



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

Saugus Union School District



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

Saugus Union School District

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**FINANCIAL AUDIT
TABLE OF CONTENTS
JUNE 30, 2019**

FINANCIAL SECTION

Independent Auditor's Report	1
Building Fund (Measure EE)	
Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balances	4
Notes to Financial Statements	5

INDEPENDENT AUDITOR'S REPORT

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>	12
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statement Findings	15
Summary Schedule of Prior Audit Findings	16



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board and
Citizens Oversight Committee
Saugus Union School District
Santa Clarita, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Saugus Union School District's (the District), Building Fund (Measure EE), 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 EE) 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 EE) 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure EE) of the Saugus Union School District at 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to Measure EE 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 Saugus Union 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

Other Matters

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of the District's Building Fund (Measure EE) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 District's Building Fund (Measure EE) 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 District's Building Fund (Measure EE) internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 6, 2019

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**BALANCE SHEET
JUNE 30, 2019**

ASSETS

Deposits and investments	\$ 29,511,181
Accounts receivable	163,428
Total Assets	<u><u>\$ 29,674,609</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	<u>\$ 216,608</u>
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Fund Balance:

Restricted for capital projects	<u>29,458,001</u>
Total Liabilities and Fund Balance	<u><u>\$ 29,674,609</u></u>

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

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES

Interest income \$ 634,121

EXPENDITURES

Salaries and benefits 254,563
Supplies
 Materials 3,348
 Computer and equipment 28,847
Services
 Contracted services 414,264
 Legal and Audit services 5,497
 Advertisement 5,272
Capital outlay
 Architects fees 190,882
 Land improvements 108,374
 Building improvement 2,121,111
 Geological survey 50,268
 DSA/Plan check fees 84,432
 Equipment technology/other 13,695
 Total Expenditures 3,280,553

EXCESS OF EXPENDITURES OVER REVENUES (2,646,432)

NET CHANGE IN FUND BALANCE (2,646,432)

FUND BALANCE - BEGINNING 32,104,433

FUND BALANCE - ENDING \$ 29,458,001

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

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Saugus Union School District's (the District) Building Fund (Measure EE) 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 Saugus Union 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 Saugus Union School District used to account for Measure EE projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2014. These financial statements are not intended to present fairly the financial position and results of operations of the Saugus Union 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 changes in fund balances 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.

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

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

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balances – Building Fund (Measure EE)

As of June 30, 2019, 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

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

Summary of Investments

Investments as of June 30, 2019, consisted of the following:

	Reported Amount
Los Angeles County Investment Pool	<u>\$ 29,511,181</u>

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

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

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:

<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

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

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

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Weighted Average Maturity in Days</u>
Los Angeles County Investment Pool	<u>\$ 29,511,181</u>	547

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. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating as of June 30, 2018</u>	<u>Reported Amount</u>
Los Angeles County Investment Pool	Not Required	Not Rated	<u>\$ 29,511,181</u>

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.

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

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

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because 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's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	<u>\$ 29,511,181</u>	<u>\$ 29,511,181</u>

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted of the following:

Interest	<u>\$ 163,428</u>
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NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

Salaries and benefits	\$ 8,962
Capital outlay	207,646
Total Accounts Payable	<u>\$ 216,608</u>

