



**MEASURE P BOND BUILDING FUND OF
MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

FINANCIAL AND PERFORMANCE AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2019**



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MEASURE P BOND BUILDING FUND
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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
MEASURE P BOND BUILDING FUND
INTRODUCTION
JUNE 30, 2019**

The Marysville Joint Unified School District began operations in 1966 under the laws of the State of California. This District operates under a locally elected seven-member Board form of government and provides educational services to grades K – 12 as mandated by the state and federal agencies. The District currently operates 22 individual school sites, child care/preschool programs in nine locations, and one charter school site.

In November 2008, the voters of Marysville approved by more than the required 55% favorable vote, Measure P, authorizing the issuance and sale of general obligation bonds, not to exceed \$47,000,000. Measure P is a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Measure P bonds were issued by the District, through the County of Yuba. On August 5, 2009, the District issued Election of 2008, Series 2009 bonds totaling \$34,433,777. The Series 2009 bonds bear interest at a rate of 5.0% to 5.5% and are scheduled to mature through August 2036.

On October 25, 2016, the District issued \$28,515,000 of General Obligation Bonds to refund a portion of the 2009 current interest General Obligation Bonds. The bonds mature serially in varying amounts during the succeeding years through August 2034, with interest rates ranging from 3.0% through 5.0%. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. Deferred charges on refunding of \$3,334,692 remain to be amortized. This refunding reduced total debt service payments by \$1,021,174.

On October 30, 2018, the District issued Election of 2008, Series 2018 bonds totaling \$12,565,745. The Series 2018 bonds bear interest at a rate of 3.0% to 5.0% and are scheduled to mature through August 2042.

Bond proceeds are to be used to continue improving the quality of education in local schools and protecting the safety of our children by repairing, replacing or updating fire alarm systems, worn-out roofs, outdated classrooms and science labs, plumbing and heating/air conditioning systems; and to qualify for State matching funds for school modernization and construction.

In 2016, the Citizens' Bond Oversight Committee disbanded due to completion of major construction projects. After the Series of 2018 bonds were issued, the District actively began working to re-establish the Citizens' Bond Oversight Committee. As of June 30, 2019, no members had been appointed to the Citizens' Oversight Committee.

INDEPENDENT AUDITORS' REPORT

Governing Board Members and
Measure P Citizens' Bond Oversight Committee of
Marysville Joint Unified School District
Marysville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure P Bond Building Fund of Marysville Joint Unified School District (the "District"), 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 statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure P Bond Building Fund of Marysville Joint Unified School District, as of June 30, 2019, 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 1A, the financial statements present only the Measure P Bond Building Fund and do not purport to, and do not present fairly the financial position of the Marysville Joint Unified School District, as of June 30, 2019, 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 March 17, 2020, 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 specific to the Measure P Bond Building Fund. 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 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 District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have issued our performance audit dated March 17, 2020, on our consideration of the District's compliance with the requirements of Proposition 39 as it directly relates to the Measure P Bond Building Fund. That report is an integral part of our audit of the Measure P Bond Building Fund of Marysville Joint Unified School District, as of and for the year ended June 30, 2019, and should be considered in assessing the results of our financial audit.



San Diego, California
March 17, 2020

FINANCIAL SECTION

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
MEASURE P BOND BUILDING FUND
BALANCE SHEET
JUNE 30, 2019**

ASSETS

Cash and investments	\$	12,598,808
Accounts receivable		51,625
Total Assets	\$	12,650,433

LIABILITIES AND FUND BALANCE

Liabilities

Accrued liabilities	\$	26,756
Total Liabilities		26,756

Fund Balance

Restricted for Measure P projects		12,623,677
Total Liabilities and Fund Balance	\$	12,650,433

The accompanying notes to financial statements are an integral part of this statement.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
 MEASURE P BOND BUILDING FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES	
Other local sources	\$ 197,462
Total Revenues	<u>197,462</u>
EXPENDITURES	
Facilities acquisition and construction	307,933
Total Expenditures	<u>307,933</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(110,471)</u>
OTHER FINANCING SOURCES	
Interfund transfers in	29,732
Proceeds from long-term debt	12,688,704
Total Other Financing Sources	<u>12,718,436</u>
Net Change in Fund Balance	12,607,965
Fund Balance, July 1, 2018	15,712
Fund Balance, June 30, 2019	<u>\$ 12,623,677</u>

The accompanying notes to financial statements are an integral part of this statement.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
MEASURE P BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Marysville Joint Unified School District began operations in 1966 under the laws of the State of California. This District operates under a locally elected seven-member Board form of government and provides educational services to grades K – 12 as mandated by the State and Federal agencies. The District currently operates 22 school sites, child care/preschool programs in nine locations, and one charter school site.

