



December 12, 2022

To the Governing Board  
Cuyama Joint Unified School District  
New Cuyama, California

We have audited the financial statements of Cuyama Joint Unified School District's (the District) Building Fund (Measure Q) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 12, 2022. We have also performed the performance audit of the District's Building Fund. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit of the District's Building Fund (Measure Q) under Generally Accepted Auditing Standards and Government Auditing Standards and the Performance Audit under *Government Auditing Standards*.**

As communicated in our letter dated June 1, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Additionally, our responsibility, as described by professional standards, is to conduct a performance audit in accordance with *Government Auditing Standards*. Our audit of the financial statements and performance audit does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated December 12, 2022.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Significant Risks Identified**

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the District may have the ability to override controls that the District has implemented. Management may override the District's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the District's financial performance or with the intent of concealing fraudulent transactions.
- Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the District to overstate revenues.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such significant accounting estimates were identified.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's Building Fund (Measure Q) financial statements relate to:

The summary of significant accounting policies in Note 1.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: Overstatement of the Building Fund of \$41,959 overstatement of cash in county treasury due to fair market value adjustment not recorded.

There were no uncorrected misstatements.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

#### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

#### *Emphasis of Matter*

As discussed in Note 1, the financial statements present only Building Fund (Measure Q), and do not purport to, and do not, present fairly the financial position of the Cuyama Joint Unified School District as of June 30, 2022, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 12, 2022.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the Governing Board, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

*Eide Bailly LLP*

Rancho Cucamonga, California



Financial and Performance Audits  
Building Fund (Measure Q)  
June 30, 2022

**Cuyama Joint Unified School District**

**FINANCIAL AUDIT**

Independent Auditor's Report ..... 1

Financial Statements

    Balance Sheet..... 4

    Statement of Revenues, Expenditures, and Change in Fund Balance..... 5

    Notes to Financial Statements ..... 6

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*.....11

Schedule of Findings and Questioned Costs

    Financial Statement Findings .....13

    Summary Schedule of Prior Audit Findings.....15

**PERFORMANCE AUDIT**

Independent Auditor's Report on Performance .....16

Authority for Issuance .....17

Purpose of Issuance.....17

Authority for the Audit .....17

Objectives of the Audit .....18

Scope of the Audit .....18

Methodology.....18

Conclusion.....19

Schedule of Findings and Questioned Costs

    Schedule of Findings and Questioned Costs .....20

    Summary Schedule of Prior Audit Findings.....21



Financial Audit  
Building Fund (Measure Q)  
June 30, 2022

# Cuyama Joint Unified School District



## Independent Auditor's Report

Governing Board and  
Citizens Oversight Committee  
Cuyama Joint Unified School District  
New Cuyama, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the Building Fund (Measure Q) of the Cuyama Joint Unified School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure Q) of the Cuyama Joint Unified School District, as of June 30, 2022, and the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cuyama Joint Unified School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Note 1, the financial statements present only Building Fund (Measure Q), and do not purport to, and do not, present fairly the financial position of the Cuyama Joint Unified School District as of June 30, 2022, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cuyama Joint Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022 on our consideration of the Building Fund (Measure Q) of the Cuyama Joint Unified 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 solely 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 Building Fund (Measure Q) of the Cuyama Joint Unified School District's 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 Building Fund (Measure Q) of the Cuyama Joint Unified School District's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 12, 2022

Cuyama Joint Unified School District  
Building Fund (Measure Q)  
Balance Sheet  
June 30, 2022

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Assets	
Investments	\$ 1,194,155
Receivables	<u>1,900</u>
Total assets	<u>\$ 1,196,055</u>
Fund balance	
Restricted for capital projects	<u>\$ 1,196,055</u>

Cuyama Joint Unified School District  
Building Fund (Measure Q)  
Statement of Revenues, Expenditures, and Change in Fund Balance  
Year Ended June 30, 2022

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Revenues	
Interest (net of FMV adjustment)	<u>\$ (36,588)</u>
Expenditures	
Current	
Professional/consulting services and operating expenses	<u>5,000</u>
Net Change in Fund Balance	(41,588)
Fund Balance - Beginning	<u>1,237,643</u>
Fund Balance - Ending	<u><u>\$ 1,196,055</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Cuyama Joint Unified School District (the District) Building Fund (Measure Q) 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 Cuyama Joint Unified 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 Cuyama Joint Unified School District used to account for Measure Q projects. The Building Fund was established to account for the expenditures of general obligation bonds issued under Measure Q. These financial statements are not intended to present fairly the financial position and results of operations of the Cuyama Joint Unified School District in compliance with accounting principles generally accepted in the United States of America.

