



Financial and Performance Audits
Building Fund (Measure M)
June 30, 2019

Salinas Union High School District



Financial Audit
Building Fund (Measure M)
June 30, 2019

Salinas Union High School District

**SALINAS UNION HIGH SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**FINANCIAL AUDIT
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JUNE 30, 2019**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board and
Citizens Oversight Committee
Salinas Union High School District
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Salinas Union High School District's (the District), Building Fund (Measure M), as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Appendix A to the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the District's Building Fund (Measure M) preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's Building Fund (Measure M) internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

**SALINAS UNION HIGH SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**BALANCE SHEET
JUNE 30, 2019**

ASSETS

Investments	\$ 8,122,560
Accounts receivable	40,682
Total Assets	\$ 8,163,242

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 198,140
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Fund Balance:

Restricted for capital projects	7,965,102
Total Liabilities and Fund Balance	\$ 8,163,242

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

SALINAS UNION HIGH SCHOOL DISTRICT BUILDING FUND (MEASURE M)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Salinas Union High School District Building Fund (Measure M) 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 Salinas Union High School District Funds account for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include the Building Fund of the Salinas Union High School District used to account for Measure M. The Building Fund was established to account for the expenditures of general obligation bonds issued under Measure M. These financial statements are not intended to present fairly the financial position and results of operations of the Salinas Union High School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Fund is 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 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 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

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**SALINAS UNION HIGH SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Investment in County Treasury

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

General Authorizations

Limitations as they relate to interest rate risk 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 manages its exposure to interest rate risk by investing in the Monterey County Treasury Investment Pool. The District maintains a Building Fund (Measure M) investment of \$8,122,560 with the Monterey County Treasury Investment Pool, with an average maturity of 337 days.

**SALINAS UNION HIGH SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - CONTINGENCIES

Litigation

The District is not currently a party to any legal proceedings related to the Building Fund (Measure M) as of June 30, 2019.

INDEPENDENT AUDITOR'S REPORT



**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
Salinas Union High School District
Salinas, 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 accompanying financial statements of the Salinas Union High School District (the District) Building Fund (Measure M), as of and for the year ended June 30, 2019, and the related notes of the financial statements, and have issued our report thereon dated December 15, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to Measure M are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of Salinas Union High School District as of June 30, 2019, and 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Salinas Union High 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Salinas Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Salinas Union High 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 M) 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SALINAS UNION HIGH SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019**

None reported.



Performance Audit

Building Fund (Measure M)

June 30, 2019

Salinas Union High School District

**SALINAS UNION HIGH SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**PERFORMANCE AUDIT
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JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and
Citizens Oversight Committee
Salinas Union High School District
Salinas, California

We were engaged to conduct a performance audit of the Salinas Union High School District (the District) Building Fund (Measure M) for the year ended June 30, 2019.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Eide Bailly LLP

Fresno, California
December 15, 2019

SALINAS UNION HIGH SCHOOL DISTRICT BUILDING FUND (MEASURE M)

JUNE 30, 2019

AUTHORITY FOR ISSUANCE

The Proposition 39 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 District received authorization at an election held on November 5, 2002, to issue bonds of the District in an aggregate principal amount not to exceed \$37,000,000 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 bonds issued to date represent the first series of the bonds to be issued under the authorization as follows:

On April 10, 2003, the District issued Series A General Obligation Bonds, under Measure M, in the amount of \$28,498,928 to finance the construction, rehabilitation and equipment of certain facilities, or the acquisition or lease of real property for school facilities within the Salinas Union High School District's Middle Schools Improvement District. The General Obligation Bonds are authorized pursuant to the special election of the registered voters held on November 5, 2002, and are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The bonds were issued as current interest and capital appreciation bonds.

On August 29, 2006, the District issued 2006 Refunding Series A General Obligation Bonds, in the amount of \$18,222,866 to partially refund the Series A issuance. The bonds were issued as capital appreciation bonds.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the election. A summary of ballot language is as follows:

"To repair middle schools in Salinas, improve safety and relieve overcrowding, by refurbishing deteriorated walls, classrooms, libraries, cafeterias, and restrooms; improving campus security; upgrading technology access; replacing decayed portable classrooms, removing asbestos, completing construction of Harden and La Paz Middle Schools, and building a new middle school."

SALINAS UNION HIGH SCHOOL DISTRICT BUILDING FUND (MEASURE M)

JUNE 30, 2019

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period July 1, 2018 through June 30, 2019, for the Building Fund (Measure M). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure M as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2018 and ending June 30, 2019, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$199,702. This represents 98.4 percent of the total expenditures of \$202,974.
3. We verified that funds from the Building Fund (Measure M) were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

CONCLUSION

The results of our tests indicated that, in all significant respects, the Salinas Union High School District has properly accounted for the expenditures held in the Building Fund (Measure M) and that such expenditures were made for authorized Bond projects.

**SALINAS UNION HIGH SCHOOL DISTRICT
BUILDING FUND (MEASURE M)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

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