On November 4, 2008 the District voters authorized \$47 million in Measure P General Obligation Bonds to continue improving the quality of education in local schools and protecting the safety of our children, by repairing, replacing or updating fire alarm systems, worn-out roofs, outdated classrooms and science labs, plumbing and heating/air conditioning systems; and make the District eligible for State matching funds.

An advisory committee to the District’s Governing Board and Superintendent, called the Measure P Citizens’ Bond Oversight Committee was established pursuant to the requirements of State law and the provisions of Measure P. The Committee’s oversight goals include: advising on bond construction priorities, reviewing bond construction plans, reviewing project plans and budgets, and ensuring compliance with the provisions of Measure P.

The statements presented are for the individual Measure P Bond Building Fund of the District, consisting of the net construction proceeds of Measure P Series 2009 and Series 2018 general obligation bonds, as issued by the District, through the County of Yuba, and are not intended to be a complete presentation of the District’s financial position or results of operations.

B. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are presented on the modified accrual basis of accounting. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collectible within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
MEASURE P BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

E. Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains a portion of its cash in the Yuba County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 during the reporting period. Actual results could differ from those estimates.

G. 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 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 during the year to consider 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 cannot legally exceed appropriations by major object account.

H. Fund Balance

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance in Measure P is considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
MEASURE P BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as cash in county treasury for \$12,598,808. The California School Accounting Manual requires school districts to report “cash in county treasury” to be reported as cash instead of investments due to the pooled nature of the deposit and the ability of school districts to access funds immediately and with no restrictions.

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 instruments; 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 agreements; 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. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

Cash 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 statements at amounts based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
MEASURE P BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies examples of the investment types permitted in the investment policy:

<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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

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 to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Yuba County Investment Pool with a fair value of approximately \$12,556,378 and an amortized book value of \$12,598,808. The District's average weighted maturity for this pool is 231 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 investments in the County Treasury are not required to be rated. As of June 30, 2019, the pooled investments in the County Treasury were rated at least A.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
MEASURE P BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, either directly or indirectly.

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 reasonable 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.

Uncategorized - Investments in the Yuba County Treasury Investment Pool are not measured using the input levels above because the 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 held a fair value amount of \$12,556,378 in uncategorized investments related to the Measure P Bond Building Fund's investment in the Yuba County Treasury.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019 consisted of \$51,625 in interest earned on investments in the Yuba County Treasury.

NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities as of June 30, 2019 consisted of \$26,756 in architect expenditures.

NOTE 5 – INTERFUND TRANSFER IN

Interfund transfers for the year ended June 30, 2019 consisted of \$29,732 from the General Fund to pay for OPSC finding.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
MEASURE P BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 6 – MEASURE P GENERAL OBLIGATION BONDS

In an election held in November 2008, the voters authorized the District to issue and sell not more than \$47 million in general obligation bonds. Under such voters’ authorization, there has been bond issuances with terms summarized as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 01, 2018	Additions	Deductions	Outstanding June 30, 2019
2009 General Obligation Bond	8/5/2009	8/1/2036	5.0 - 5.5%	\$ 34,433,777	\$ 5,473,777	\$ -	\$ 730,000	\$ 4,743,777
2016 Refunding Bonds	10/25/2016	8/1/2034	3.0 - 5.0%	28,515,000	28,005,000	-	250,000	27,755,000
2018 General Obligation Bond	10/30/2018	8/1/2041	3.0 - 5.0%	12,565,745	-	12,565,745	-	12,565,745
					<u>\$ 33,478,777</u>	<u>\$ 12,565,745</u>	<u>\$ 980,000</u>	<u>\$ 45,064,522</u>

2009 General Obligation

As of June 30, 2019, the principal balance outstanding on the District’s Measure P Series 2009 general obligation bonds was \$4,743,777.

