

**MEASURE C2004 BOND BUILDING FUND OF
SANTA MARIA JOINT UNION HIGH
SCHOOL DISTRICT**

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2019**

**MEASURE C2004 BOND BUILDING FUND
SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2019**

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

FINANCIAL SECTION

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

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Independent Auditors' Report on Performance	15

FINDINGS AND RESPONSES SECTION

Audit Procedures and Results	17
Schedule of Findings and Recommendations	19

**MEASURE C2004 BOND BUILDING FUND
 SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 INTRODUCTION AND CITIZENS' BOND OVERSIGHT COMMITTEE MEMBER LISTING
 JUNE 30, 2019**

The Santa Maria Joint Union High School District (the "District") began operations in 1891 under the laws of the State of California. This District operates under a locally elected five-member Board form of government and provides educational services to grades 9 – 12 as mandated by the state and federal agencies. The District operates three high schools and one continuation high school.

In November 2004, the voters of Santa Barbara County approved by more than the required 55% favorable vote, Measure C2004, authorizing the issuance and sale of general obligation bonds, not to exceed \$79,000,000. Measure C2004 is a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Under the Measure C2004 authorization, the District has issued general obligation bonds through the County of Santa Barbara as follows:

- Series 2005, which consisted of current interest and capital appreciation bonds with an initial par amount of \$34,998,222 and maturing through February 1, 2030.
- Series 2013, which consisted of current interest and capital appreciation bonds with an initial par amount of \$14,999,873 and maturing through August 1, 2037.
- Refunding bonds, which were issued to partially refund the Series 2005 bonds, in the amount of \$23,820,000 and maturing through August 1, 2026.
- Series 2014, which consisted of current interest and capital appreciation bonds with an initial par amount of \$28,996,159 and maturing through August 1, 2031.

As of June 30, 2019, the principal balance outstanding on the Measure C2004 bonds was \$65,339,253 excluding accreted interest of \$7,761,734.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure C2004 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2019:

Name	Representation
Karen Franklin	Parent of SMJUHSD Student, Chair
Sharon McConnell	Member of Senior Citizens' Organization, Vice Chair
Keiko Monahan	At-Large Community Member, Secretary
Karen Nuno	At-Large Community Member
Vacant*	Parent of SMJUHSD Student
Vacant*	Member of Business Organization
Vacant*	Member of Taxpayers' Organization

* The District is actively seeking qualified candidates to fill the vacant positions.

INDEPENDENT AUDITORS' REPORT

Governing Board Members and
Measure C2004 Citizens' Bond Oversight Committee of
Santa Maria Joint Union High School District
Santa Maria, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure C2004 Bond Building Fund of Santa Maria Joint Union High School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Measure C2004 Bond Building Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 opinions.

As discussed in Note 1A, the financial statements present only the individual Measure C2004 Bond Building Fund, consisting of the net construction proceeds of the Measure C2004 general obligation bonds as issued by the District, through the County of Santa Barbara, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure C2004 Bond Building Fund of Santa Maria Joint Union High School District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020 on our consideration of the Measure C2004 Bond Building Fund'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 Measure C2004 Bond Building Fund'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 Measure C2004 Bond Building Fund'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 28, 2020 on our consideration of the Measure C2004 Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Proposition 39 Bond Building Fund for the year ended June 30, 2019 and should be considered in assessing the results of our financial audit.

Christy White, Inc.

San Diego, California
February 28, 2020

FINANCIAL SECTION

**MEASURE C2004 BOND BUILDING FUND
SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
JUNE 30, 2019**

ASSETS	
Cash and investments	\$ 1,670,809
Accounts receivable	<u>4,494</u>
Total Assets	\$ <u>1,675,303</u>
LIABILITIES	
Accounts payable	<u>\$ 245,968</u>
Total Liabilities	<u>245,968</u>
FUND BALANCE	
Restricted for Measure C2004 projects	<u>1,429,335</u>
Total Liabilities and Fund Balance	\$ <u>1,675,303</u>

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

**MEASURE C2004 BOND BUILDING FUND
SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES	
Interest	\$ 88,424
Gains on investments	78,478
	<hr/>
Total Revenues	166,902
	<hr/>
EXPENDITURES	
Plant services	50,432
Facilities acquisition and construction	9,138,082
	<hr/>
Total Expenditures	9,188,514
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,021,612)
Fund Balance, July 1, 2018	10,450,947
	<hr/>
Fund Balance, June 30, 2019	\$ 1,429,335
	<hr/>

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

**MEASURE C2004 BOND BUILDING FUND
SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Santa Maria Joint Union High School District (the “District”) began operations in 1891 under the laws of the State of California. This District operates under a locally elected five-member Board form of government and provides educational services to grades 9 – 12 as mandated by the State and Federal agencies. The District operates three high schools and one continuation high school.

