund (21) financial statements
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of Measure GG funds. All purchase requisitions are reviewed for proper supporting documentation. The Project Manager or appropriate District employee submits back up information to the business office to initiate a purchase requisition. The Project Manager, Superintendent, and Business Manager verifies that the requested purchase is an allowable project cost in accordance with the Measure GG ballots initiative approved by local voters, as well as the Board approved budget, and that all expenditures are properly recorded by project and expense category.

Results of Procedures Performed

The results of our audit determined the internal control procedures as implemented are sufficient to meet the financial and compliance objectives required by generally accepted accounting principles and applicable laws and regulations.

Tests of Expenditures

Procedures Performed:

We tested expenditures to determine whether Measure GG funds were spent solely on voter and Board approved school facilities. Our testing included a sample of vendors, totaling approximately \$1,617,953 or 87.46% of the total expenditures for the year.

Results of Procedures Performed:

We found no instances where expenditures tested were not in compliance with the terms of the Measure GG ballot measure and applicable state laws and regulations.

Tests of Contracts and Bid Procedures

Procedures Performed

We reviewed the District's board minutes for approval of construction contracts and change orders, if any, to determine compliance with the District's policy and Public Contract Code provisions related to biddings and contracting.

Results of Procedures Performed

We noted no instances where the District was out of compliance with respect to contracts and bidding procedures.

Facilities Site Review

Procedures Performed

We reviewed the Independent Citizens' Oversight Committee minutes and agenda and other pertinent information on Measure GG designated projects and determined that Measure GG funds expended for the year ended June 30, 2019 were for valid facilities acquisition and construction purposes as stated in the Bond Project List.

Results of Procedures Performed:

Based on our review of the minutes and agenda of the Independent Citizens' Oversight Committee, the documentation and pertinent information of the Measure GG designated projects, and the explanation of management, it appears the construction work performed was consistent with the Bond Project List. The district commenced demolition in late June 2019 in anticipation of the commencement of construction in July 2019.

Citizens' Oversight Committee

Procedures Performed:

We have reviewed the minutes of the Independent Citizens' Oversight Committee meetings to verify compliance with Education Code sections 15278 through 15282.

Results of Procedures Performed:

We have determined the Cardiff School District's Measure GG Independent Citizens' Oversight Committee and its involvement is in compliance with Education Code Sections 15278 through 15282.

Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above not necessarily disclose all instances of noncompliance.

Opinion on Performance

In our opinion, the District complied, in all material respects, with the compliance requirements of Proposition 39 outlined in Article XIII A, Section 1(b)(3)(c) of the California Constitution, and with Measure GG approved by the voters in the Cardiff School District on November 8, 2016.

Purpose of the Report

This report is intended solely for the information and use of the District's Governing Board, the Proposition 39 Measure GG Independent Citizens' Oversight Committee, management, others within the entity, and the taxpayers of Cardiff School District and is not intended to be and should not be used by anyone other than these specified parties.

El Cajon, California
February 26, 2020

FINDINGS AND RECOMMENDATIONS

**CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Schedule of Findings and Responses
Year Ended June 30, 2019**

There were no findings to report.

**CARDIFF SCHOOL DISTRICT
PROPOSITION 39 MEASURE GG BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Schedule of Prior Audit Findings
Year Ended June 30, 2019**

There were no audit findings noted for the fiscal year ended June 30, 2018