The annual requirements to amortize the Measure P Series 2009 general obligation bonds payable outstanding as of June 30, 2019, are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ -	\$ -	-
2021	860,000	1,412,756	2,272,756
2022	-	-	-
2023	-	-	-
2024	213,718	541,282	755,000
2025 - 2029	2,275,295	4,289,705	6,565,000
2030 - 2034	-	-	-
2034 - 2037	1,394,764	7,700,236	9,095,000
Total	<u>\$ 4,743,777</u>	<u>\$ 13,943,979</u>	<u>\$ 18,687,756</u>

2016 Refunding Bonds

On October 25, 2016, the District issued \$28,515,000 of General Obligation Bonds to refund a portion of the 2009 current interest General Obligation Bonds. The bonds mature serially in varying amounts during the succeeding years through August 2034, with interest rates ranging from 3.0% through 5.0%. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District’s financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. Deferred charges on refunding of \$3,334,692 remain to be amortized. This refunding reduced total debt service payments by \$1,021,174. Scheduled payments for the 2016 Refunding Bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 260,000	\$ 963,500	\$ 1,223,500
2021	1,165,000	930,475	2,095,475
2022	1,320,000	868,350	2,188,350
2023	795,000	819,450	1,614,450
2024	290,000	797,750	1,087,750
2025 - 2029	5,330,000	3,658,150	8,988,150
2030 - 2034	14,880,000	4,781,700	19,661,700
2035	3,715,000	55,725	3,770,725
Total	<u>\$ 27,755,000</u>	<u>\$ 12,875,100</u>	<u>\$ 40,630,100</u>

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
 MEASURE P BOND BUILDING FUND
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 6 – MEASURE P GENERAL OBLIGATION BONDS (continued)

2018 General Obligation

As of June 30, 2019, the principal balance outstanding on the District’s Measure P Series 2009 general obligation bonds was \$12,565,745.

The annual requirements to amortize the Measure P Series 2018 general obligation bonds payable outstanding as of June 30, 2019, are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ -	\$ 963,500	\$ 963,500
2021	200,000	930,475	1,130,475
2022	205,000	868,350	1,073,350
2023	120,000	819,450	939,450
2024	25,000	797,750	822,750
2025 - 2029	213,267	3,658,150	3,871,417
2030 - 2034	137,537	4,781,700	4,919,237
2035 - 2039	7,373,212	55,725	7,428,937
2040 - 2042	4,291,729	6,928,271	11,220,000
Total	<u>\$ 12,565,745</u>	<u>\$ 19,803,371</u>	<u>\$ 32,369,116</u>

NOTE 7 – CONSTRUCTION COMMITMENTS

The Measure P Bond Building Fund had \$686,744 of construction commitments as of June 30, 2019.

OTHER INDEPENDENT AUDITORS' REPORTS

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

Measure P Citizens' Bond Oversight Committee and
Governing Board Members of the
Marysville Joint Unified School District
Marysville, 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 Measure P Bond Building Fund, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Measure P Bond Building Fund's basic financial statements, and have issued our report thereon dated March XX, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Measure P Bond Building Fund'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 Measure P Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure P Bond Building Fund'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 entity'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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure P Bond Building Fund'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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
March 17, 2020

REPORT ON PERFORMANCEIndependent Auditors' Report

Measure P Citizens' Bond Oversight Committee and
Governing Board Members of the
Marysville Joint Unified School District
Marysville, California

Report on Performance

We have audited Marysville Joint Unified School District's compliance with the performance audit procedures described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on Marysville Joint Unified School District's Measure P Bond Building Fund for the fiscal year ended June 30, 2019, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to local school construction bonds.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of Marysville Joint Unified School District's Measure P Bond Building Fund based on our performance audit of the types of compliance requirements referred to above. We conducted our performance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the performance audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the local school construction bonds noted on the following page occurred. An audit includes examining, on a test basis, evidence about Marysville Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our performance audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Marysville Joint Unified School District's compliance with those requirements.