On November 2, 2004 the District voters authorized \$79 million in General Obligation Bonds (Measure C2004) to construct a new high school to alleviate student overcrowding; upgrade classrooms; improve health/safety; provide additional access to computer technology; replace portable classrooms with permanent construction; acquire, construct and improve school facilities; and make the District eligible for approximately \$30 million in State grants.

An advisory committee to the District’s Governing Board and Superintendent, called the Measure C2004 Citizens’ Bond Oversight Committee was established pursuant to the requirements of State law and the provisions of Measure C2004. The Committee’s oversight goals include: advising on bond construction priorities, reviewing bond construction plans, reviewing project plans and budgets, and ensuring compliance with the provisions of Measure C2004.

The statements presented are for the individual Measure C2004 Bond Building Fund of the District, consisting of the net construction proceeds of Measure C2004 Series 2005, 2013 and 2014 general obligation bonds, in addition to the 2013 refunding bonds, as issued by the District, through the County of Santa Barbara, and are not intended to be a complete presentation of the District’s financial position or results of operations.

B. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are presented on the modified accrual basis of accounting. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collectible within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

**MEASURE C2004 BOND BUILDING FUND
SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

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

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. Budgets and Budgetary Accounting

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

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

H. Fund Balance

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance in Measure C2004 is considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**MEASURE C2004 BOND BUILDING FUND
 SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Investment in county treasury	\$	592,554
Cash with fiscal agent		1,078,255
Total	\$	1,670,809

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

Cash 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 statements at amounts based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent – The District has deposited amounts with an escrow agent for the purpose of making payments to service providers under authorized agreements in the Measure C2004 Bond Building Fund.

**MEASURE C2004 BOND BUILDING FUND
SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

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

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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Santa Barbara County Investment Pool with a fair value of approximately \$592,554 which is equal to its book value. The weighted average maturity for this pool as of June 30, 2019 is 289 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 investments in the County Treasury are not required to be rated. As of June 30, 2019, the pooled investments in the County Treasury were rated at least A.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**MEASURE C2004 BOND BUILDING FUND
SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (continued)

Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, either directly or indirectly.

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 reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

The District held \$592,554 in uncategorized investments related to the Measure C2004 Bond Building Fund's investment in the Santa Barbara County Treasury.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable of \$4,494 as of June 30, 2019 consists of interest earned on the District's investment in the County of Santa Barbara's Pooled Treasury Investment Fund.

NOTE 4 – CONSTRUCTION COMMITMENTS

The Measure C2004 Bond Building Fund had existing construction commitments in the amount of \$349,789 as of June 30, 2019.

**MEASURE C2004 BOND BUILDING FUND
SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 5 – MEASURE C2004 GENERAL OBLIGATION BONDS

As of June 30, 2019, the principal balance outstanding on the District’s Measure C2004 Series 2005, Series 2013 and Series 2014 general obligation bonds, in addition to the 2013 refunding bonds, was \$65,339,253 excluding accreted interest of \$7,761,734.

On February 10, 2005, Series 2005 bonds of the Measure C2004 bond authorization were issued, which consisted of current interest and capital appreciation bonds with an initial par amount of \$34,998,222 with stated interest rates of 3.0% to 5.0% and maturing through February 1, 2030.

The annual requirements to amortize the Measure C2004 Series 2005 general obligation bonds payable outstanding as of June 30, 2019, are as follows:

Year Ended June 30,	Principal *	Interest	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2022	-	-	-
2023	-	-	-
2024 - 2029	2,142,052	7,047,948	9,190,000
2030	1,536,169	5,813,830	7,349,999
Total	\$ 3,678,221	\$ 12,861,778	\$ 16,539,999

* Principal excludes accreted interest of \$5,528,936 as of June 30, 2019.

