

**Corning Union High School District  
Proposition 39 and Measure K  
General Obligation Bonds**

**Corning, California**

**FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORTS**

**June 30, 2018**



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**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**

TABLE OF CONTENTS

June 30, 2018

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	<b><u>Page Number</u></b>
Independent Auditors' Report	1
 <b>FINANCIAL SECTION</b>	
Balance Sheet	4
Statement of Revenues, Expenditures, and Change in Fund Balance	5
Notes to the Financial Statements	6
 <b>OTHER REPORTS SECTION</b>	
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>	14
Independent Auditors' Report on Performance	16
 <b>PERFORMANCE AUDIT SECTION</b>	
Performance Audit	18
 <b>FINDINGS AND RECOMMENDATIONS SECTION</b>	
Schedule of Audit Findings	23
Summary Schedule of Prior Audit Findings	24

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Corning Union High School District  
Corning, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Measure K Bond Building Fund (the Bonds) of Corning 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***

The District's 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.

### ***Auditors' 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 of America. 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 auditors' 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 District'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 District'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 opinion.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bonds of the District as of June 30, 2018, and the changes 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 only the Bonds and do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2018, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 internal control over financial reporting and compliance.

*KCoe Jam, LLP*

January 30, 2019  
Redding, California

## **FINANCIAL SECTION**

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
BALANCE SHEET

June 30, 2018

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**ASSETS**

Cash and investments	\$	269,396
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**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$	15,104
Due to other funds		129,872

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<b>Total Liabilities</b>		144,976
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**Fund Balance**

Restricted		124,420
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<b>TOTAL LIABILITIES AND FUND BALANCE</b>	\$	269,396
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*The accompanying notes are an integral part of these financial statements.*

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended June 30, 2018

<b>Revenues</b>	
Other local revenue	\$ 21,447
<b>Expenditures</b>	
Current:	
Plant services	7,386
Capital outlay	2,489,797
<b>Total Expenditures</b>	<b>2,497,183</b>
<b>Net Change in Fund Balance</b>	<b>(2,475,736)</b>
<b>Fund Balance - Beginning of Year</b>	<b>2,600,156</b>
<b>Fund Balance - End of Year</b>	<b>\$ 124,420</b>

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

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
NOTES TO THE FINANCIAL STATEMENTS

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**1. SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Corning Union High School District (the District) is governed by an elected five-member board. The District operates one high school, one continuation school, and one adult education program in Corning, California. These financial statements present only the Measure K Bond Building Fund (the Bonds). These financial statements do not include financial information of the remainder of the District's funds, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

On November 8, 2016, \$8,300,000 in general obligation bonds were authorized by an election held within the District. A citizens' oversight committee was appointed to comply with the California Constitution and the *California Education Code*. The purpose of the committee is to inform the public, at least annually, regarding the appropriate use of bond proceeds. On April 4, 2017, bonds in the amount of \$3,000,000 were issued at a premium of \$123,251. The total proceeds from the bond issuance were received by the District and were to be used to improve the quality of education by repairing or replacing leaky roofs; make health, safety, and security improvements; update inadequate electrical and technology infrastructure; modernize/renovate outdated classrooms, restrooms, and school facilities; and replace temporary portables with permanent classrooms. The District paid issuance costs totaling \$60,000 from the proceeds.

The board of supervisors for Tehama County are empowered and obligated to levy property taxes, without limitation as to rate or amount (except for certain property which is taxable at limited rates), for payment of principal and maturity value of, and interest on, the bonds.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's, *California School Accounting Manual*. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District, are discussed below.



**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Basis of Presentation**

**Fund Financial Statements** Fund financial statements are organized by funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The Measure K Bond Building Fund is a major governmental fund, the Building Fund, of the District. The Building Fund is used to account for proceeds from the sale of bonds and expenditures for purposes authorized in the ballot measure.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus** In the fund financial statements, governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**Basis of Accounting** In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within one year. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**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 final 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 and the District's Superintendent 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 legally cannot exceed appropriations by major object account.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash, Cash Equivalents, and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Tehama County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in 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. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2018, the fair value of the County pool was 98.45% of the carrying value and is deemed to not represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The change in the fair value of investments was insignificant during the year ended June 30, 2018, and there was no significant unrealized gain or loss on investments held at June 30, 2018.

**Balance Due To/From Other Funds**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds.

**Bond Premiums**

In the governmental funds, bond premiums are reported as an other financing source when the related liability is incurred.

**Equity Classifications**

Governmental fund equity is classified as fund balance. Fund balance is further classified and displayed in five components:

*Nonspendable Fund Balance:* Consists of amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted Fund Balance:* Consists of amounts that can be spent only for specific purposes because of constraints that are externally imposed by groups such as creditors, grantors, contributors, laws or regulations of other governments, or because of laws through constitutional provisions or enabling legislation.