### **Fund Accounting**

The operations of the Building Fund 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 is 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 change in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

### **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 lapse at June 30.

### **Fund Balance - Building Fund (Measure Q)**

As of June 30, 2022, the fund balance 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 Policy**

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.

**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 fairly 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 Santa Barbara County Treasury Investment Pool. The District maintains a Building Fund (Measure Q) investment of \$1,194,155 with the Santa Barbara County Treasury Investment Pool, with an average maturity of 664 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Santa Barbara County Treasurer's Investment Pool is not required to be rated, nor has it been rated as of June 30, 2022.

**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 assets 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.

As of June 30, 2022, the District's investments of \$1,194,155 in the Santa Barbara County Treasurer's Investment Pool are uncategorized.

**Note 4 - Receivables**

Receivables at June 30, 2022, consisted of the following:

Interest	<u>\$ 1,900</u>
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**Note 5 - Commitments and Contingencies**

As of June 30, 2022, the Building Fund (Measure Q) had the following commitments with respect to unfinished projects:

GO Bond Projects	Remaining Construction Commitment	Expected Date of Completion
High School HVAC	<u>\$ 1,000,000</u>	06/30/23

**Litigation**

The District is not currently a party to any legal proceedings related to the Building Fund (Measure Q) as of June 30, 2022.



Independent Auditor's Report  
June 30, 2022

# Cuyama Joint Unified School District



**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  
Cuyama Joint Unified School District  
New Cuyama, 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 Building Fund (Measure Q) of the Cuyama Joint Unified School District (the District) as of and for the year ended June 30, 2022, and the related notes of the financial statements, and have issued our report thereon dated December 12, 2022 .

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only Building Fund (Measure Q), and do not purport to, and do not, present fairly the financial position of the Cuyama Joint Unified School District as of June 30, 2022, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cuyama Joint Unified School District's internal control over financial reporting (internal control) as a basis for designing 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 Cuyama Joint Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cuyama Joint Unified School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Building Fund (Measure Q) 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of financial statement finding as item 2022-001, that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Building Fund (Measure Q) of the Cuyama Joint Unified 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 financial statements. 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*.

### **Cuyama Joint Unified School District' Response to the Finding**

Government Auditing Standards requires the auditor to perform limited procedures on Cuyama Joint Unified School District's response to the findings identified in our audit and described in the accompanying schedule of financial statement findings. Cuyama Joint Unified School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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



Rancho Cucamonga, California  
December 12, 2022

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with Government Auditing Standards. The finding has been coded as follows:

	Five Digit Code	AB 3627 Finding Type
	30000	Internal Control
<b>2022-001</b>	<b>30000</b>	

**Criteria or Specific Requirements**

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

**Condition**

An internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor. During the course of our engagement, we identified a significant misstatement of a balance within the District's 2021-2022 unaudited financial statements. The fair market value of cash in county was not recorded, resulting in an overstatement of \$41,959 of cash in county in the Building Fund (Measure Q).

**Questioned Costs**

There were no questioned costs associated with the condition identified.

**Context**

The condition was identified through inquiry with the District personnel and through a review of available District records related to the balances reported on the District's 2021-2022 unaudited financial statements

**Effect**

The effect of the error resulted in misstatement that was not detected or prevented by the District's internal accounting control and review process. As reported on the 2021-2022 unaudited financial statements, the District's Building Fund (Measure Q) was overstated by \$41,959.

**Cause**

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements, which includes the related conversion, adjusting, and reclassifying journal entries in preparation of the government-wide financial statements.