On April 9, 2013, Series 2013 bonds of the Measure C2004 bond authorization were issued, which consisted of current interest and capital appreciation bonds with an initial par amount of \$14,999,873 with stated interest rates of 2.0% and 5.35% and maturing through August 1, 2037. Annual requirements to amortize the Measure C2004 Series 2013 general obligation bonds payable outstanding as of June 30, 2019, are as follows:

Year Ended June 30,	Principal*	Interest	Total
2020	\$ -	\$ 421,250	\$ 421,250
2021	-	421,250	421,250
2022	-	421,250	421,250
2023	-	421,250	421,250
2024	-	421,250	421,250
2025 - 2029	-	2,106,250	2,106,250
2030 - 2034	8,425,000	1,705,500	10,130,500
2035 - 2038	4,314,873	-	4,314,873
Total	\$ 12,739,873	\$ 5,918,000	\$ 18,657,873

* Principal excludes accreted interest of \$1,665,637 as of June 30, 2019.

**MEASURE C2004 BOND BUILDING FUND
SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 5 – MEASURE C2004 GENERAL OBLIGATION BONDS (continued)

On April 9, 2013, 2013 refunding bonds of the Measure C2004 bond authorization were issued to partially refund Series 2005. The refunding bonds consisted of \$23,820,000 in general obligation refunding bonds with stated interest rates of 2.0% and 5.0% and maturing through August 1, 2026. Annual requirements to amortize the Measure C2004 2013 refunding bonds payable outstanding as of June 30, 2019, are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 1,525,000	\$ 928,725	\$ 2,453,725
2021	1,780,000	867,725	2,647,725
2022	1,845,000	796,525	2,641,525
2023	2,315,000	733,600	3,048,600
2024	2,635,000	641,000	3,276,000
2025 - 2027	10,185,000	1,059,000	11,244,000
Total	\$ 20,285,000	\$ 5,026,575	\$ 25,311,575

On December 16, 2014, Series 2014 of the Measure C2004 bond authorization was issued, which consisted of current interest and capital appreciation bonds with an initial par amount of \$28,996,159 with stated interest rates of 3.0% to 5.0% and maturing through August 1, 2037.

The annual requirements to amortize all Measure C2004 Series 2014 general obligation bonds payable outstanding as of June 30, 2019, are as follows:

Year Ended June 30,	Principal*	Interest	Total
2020	\$ 355,000	\$ 1,032,875	\$ 1,387,875
2021	350,000	1,015,250	1,365,250
2022	550,000	992,750	1,542,750
2023	360,000	970,000	1,330,000
2024	345,000	952,375	1,297,375
2025 - 2029	1,080,000	4,545,050	5,625,050
2030 - 2034	9,366,159	7,069,860	16,436,019
2035 - 2038	16,230,000	1,364,800	17,594,800
Total	\$ 28,636,159	\$ 17,942,960	\$ 46,579,119

* Principal excludes accreted interest of \$567,161 as of June 30, 2019.

NOTE 6 – MEASURE C2004 EXPENDITURES BY PROJECT

The following table presents the expenditure amounts by project for the year ended June 30, 2019:

Project	Amount
Righetti High School	\$ 8,542,097
New Small School	598,820
Santa Maria High School	89
District-Wide	47,508
Total	\$ 9,188,514

OTHER INDEPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board Members and
Measure C2004 Citizens' Bond Oversight Committee of
Santa Maria Joint Union High School District
Santa Maria, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure C2004 Bond Building Fund, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Measure C2004 Bond Building Fund's basic financial statements, and have issued our report thereon dated February 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Measure C2004 Bond Building Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Measure C2004 Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure C2004 Bond Building Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure C2004 Bond Building Fund'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 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.

Christy White, Inc.

San Diego, California
February 28, 2020

REPORT ON PERFORMANCE
Independent Auditors' Report

Governing Board Members and
Measure C2004 Citizens' Bond Oversight Committee
Santa Maria Joint Union High School District
Santa Maria, California

Report on Performance

We have audited the Santa Maria Joint Union High School District Measure C2004 Bond Building Fund's compliance with the performance audit procedures described in 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, that could have a direct and material effect on the Santa Maria Joint Union High School District Measure C2004 Bond Building Fund for the fiscal year ended June 30, 2019, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to local school construction bonds.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the Santa Maria Joint Union High School District Measure C2004 Bond Building Fund ("Measure C2004 Bond") based on our performance audit of the types of compliance requirements referred to above. We conducted our performance audit in accordance with generally accepted government auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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. Those standards require that we plan and perform the performance audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about the Measure C2004 Bond's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the evidence obtained in our performance audit provides a reasonable basis for our findings and conclusions based on our audit objectives. However, our audit does not provide a legal determination of the Measure C2004 Bond's compliance with those requirements.

Opinion on Performance

In our opinion, the Measure C2004 Bond complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Santa Maria Joint Union High School District Measure C2004 Bond Building Fund noted below for the year ended June 30, 2019.