*Committed Fund Balance:* Consists of amounts that can be used only for specific purposes determined by a formal action of the District's Board of Trustees. The District's Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or budget adoption approved by the District's Board of Trustees.

*Assigned Fund Balance:* Consists of amounts that the District intends to use for specific purposes. Assignments may be established either by the District's Board of Trustees or a designee of the District's Board of Trustees.

*Unassigned Fund Balance:* Consists of the residual balance in the General Fund of the District that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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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 District's Board of Trustees has provided otherwise in its commitment or assignment actions.

**Expenditures**

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character:  
    Current (further classified by function)  
    Debt service  
    Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

**2. CASH AND INVESTMENTS**

The following is a summary of cash and investments:

June 30, 2018	Maturities	Fair Value
<b>Investments That Are Not Securities (1)</b>		
County treasurer's investment pool	3 years average	\$ 269,396

**(1) *Investments That Are Not Securities*** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

All cash and investments are restricted to expenditures for purposes authorized in the ballot measure.

**Investment Credit Risk**

*California Government Code*, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District does not have an investment policy that would further limit investment choices. The District's investment in the County investment pool is unrated.

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2018:

- County treasurer's investment pool of \$269,396 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

**Concentration of Credit Risk – Investments**

*California Government Code*, Section 53635, places the following concentration limits on the County investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

*California Government Code*, Section 53601, places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

**3. BALANCES DUE TO/FROM OTHER FUNDS**

Balances due to/from other funds in the fund financial statements are as follows:

<b>Due From Other Funds</b>	<b>Due to Other Funds</b>	
Bond Interest and Redemption	Building	\$ 129,872

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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The specific purposes of the balances due to/from other funds are as follows:

Bond Interest and Redemption Fund interfund receivable from the Building Fund for transfer of bond proceeds due to the Bond Interest and Redemption Fund.

**4. ACCOUNTS PAYABLE**

Accounts payable consisted of the following:

June 30, 2018

Vendors	\$	13,298
Other		1,806
<b>Total</b>	<b>\$</b>	<b>15,104</b>

**5. FUND BALANCE COMPONENTS**

Fund balance is composed of the following:

June 30, 2018

<b>Restricted</b>		
Restricted for capital projects	\$	124,420

**6. SUBSEQUENT EVENTS**

**Construction Contract**

On September 4, 2018, the District entered into a contract totaling \$1,454,700 to construct classrooms.

**General Obligation Bonds**

On November 20, 2018, the District issued the Election of 2016, Series B general obligation bonds totaling \$2,700,000, at a premium of \$142,085. The issuance consisted of current-interest term bonds with interest rates ranging from 3.125% to 4%. The bonds mature through August 2048.

## **OTHER REPORTS SECTION**



**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**

To the Board of Trustees  
Corning Union High School District  
Corning, 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 of America, the financial statements of the Measure K Bond Building Fund of Corning Union High School District (the District) as of and for the year ended June 30, 2018; and the related notes to the financial statements; and have issued our report thereon dated January 30, 2019.

***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 opinion 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 District'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 over financial reporting that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of audit findings, that we consider to be a significant deficiency.



**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**

(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the financial statements of the Measure K Bond Building Fund of the District 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*.

***The District's Response to the Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of audit findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements of the Measure K Bond Building Fund of the District and, accordingly, we express no opinion on it.

***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 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 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*KCoe Jam, LLP*

January 30, 2019  
Redding, California



## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

To the Board of Trustees  
Corning Union High School District  
Corning, California

### **Report on Compliance**

We have audited the Corning Union High School District's (the District) compliance with the performance requirements for the Proposition 39 and Measure K General Obligation Bonds (the Bonds) for the year ended June 30, 2018.

### ***Management's Responsibility***

Management is responsible for the District's compliance with those requirements.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the performance requirements for the Proposition 39 and the Bonds that could have a material effect on compliance occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our performance audit does not provide a legal determination on the District's compliance with the specific requirements.

### ***Opinion***

In our opinion, the District complied, in all material respects, with the performance requirements referred to above that are applicable to the District for the year ended June 30, 2018.

*KCoe Isom, LLP*

January 30, 2019  
Redding, California

## **PERFORMANCE AUDIT SECTION**

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
PERFORMANCE AUDIT

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**OBJECTIVES**

The objectives of our performance audit were to document the expenditures charged to the voter-approved Proposition 39 and Measure K General Obligation Bonds (the Bonds); determine whether expenditures for the fiscal year ended June 30, 2018, charged to the Building Fund, have been made in accordance with project budgets and guidelines; note any incongruities or system weaknesses; and provide recommendations for improvements.