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2019**

NOTE 6 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, the Building Fund (Measure EE) had the following commitments with respect to unfinished projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitments</u>	<u>Expected Date of Completion</u>
District Office Remodel	\$ 371,673	2019-2020
Bridgeport - BP Quad Modernization	12,600	2019-2020
Santa Clarita - Parking Lot	340,690	2019-2020
Foster - Lobby Remodel	1,340	2019-2020
Santa Clarita - Fire Alarm	41,671	2021-2022
Foster - Activity Turf Area	47,314	2019-2020
North Park - Activity Turf Area	110,006	2019-2020
Mountainview - Asphalt Play Courts	16,664	2019-2020
Rio Vista - Asphalt Play Courts	20,655	2019-2020
Santa Clarita - Asphalt Play Courts	93,600	2019-2020
Helmets - Asphalt Play Courts	13,665	2019-2020
Bridgeport - Asphalt Play Courts	18,500	2019-2020
Highlands - Flex Classroom Labs	604,404	2020-2021
Mountainview - Asphalt Parking Lots	24,996	2019-2020
Rio Vista - Asphalt Parking Lots	13,770	2019-2020
Helmets - Asphalt Parking Lots	9,110	2019-2020
Mountainview - Roof Replacement	908,506	2019-2020
Santa Clarita - Flooring	37,893	2019-2020
Skyblue - - Flooring	32,872	2019-2020
North Park - - Flooring	46,231	2019-2020
Bridge Port - - Flooring	66,430	2019-2020
Maintenance & Operations - Exterior/Interior Painting	31,800	2019-2020
Santa Clarita - Exterior/Interior Painting	23,800	2019-2020
Skyblue - Exterior/Interior Painting	53,000	2019-2020
North Park - Wallpaper Replacement	18,769	2019-2020
Helmets - Classroom Building Addition	404,571	2023-2024
Rosedell - Classroom Building Addition	333,268	2022-2023
Cedarcreek - Multipurpose Room	113,521	2021-2022
Total	<u>\$ 3,811,319</u>	

Litigation

The District is not currently a party to any legal proceedings related to the Building Fund (Measure EE).



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
Saugus Union School District
Santa Clarita, 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 Saugus Union School District (the District) Building Fund (Measure EE), 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 6, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to Measure EE are intended to present the financial position and the changes in financial position attributable of the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of Saugus Union 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 the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Saugus Union 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 Saugus Union School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Saugus Union 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 EE) 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, significant deficiencies or material weaknesses. 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 Saugus Union School District's Building Fund (Measure EE) financial statements 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 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 District's Building Fund (Measure EE) internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Building Fund (Measure EE) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 6, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019**

None reported.

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**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.



Performance Audit
Building Fund (Measure EE)
June 30, 2019

Saugus Union School District

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**PERFORMANCE AUDIT
JUNE 30, 2019**

TABLE OF CONTENTS

Independent Auditor's Report on Performance	1
Authority for Issuance	2
Purpose of Issuance	2
Authority for the Audit	2
Objectives of the Audit	3
Scope of the Audit	3
Procedures Performed	3
Conclusion	4
Schedule of Findings and Questioned Costs	5
Summary Schedule of Prior Audit Findings	6



INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and
Citizens Oversight Committee
Saugus Union School District
Santa Clarita, California

We were engaged to conduct a performance audit of the Saugus Union School District (the District) Building Fund (Measure EE) 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 EE) 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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 6, 2019

SAUGUS UNION SCHOOL DISTRICT BUILDING FUND (MEASURE EE)

JUNE 30, 2019

AUTHORITY FOR ISSUANCE

The General Obligation Bonds associated with Measure EE bonds were 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 Supervisors of the County. The District received authorization at an election held on November 4, 2014, to issue bonds of the District in an aggregate principal amount not to exceed \$148,000,000 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 represent the first and second series of the authorized bonds to be issued under the Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorized will be used for the purposes specified in the District bond proposition submitted at the election, which include renovating, repairing, constructing, and equipping certain District schools, sites, and facilities.

The Bonds are being issued to repair, renovate, acquire, construct, and equip classrooms, science labs, sites, school facilities, including upgrading electrical, fire safety, heating, cooling and ventilation system, plumbing, roofs, bathrooms, computer technology, and install energy savings systems, by issuing up to \$148,000,000 in bonds at legal rates, with mandatory audits, citizen oversight, and no money for administrators 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.

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

JUNE 30, 2019

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

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2018 to June 30, 2019. 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, 2019, were not reviewed, or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period starting July 1, 2018 through June 30, 2019 for the Building Fund (Measure EE). 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 EE 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 50 transactions totaling \$2,561,291. This represents 78 percent of the total expenditures of \$3,280,553, including expenditures related to transferred funds.
3. We verified that funds from the Building Fund (Measure EE) were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held in the Building Fund (Measure EE) were used for salaries only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

JUNE 30, 2019

CONCLUSION

The results of our tests indicated that, in all significant respects, the Saugus Union School District has properly accounted for the expenditures held in the Building Fund (Measure EE) and that such expenditures were made for authorized Bond projects. Further, it was noted funds held in the Building Fund (Measure EE), and expended by the District, were used for salaries only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

None reported.

**SAUGUS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE EE)**

**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.