Opinion on Performance

In our opinion, Marysville Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Measure P Bond Building Fund noted below for the year ended June 30, 2019.

Procedures Performed

In connection with the performance audit referred to above, we selected and tested transactions and records to determine Marysville Joint Unified School District 's compliance with the state laws and regulations applicable to the Financial Audit Procedures and Performance Audit Procedures over the Measure P Bond Building Fund. Additional agreed upon procedures relating the Measure P Bond Building Fund may also be included.

The results of the procedures performed, and the related results are further described in the accompanying performance audit results following this Report on Performance.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive style.

San Diego, California
March 17, 2020

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
MEASURE P BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – FINANCIAL AUDIT PROCEDURES

Financial Statements

As mentioned in the Report on Financial Statements, we have issued an unmodified opinion over the financial statements of the Measure P Bond Building Fund as of and for the fiscal year ended June 30, 2019.

Internal Control Evaluation

We tested internal controls over financial reporting and compliance with laws, regulations, or provisions of contracts or agreements and have determined through our inquiry of management and our evaluation of District processes that no significant deficiencies were noted.

SECTION II – PERFORMANCE AUDIT PROCEDURES

Facility Project Expenditures

We selected a representative sample of expenditures charged to the Measure P Bond Building Fund and reviewed supporting documentation to ensure funds were properly expended on specific project(s) listed in the text of the Measure P ballot.

We tested approximately \$235,733 of warrant expenditures or 91% for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Measure P ballot language, the District approved facilities plan, and applicable state laws and regulations.

Personnel Expenditures

Based on review of expenditure detail, we noted that there were no salaries or benefits charged to the Measure P Bond Building Fund during the fiscal year ended June 30, 2019. Audit procedures over personnel expenditures were not applicable.

Facility Site Walk

Due to the limited amount of construction expenditures, a facility site walk was not considered necessary.

Test of Contracts and Bid Procedures

We reviewed a listing of contracts awarded during the year ended June 30, 2019 and selected a sample to ensure that contracts for public projects followed appropriate bidding procedures per applicable Public Contract Code. Additionally, we reviewed overall expenditures by vendor in order to determine if multiple projects under the applicable bidding threshold were identified to suggest any possible bid splitting.

The District appears to be properly reviewing and applying appropriate procedures over contract and bidding procedures.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
MEASURE P BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – PERFORMANCE AUDIT PROCEDURES (continued)

Contract and Change Orders

We reviewed a listing of contracts and change orders during the fiscal year ended June 30, 2019 and selected a sample to ensure that change orders were properly approved and in accordance with District policies. Additionally, cumulative change orders for any given contract were reviewed to ensure that total change orders did not exceed ten percent of the total original contract.

We reviewed three change orders for various Measure P projects. We verified that the total of the change orders did not exceed ten percent of the total original contract. All change orders were properly reviewed and approved by management and the governing board in accordance with District policy.

Independent Citizens' Bond Oversight Committee

In accordance with Assembly Bill (AB) 1908 and Education Code (Ed Code) Section 15278, the District is required to establish a bond oversight committee for Proposition 39 bonds to include one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers' association, parent/guardian of a child enrolled in the District and a parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. Additionally, no employee or official of the District shall be appointed to the Citizens' Bond Oversight Committee.

As of June 30, 2016, the Citizens' Bond Oversight Committee disbanded due to completion of major construction projects. The District is actively seeking to fill all vacant positions for the 2018-19 fiscal year.

FINDINGS AND RESPONSES SECTION

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
 MEASURE P BOND BUILDING FUND
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 FOR THE YEAR ENDED JUNE 30, 2019**

PART I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to the financial statements?	<u>No</u>

PERFORMANCE AUDIT

Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditor’s report issued on performance for local school construction bonds:	<u>Unmodified</u>

PART II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements in 2018-19.

PART III – STATE PERFORMANCE FINDINGS

There were no findings or recommendations related to local school construction bonds in 2018-19.

PART IV – PRIOR AUDIT FINDINGS

There were no findings and recommendations during the year ended June 30, 2018.