**Repeat Finding**

No

**Recommendation**

Management should review financial account balances to ensure that balances have been correctly reported. Balances should be traced to supporting records to verify the accuracy and completeness of reported information. A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

**Corrective Action Plan and Views of Responsible Officials**

Management does review financial account balances to ensure balances have been correctly reported to the best of their knowledge. Due to a lack of information, management and County financial advisors were not aware of the necessary corrections to the fair market value of cash that resulted in this oversight. Normally, this adjusting entry would not be applicable, however, due to the fiscal impacts of the Coronavirus pandemic this circumstance arose. In the future, the review of all possible entries will be completed prior to finalizing the District's year-end financial statements by the business department and the County's district financial advisor. Necessary adjustments will be made according to auditor by the business manager prior to the next reporting period.

Cuyama Joint Unified School District  
Building Fund (Measure Q)  
Summary Schedule of Prior Audit Findings  
June 30, 2022

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Performance Audit  
Building Fund (Measure Q)  
June 30, 2022

# Cuyama Joint Unified School District





## Independent Auditor's Report on Performance

Governing Board and  
Citizens Oversight Committee  
Cuyama Joint Unified School District  
New Cuyama, California

We were engaged to conduct a performance audit of the Cuyama Joint Unified School District (the District) Building Fund (Measure Q) for the period of July 1, 2021, through June 30, 2022.

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

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 and Appendix A contained in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. 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. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The results of our tests indicated that the District expended Building Fund (Measure Q) 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.

This report is intended solely for the information and use of the District, Governing Board, and Citizens Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 12, 2022

### **Authority for Issuance**

The General Obligation 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 Trustees of the District (the Resolution). The County has adopted a resolution pursuant to Section 1540(b) of the *Education Code*, which authorizes school districts and community college districts to issue bonds on their own behalf, and, pursuant to which, the Bonds are being issued by the District.

The District received authorization at an election held on June 7, 2016, to issue bonds of the District in an aggregate principal amount not to exceed \$6,000,000 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 2016 Authorization). The Bonds represent the first and second series of the authorized bonds to be issued under the 2016 Authorization.

### **Purpose of Issuance**

“To improve the quality of education with funding that cannot be taken by the State; repair / replace leaky roofs; make health, safety and security improvements; upgrade inadequate electrical systems; improve student access to computers and modern technology; and modernize 50-year old classrooms, restrooms and buildings; shall the Cuyama Joint Unified School District issue \$6,000,000 of bonds at legal interest rates, with annual audits, an independent citizens’ oversight committee, and NO money for teacher or administrative salaries.”

### **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.

### **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 Measure Q.
2. Determine whether salary transactions charged to the Building Fund were in support of Measure Q and not for District general administration or operations.

### **Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2021 to June 30, 2022. 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, 2022, were not reviewed, or included within the scope of our audit or in this report.

### **Methodology**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2022, for the Building Fund (Measure Q). Within the fiscal year audited, we obtained the actual invoices, purchase orders, 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 Measure Q as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
  - a. We considered all expenditures recorded in all object codes.
  - b. We considered all expenditures recorded in all projects that were funded from July 1, 2021 through June 30, 2022 from Measure Q bond proceeds.
  - c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.

3. Our sample included transactions totaling \$5,000. This represents 100 percent of the total expenditures of \$5,000.
4. We reviewed the actual invoices and other supporting documentation to determine that:
  - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
  - b. Expenditures were supported by proper bid documentation, as applicable.
  - c. Expenditures were expended in accordance with voter-approved bond project list.
  - d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.
5. We determined that the District has met the compliance requirement of Measure Q if the following conditions were met:
  - a. Supporting documents for expenditures were aligned with the voter-approved bond project list.
  - b. Supporting documents for expenditures were not used for salaries of school administrators or other operating expenses of the Districts.

#### **Conclusion**

The results of our tests indicated that, in all significant respects, the Cuyama Joint Unified School District has properly accounted for the expenditures held in the Building Fund (Measure Q) and that such expenditures were made for authorized bond projects.



Performance Audit  
Building Fund (Measure Q)  
June 30, 2022

**Cuyama Joint Unified School District**

Cuyama Joint Unified School District  
Building Fund (Measure Q)  
Schedule of Findings and Questioned Costs  
June 30, 2022

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None reported.

Cuyama Joint Unified School District  
Building Fund (Measure Q)  
Summary Schedule of Prior Audit Findings  
June 30, 2022

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

