

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
BOND BUILDING FUND**

MEASURE I

FINANCIAL AND PERFORMANCE AUDITS

June 30, 2018

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2018

Financial Audit of Measure I Bond Building Fund	1
Independent Auditor’s Report.....	2
Balance Sheet – Measure I Bond Building Fund.....	4
Statement of Revenues, Expenditures, and Change in Fund Balance – Measure I Bond Building Fund	5
Notes to the 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 <i>Government Auditing Standards</i>	10
Schedule of Findings and Responses.....	12
 Performance Audit of Measure I Bond Funds	 13
Independent Auditor’s Report on Proposition 39 Compliance Requirements.....	14
Background Information.....	15
Objectives	15
Scope of the Audit	15
Procedures Performed.....	16
Conclusion	16

**FINANCIAL AUDIT OF MEASURE I
BOND BUILDING FUND**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Measure I Citizens' Oversight Committee
Fullerton Joint Union High School District
Fullerton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Bond Building Fund of the Fullerton Joint Union High School District (the District) as of and for the year ended June 30, 2018, 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 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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.

Board of Trustees
Measure I Citizens' Oversight Committee
Fullerton Joint Union High School District
Fullerton, California

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Bond Building Fund of the District as of June 30, 2018, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present fairly only the Measure I Bond Building Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2018 or 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018 on our consideration of the District's internal control over the Measure I Bond Building Fund 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 internal control over the Measure I Bond Building Fund financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the Measure I Bond Building Fund financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
November 29, 2018

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MEASURE I BOND BUILDING FUND**

**BALANCE SHEET
June 30, 2018**

Assets

Cash in county treasury	\$ 71,514,581
Accounts receivable	124,402
Due from other funds	<u>3,225</u>
Total Assets	<u><u>\$ 71,642,208</u></u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ <u>7,356,073</u>
Total Liabilities	<u>7,356,073</u>

Fund Balance

Restricted	<u>64,286,135</u>
Total Fund Balance	<u>64,286,135</u>
Total Liabilities and Fund Balance	<u><u>\$ 71,642,208</u></u>

See the accompanying notes to the financial statements

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MEASURE I BOND BUILDING FUND**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018**

Revenues	
Interest and investment income	\$ 776,983
Total Revenues	<u>776,983</u>
Expenditures	
Salaries	630,737
Benefits	298,827
Supplies	64,443
Other services	763,212
Capital outlay	<u>42,908,022</u>
Total Expenditures	<u>44,665,241</u>
Deficiency of revenues over expenditures	(43,888,258)
Other Financing Sources	
Proceeds from sale of bonds	48,000,000
Interfund transfers in	<u>19,975</u>
Total Other Financing Sources	<u>48,019,975</u>
Net change in fund balance	4,131,717
Fund Balance at Beginning of Year	<u>60,154,418</u>
Fund Balance at End of Year	<u><u>\$ 64,286,135</u></u>

See the accompanying notes to the financial statements

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MEASURE I BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

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

Financial Reporting Entity

The financial statements include only the Measure I Bond Building Fund of the District used to account for Measure I projects. This fund was established to account for the expenditures of the general obligation bonds issued under the General Obligation Bonds Election of 2014 and is not a complete representation of the Building Fund reported in the Districts' financial statements. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Structure

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the Measure I Bond Building Fund related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

Basis of Accounting

The Measure I Bond Building Fund is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the county treasury is recorded at cost, which approximates fair value.

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MEASURE I BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted. The fund balance of the Measure I Bond Building Fund is therefore classified as restricted.

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure I Bond Building Fund are determined by its measurement focus. The Measure I Bond Building Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Measure I Bond Building Fund are accounted for in the basic financial statements of the District.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: DEPOSITS – CASH IN COUNTY TREASURY

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2018 is measured at 99.582% of amortized cost. The District’s deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635, and 53648. The county is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MEASURE I BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 2: DEPOSITS – CASH IN COUNTY TREASURY

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statues and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant’s equity withdrawn is based on the book value, which is amortized cost, of the participant’s percentage participation on the date of such withdrawals.

The pool sponsor’s annual financial report may be obtained from the County of Orange Auditor-Controller’s Office, Hall of Finance and Records, 12 Civic Center Plaza, Room 200, Santa Ana, California, 92702.

NOTE 3: BONDED DEBT

On November 4, 2014, the voters approved the issuance of bonds, not to exceed \$175,000,000, to upgrade classrooms, science labs, sites, facilities; repair roofs, floors, plumbing, heating, ventilation, and electrical systems; improve student safety and security; upgrade career training facilities and technology infrastructure.

On October 28, 2015 the District issued \$42,500,000 of 2015 General Obligation Bonds, Series A. A premium received of \$2,557,423 is included in the net carrying balance of the debt in the District’s financial statements and is amortized using the straight-line method over the life of the debt.