**SCOPE OF THE AUDIT**

The scope of our performance audit covered the fiscal year ended June 30, 2018. The expenditures included all object and project codes associated with the Bonds' projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources 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.

**BACKGROUND INFORMATION**

On November 8, 2016, \$8,300,000 in general obligation bonds were authorized by an election held within the District. A citizens' oversight committee was appointed to comply with the California Constitution and the *California Education Code*. The purpose of the committee is to inform the public, at least annually, regarding the appropriate use of bond proceeds. On April 4, 2017, bonds in the amount of \$3,000,000 were issued at a premium of \$123,251. The total proceeds from the bond issuance were received by the District and were to be used to improve the quality of education by repairing or replacing leaky roofs; make health, safety, and security improvements; update inadequate electrical and technology infrastructure; modernize/renovate outdated classrooms, restrooms, and school facilities; and replace temporary portables with permanent classrooms. The District paid issuance costs totaling \$60,000 from the proceeds.

California Constitution, Article 13A, Section 1(b)(3) requires an annual performance audit be conducted to ensure that funds have been expended only on the specific projects publicized by the District.

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
PERFORMANCE AUDIT  
(Continued)

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**PROCEDURES PERFORMED**

We obtained the building fund general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2018. Within the period audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measure K General Obligation Bonds funding. We performed the following procedures:

- We reviewed the District's bond project publicized list of intended projects.
- We selected a sample of expenditures in the fiscal year ended June 30, 2018, and reviewed supporting documentation to ensure that funds were properly expended on the specific projects as outlined in the publicized list and that they met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- We verified that funds were expended only for the purposes for which the bonds were issued, as specified in the official statement of bond indenture submitted by the District to the County Auditor.
- We verified that funding was not used for salaries of school administrators or other operating expenditures of the District.
- We verified that the Measure K Bond Oversight Committee reviewed project expenditures and issued reports on the results of its activities at least annually.

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
 PERFORMANCE AUDIT  
 (Continued)

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**RESULTS OF PROCEDURES**

The District utilized bond funds for ten projects. The District incurred total expenditures of \$2,904,870 for the following projects:

Year Ended June 30, 2018	Budgets		Expenditures			Status
			Prior	Current	Total	
Stadium renovation	\$ 1,420,000	\$ 165,861	\$ 1,712,090	\$ 1,877,951	Complete	
Safety and surveillance system	150,000	82,373	29,851	112,224	Complete	
Bond issuance costs	60,000	60,000	-	60,000	Complete	
Portable classrooms	5,550,000	-	550,614	550,614	In progress	
North gym roof	200,000	14,979	199,553	214,532	In progress	
Architectural fees and permits	500,000	84,474	-	84,474	In progress	
Bond audit and consulting fees	-	-	5,075	5,075	In progress	
Technology infrastructure	50,000	-	-	-	Not started	
Landscaping improvements	50,000	-	-	-	Not started	
Student parking lot	300,000	-	-	-	Not started	
<b>Total</b>	<b>\$ 8,280,000</b>	<b>\$ 407,687</b>	<b>\$ 2,497,183</b>	<b>\$ 2,904,870</b>		

Each of the projects has been given a specific project identification number within the District's building fund. Budgets for each project are included in the financial reporting system, and actual expenditures are matched against this project. The stadium renovation, north gym roof, and fees projects exceeded the original budget for the fiscal year ended June 30, 2018.

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
PERFORMANCE AUDIT  
(Continued)

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**CONCLUSION**

Based upon the procedures performed, we found that for the items tested, the District has properly accounted for the expenditures of the Proposition 39 and Measure K General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with the specific requirements.

## **FINDINGS AND RECOMMENDATIONS SECTION**



**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
SCHEDULE OF AUDIT FINDINGS  
June 30, 2018

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**INTERNAL CONTROL (Budgets)**

**Significant Deficiency**

**Condition** Expenditures for three of seven projects exceeded the original budgets approved by the Board of Trustees.

**Criteria** Continual reevaluation of and adjustments to budgets are essential for fiscal accountability and to ensure that project funds will be adequate to complete the projects undertaken and planned.

**Effect** Actual project expenditures exceeded approved budgets.

**Cause** During the recent District management transition, budget reviews and revisions were not completed.

**Recommendation** We recommend that management review and revise project budgets as construction progresses with oversight of the governing board and the citizens' oversight committee.

**Response** The District's administration will adopt procedures during the 2018-19 fiscal year to comply with the recommendation.

**Corning Union High School District**  
**Proposition 39 and Measure K General Obligation Bonds**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2018

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None.