

FALLBROOK UNION HIGH SCHOOL DISTRICT

DATE: March 21, 2023

TOPIC: Review of 2021-22 Measure AA Financial and Performance Audit

ACTION _____ **CONSENT** _____ **INFORMATION** X

BACKGROUND INFORMATION

California Constitution Section 1(b)(3)(C) of Article 13A states that the Citizens' Oversight Committee members receive and review copies of the annual, independent financial and performance audits. This is established in COC Bylaws, 2.2, Duties, Sections A and B.

CURRENT CONSIDERATIONS

The Financial and Performance Audits for Building Fund (Measure AA) are attached and will be presented by Brenda Mefford, Chief Business Officer, during the Committee meeting. This audit was conducted by independent auditor Eide Bailly and was completed on January 31, 2023.

FINANCIAL IMPLICATIONS

There are no financial implications for presenting the 2021-22 Measure AA Financial and Performance Audit.

RECOMMENDATION

The Measure AA Financial and Performance Audit is presented for information only.

Brenda Mefford
Chief Business Officer

Ilsa Garza-Gonzalez
Superintendent



Financial and Performance Audits
Building Fund (Measure AA)
June 30, 2022

Fallbrook Union High School District

FINANCIAL AUDIT

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Financial Audit
Building Fund (Measure AA)
June 30, 2022

Fallbrook Union High School District



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Building Fund (Measure AA) of the Fallbrook Union High School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure AA) of the District, as of June 30, 2022, and the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to Measure AA are intended to present the financial position and the change in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2022, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the Building Fund (Measure AA) 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Building Fund (Measure AA) of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Building Fund (Measure AA) of the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
January 31, 2023

Fallbrook Union High School District
Building Fund (Measure AA)

Balance Sheet
June 30, 2022

Assets	
Investments	\$ 29,439,555
Receivables	1
Due from other funds	<u>21,334</u>
Total assets	<u>\$ 29,460,890</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 43,480
Due to other funds	<u>5,782</u>
Total liabilities	<u>49,262</u>
Fund Balance	
Restricted for capital projects	<u>29,411,628</u>
Total liabilities and fund balance	<u>\$ 29,460,890</u>

Fallbrook Union High School District
 Building Fund (Measure AA)
 Statement of Revenues, Expenditures, and Change in Fund Balance
 Year Ended June 30, 2022

Revenues	
Local income	
Interest	\$ 55,035
All other local revenue	5,160
Net decrease in the fair value of investments	<u>(745,829)</u>
Total revenues	<u>(685,634)</u>
Expenditures	
Supplies	
Materials	901
Noncapitalized equipment	41,634
Services	
Cost of issuance	265,000
Professional/consulting services and operating expenses	390,284
Capital outlay	
Buildings and improvement of buildings	7,667,368
Land improvement-site construction	11,154
Equipment	<u>121,011</u>
Total expenditures	<u>8,497,352</u>
Deficiency of Revenues over Expenditures	<u>(9,182,986)</u>
Other Financing Sources	
Other sources - bond proceeds	<u>24,000,000</u>
Net Change in Fund Balance	14,817,014
Fund Balance - Beginning	<u>14,594,614</u>
Fund Balance - Ending	<u>\$ 29,411,628</u>

Note 1 - Summary of Significant Accounting Policies

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

Fund Accounting

The operations of the Building Fund (Measure AA) 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 (Measure AA) 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 change in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

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

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 Balance - Building Fund (Measure AA)

As of June 30, 2022, the 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 Policy

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 accordance 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

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:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Diego County Treasury Investment Pool. The District maintains a Building Fund (Measure AA) investment of \$29,439,555 with the San Diego County Treasury Investment Pool, with an average maturity of 551 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Diego County Treasury Investment Pool is rated AAA by Standard and Poor as of June 30, 2022.

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.

As of June 30, 2022, the District's balance held in the San Diego County Treasury Investment Pool was uncategorized.

Note 4 - Receivables

Receivables at June 30, 2022, consisted of the following:

Interest	<u><u>\$ 1</u></u>
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Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balance at June 30, 2022, between the Building Fund (Measure AA) and other governmental funds is as follows:

A balance of \$21,334 due to the Building Fund (Measure AA) from the General Fund for reimbursements of qualifying costs.

A balance of \$5,782 due to the General Fund from the Building Fund (Measure AA) for reimbursement of qualifying costs.