On April 26, 2017, the District issued \$40,000,000 of 2017 General Obligation Bonds, Series B. A premium received of \$2,198,565 is included in the net carrying balance of the debt in the District’s financial statements and is amortized using the straight-line method over the life of the debt.

On April 25, 2018, the District issued \$48,000,000 of 2017 General Obligation Bonds, Series C. A premium received of \$3,504,461 is included in the net carrying balance of the debt in the District’s financial statements and is amortized using the straight-line method over the life of the debt.

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2018</u>
Series A	10/28/2015	8/1/2040	2.5-5.0	\$ 42,500,000	\$ 38,210,000
Series B	04/26/2017	8/1/2041	3.3-5.0	40,000,000	40,000,000
Series C	4/25/2018	8/1/2042	3.4-5.0	48,000,000	48,000,000
Total				<u>\$ 130,500,000</u>	<u>\$ 126,210,000</u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MEASURE I BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 3: BONDED DEBT

The annual debt service requirements to maturity as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 4,790,000	\$ 4,489,099
2020	3,780,000	4,732,463
2021	3,185,000	4,575,138
2022	2,555,000	4,448,438
2023	1,415,000	4,349,188
2024-2028	11,120,000	20,356,376
2029-2033	20,430,000	16,868,831
2034-2038	33,975,000	11,556,587
2039-2043	44,960,000	4,078,651
Total	\$ 126,210,000	\$ 75,454,771

NOTE 4: PURCHASE COMMITMENTS

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for Measure I bond projects totaling approximately \$64 million.



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

**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**

Board of Trustees
Measure I Citizens' Oversight Committee
Fullerton Joint Union High School District
Fullerton, California

We have audited, 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, the financial statements of the Measure I Bond Building Fund of the Fullerton Joint Union High School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated November 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

**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***

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 the District’s financial statements of the Measure I Bond Building Fund are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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.



CliftonLarsonAllen LLP
Glendora, California
November 29, 2018

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MEASURE I BOND BUILDING FUND**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018**

There were no findings related to the financial audit of the Measure I Bond Building Fund for the year ended June 30, 2018. In addition, there were no findings related to the financial audit of the Measure I Bond Building Fund for the year ended June 30, 2017.

PERFORMANCE AUDIT OF MEASURE I BONDS FUNDS



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Measure I Citizens' Oversight Committee
Fullerton Joint Union High School District
Fullerton, California

We have conducted a performance audit of the Fullerton Joint Union High School District (the District) Measure I bond funds for the year ended June 30, 2018.

We conducted our performance audit in accordance with *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 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 on page 15 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure I bond funds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure I bond funds for the fiscal year ended June 30, 2018, only for the specific projects developed by the District's Board of Trustees, and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

A handwritten signature in black ink that reads 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP
Glendora, California
November 29, 2018

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
PERFORMANCE AUDIT OF MEASURE I**

June 30, 2018

BACKGROUND INFORMATION

In November 2000 the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges, under certain circumstances and subject to certain conditions. In November 2014, a general obligation bond proposition (Measure I) of the Fullerton Joint Union High School District was approved by the voters of the District. Measure I authorizes the District to issue up to \$175 million of general obligation bonds to finance various capital projects, and related costs, as specified in the bond measure provisions of Measure I.

Pursuant to the requirements of Proposition 39, and related state legislation, the Governing Board of the District established a Citizens' Bond Oversight Committee and appointed its initial members. The principal purpose of the Citizens' Bond Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure I bond authorization. The Citizens' Bond Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure I bond fund have been expended only for the authorized bond projects.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the Measure I Bond Building Fund.
- Determine whether expenditures charged to the Measure I Bond Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure I in November 2014.
- Determine that amounts expended on salaries and benefits were only to the extent employees perform work associated with the Measure I projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2017 to June 30, 2018. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2018, were not reviewed or included within the scope of our audit or in this report.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
PERFORMANCE AUDIT OF MEASURE I**

June 30, 2018

PROCEDURES PERFORMED

- We identified the expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
- We selected a judgmental sample of expenditures for supplies, services and capital outlay considering all projects for the year ended June 30, 2018. Our sample included 76 transactions totaling \$37,776,672.
 - We reviewed the actual invoices and supporting documentation to determine that expenditures charged to projects were:
 - Supported by invoices with evidence of proper approval and documentation of receipt of goods or services;
 - Supported by proper bid documentation, as applicable;
 - Were properly expended on the authorized bond projects as listed on the voter-approved bond project list.
- We selected a judgmental sample of salaries and benefits for the year ended June 30, 2018. Our sample of expenditures for salaries and benefits included \$929,562 in payroll expenses.
 - We reviewed the payroll register and job description to determine that the amounts expended on salaries and benefits were only to the extent employees perform work associated with the Measure I bond projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Measure I Bond Building Fund and that such expenditures were made on authorized bond projects. Further it was noted that the funds held in the Measure I Bond Building Fund and expended by the District, were used for salaries and benefits only to the extent allowable.