Procedures Performed

In connection with the performance audit referred to above, we selected and tested transactions and records to determine the Measure C2004 Bond's compliance with the state laws and regulations applicable to the Financial Audit Procedures and Performance Audit Procedures over the Measure C2004 Bond. Additional agreed upon procedures relating the Measure C2004 Bond may also be included.

The results of the procedures performed and the related results are further described in the accompanying performance audit results following this Report on Performance.

Christy White, Inc.

San Diego, California
February 28, 2020

FINDINGS AND RESPONSES SECTION

**MEASURE C2004 BOND BUILDING FUND
SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
AUDIT PROCEDURES AND RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – FINANCIAL AUDIT PROCEDURES AND RESULTS

Financial Statements

As mentioned in the Report on Financial Statements, we have issued an unmodified opinion over the financial statements of the Measure C2004 Bond Building Fund as of and for the year ended June 30, 2019.

Internal Control Evaluation

We tested internal controls over financial reporting and compliance with laws, regulations, or provisions of contracts or agreements and have determined through our inquiry of management and our evaluation of District processes that no significant deficiencies were noted.

SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS

Facility Project Expenditures

We selected a representative sample of expenditures charged to the Measure C2004 Bond Building Fund and reviewed supporting documentation to ensure funds were properly expended on specific project(s) listed in the text of the Measure C2004 ballot.

We tested approximately \$4.2 million (approximately 47%) of Measure C2004 expenditures incurred during the 2018-19 fiscal year for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Measure C2004 ballot language, the District approved facilities plan, and applicable state laws and regulations.

Personnel Expenditures

Based on review of expenditure information, we noted that there were no salaries or benefits charged to the Measure C2004 Bond Building Fund during the year ended June 30, 2019. Audit procedures over personnel expenditures were not applicable.

Facilities Site Walk

We performed a site walk to verify that Measure C2004 funds expended for the fiscal year ended June 30, 2019 were for valid facilities acquisition and construction purposes. We toured the construction sites at Righetti High School. Through observation and inquiry, auditor was able to gain an understanding of the projects taking place and ensure that funds were being properly expended in accordance with the Measure C2004 ballot language.

Contract and Bid Procedures

Based on review of expenditure and bidding information, we noted that there were no projects that went out to bid for the Measure C2004 Bond Building Fund during the year ended June 30, 2019. Audit procedures over bidding were not applicable.

Based on our review of overall expenditures and projects by vendor, no instances or possible indications of bid-splitting were identified. The District appears to be properly reviewing projects and applying appropriate procedures over bidding procedures.

**MEASURE C2004 BOND BUILDING FUND
SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
AUDIT PROCEDURES AND RESULTS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)

Contracts and Change Orders

We reviewed a listing of contracts and change orders during the year ended June 30, 2019 and selected a sample to ensure that change orders were properly approved and in accordance with District policies. Additionally, cumulative change orders for any given contract were reviewed to ensure that total change orders did not exceed ten percent of the total original contract.

We reviewed one (1) change order for the Career Technical Agriculture Farm and verified that the total of the change orders did not exceed ten percent of the total contract with Vernon Edwards. All change orders were properly reviewed and approved by management and the governing board in accordance with District policy.

Citizens' Bond Oversight Committee (CBOC)

In accordance with Assembly Bill (AB) 1908 and Education Code (Ed Code) Section 15278, the District is required to establish a bond oversight committee for Proposition 39 bonds to include one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers' association, parent/guardian of a child enrolled in the District and a parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. Additionally, no employee or official of the District shall be appointed to the citizens' bond oversight committee.

We found that the District has not yet compiled a CBOC with an active member from each of the required representations but is actively seeking qualified candidates to fill the vacancies. No members of the CBOC are also an employee, official, vendor or consultant of the District. Refer to the Introduction and CBOC Member Listing for a listing of current members as of June 30, 2019.

**MEASURE C2004 BOND BUILDING FUND
 SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 FOR THE YEAR ENDED JUNE 30, 2019**

PART I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to the financial statements?	<u>No</u>

PERFORMANCE AUDIT

Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditor’s report issued on performance for local school construction bonds:	<u>Unmodified</u>

PART II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements for the year ended June 30, 2019.

PART III – PERFORMANCE AUDIT FINDINGS

There were no findings or recommendations related to local school construction bonds for the year ended June 30, 2019.

PART IV – PRIOR AUDIT FINDINGS

There were no findings and recommendations during the year ended June 30, 2018.