Note 6 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

Capital outlay	<u><u>\$ 43,480</u></u>
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Note 7 - Commitments and Contingencies

As of June 30, 2022, the Building Fund (Measure AA) had the following commitments with respect to unfinished projects:

Measure AA Projects	Remaining Construction Commitment	Expected Date of Completion
Fallbrook High School Modernization - Electric and Cabling	\$ 20,244	6/30/2023
Fallbrook High School Modernization - Aquatic Center Replacement	957,866	12/31/2023
Fallbrook High School Modernization - Whole-Site Inspector Services	50,927	12/31/2024
Fallbrook High School Modernization - Facilities Consulting	123,613	1/31/2025
Fallbrook High School CTE Building and Sitework - Baseball Bleachers Replacement	38,300	8/31/2023
Fallbrook High School CTE Building and Sitework - Plumbing and Sewage	<u>296,768</u>	12/31/2024
Total	<u><u>\$ 1,487,718</u></u>	

Litigation

The District is not currently a party to any legal proceedings as related to Building Fund (Measure AA) as of June 30, 2022.



Independent Auditor's Report
June 30, 2022

Fallbrook Union High School District



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
Fallbrook Union High School District
Fallbrook, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Building Fund (Measure AA) of the Fallbrook Union High School District (the District) as of and for the year ended June 30, 2022, and the related notes of the financial statements, and have issued our report thereon dated January 31, 2023.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to Measure AA are intended to present the financial position and the change in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2022, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on 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) as a basis for designing 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Building Fund (Measure AA) financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Building Fund (Measure AA) of the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 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.



Rancho Cucamonga, California
January 31, 2023

None reported.

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



Performance Audit
Building Fund (Measure AA)
June 30, 2022

Fallbrook Union High School District



Independent Auditor's Report on Performance

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

We were engaged to conduct a performance audit of the Building Fund (Measure AA) of the Fallbrook Union High School District (the District) for the year ended June 30, 2022.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion 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 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 and Appendix A contained in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. 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. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely for the information and use of the District, Governing Board, and Citizens Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

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

Rancho Cucamonga, California
January 31, 2023

Authority for Issuance

The Measure AA Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Trustees of the District (the Resolution). The County has adopted a resolution pursuant to Section 1540(b) of the *Education Code*, which authorizes school districts and community college districts to issue bonds on their own behalf, and, pursuant to which, the Bonds are being issued by the District.

The District received authorization at an election held on November 8, 2016, to issue bonds of the District in an aggregate principal amount not to exceed \$45,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2016 Authorization). The Bonds represent all series of the authorized bonds to be issued under the 2016 Authorization.

Purpose of Issuance

“The net proceeds of the Bonds and any other series of general obligation bonds issued under the 2016 Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, without increasing tax rates, shall Fallbrook Union High School District repair and upgrade aging classrooms and school facilities, including deteriorating roofs, plumbing and electrical systems; improve campus safety/security; upgrade career training facilities, classrooms, and science labs supporting instruction in math, engineering, technology, science and skilled trades preparing students to be college and career ready; by issuing \$45,000,000 in bonds at legal interest rates, with independent citizens oversight, annual audits, no money for administrators, and all funds staying local.”

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% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, 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.
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 AA.
2. Determine whether salary transactions charged to the Building Fund were in support of Measure AA and not for District general administration or operations.

Scope of the Audit

The scope of our performance audit covered the period of July 1, 2021 to June 30, 2022. 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, 2022, were not reviewed or included within the scope of our audit or in this report.

Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2022, for the Building Fund (Measure AA). 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 AA as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
 - a. We considered all expenditures recorded in all object codes.
 - b. We considered all expenditures recorded in all projects that were funded from July 1, 2021 through June 30, 2022 from Measure AA bond proceeds.
 - c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
 - d. For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2021 and ending June 30, 2022.

3. Our sample included transactions totaling \$7,137,513. This represents 84% of the total expenditures of \$8,497,352.
4. We reviewed the actual invoices and other supporting documentation to determine that:
 - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
 - b. Expenditures were supported by proper bid documentation, as applicable.
 - c. Expenditures were expended in accordance with voter-approved bond project list.
 - d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.
5. We determined that the District has met the compliance requirement of Measure AA if the following conditions were met:
 - a. Supporting documents for expenditures were aligned with the voter-approved bond project list.
 - b. Supporting documents for expenditures were not used for salaries of school administrators or other operating expenses of the District.

Conclusion

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

None reported.

Fallbrook Union High School District
Building Fund (Measure AA)
Summary Schedule of Prior Audit Findings
June 30, 2022

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