

NORTHERN HUMBOLDT UNION HIGH  
SCHOOL DISTRICT

GENERAL OBLIGATION BOND  
PROPOSITION 39 PERFORMANCE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

ROBERTSON & ASSOCIATES, CPAs  
A Professional Corporation

NORTHERN HUMBOLDT UNION HIGH SCHOOL DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS  
PROPOSITION 39 PERFORMANCE AUDIT  
JUNE 30, 2017

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## INDEPENDENT AUDITOR'S REPORT ON PROPOSITION 39 GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS COMPLIANCE REQUIREMENTS

Board of Trustees  
The Measure Q Citizen's Bond Oversight Committee  
Northern Humboldt Union High School District  
McKinleyville, California

### Report on the Performance Audit

We have conducted a performance audit of the Northern Humboldt Union High School District (District), Measure Q General Obligation Bond funds for the year ended June 30, 2017.

### Auditor's Responsibility

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the Northern Humboldt Union High School District's compliance with the performance requirements for the Proposition 39 Measure Q General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Sections 15264 and 15272 - 15286 of the California Education Code as they apply to the Bonds and the net proceeds thereof.

### Management's Responsibility

Management of Northern Humboldt Union High School District is responsible for the District's compliance with those requirements. Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution Sections 15264 and 15272 - 15286 of the California Education Code. Accordingly, we do not express any assurance on internal control.

### Conclusion

The results of our tests indicated that, in all significant respects, Northern Humboldt Union High School District expended Measure Q General Obligation Bond funds for the year ended June 30, 2017, only for the specific projects developed by the District's Board of Trustees, and approved by the voters in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution and Sections 15264 and 15272 - 15286 of the California Education Code.

*Robertson & Associates, CPAs*

Lakeport, California  
February 6, 2018

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**BACKGROUND INFORMATION**

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. On November 2, 2010, the voters of the Northern Humboldt Union High School District approved, by more than 55%, Measure Q, a \$25.8 million bond measure designed to modernize, replace, renovate, expand, construct, acquire, equip, furnish and otherwise improve the classrooms and school facilities of the District, including those located at the following locations:

Arcata High School – Built in 1948	McKinleyville High School – Built in 1961
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The District has issued three series of Measure Q Bonds through June 30, 2017. The first issue of \$8,000,223 was in February 2011, the second in the amount of \$5,000,000 was in February 2013 and the third in the amount of \$8,500,000 was in October 2015. Principal and interest on the bonds will be payable from the proceeds of tax levies made upon the taxable property within the District. Refunding bonds in the amount of \$7,380,000 were issued during 2016 to partially pay off the bonds issued on 2011.

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

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

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**PERFORMANCE AUDIT OBJECTIVES**

The objectives of our Performance Audit were to:

- Determine the expenditures charged to the District's Measure Q General Obligation Bonds Projects.
- Determine whether expenditures charged to the Measure Q General Obligation Bond Funded Capital Outlay Projects have been made in accordance with the list approved by the voters through the approval of Measure Q in November 2010.
- Determine compliance with specific Education Code Sections related to oversight of bond expenditures.
- Note incongruities, system weaknesses, or non-compliance with specific California Education Code sections related to bond oversight and provide recommendations for improvement.
- Provide the District Board of Trustees and the Measure Q Citizen's Bond Oversight Committee with a Performance Audit as required under the provisions of the California Constitution and Proposition 39.

**SCOPE OF THE AUDIT**

The scope of our performance audit covered the period of July 1, 2016 to June 30, 2017. The sample of expenditures tested included object and project codes associated with the projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2017 were not reviewed or included within the scope of our audit or in this report.

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**PROCEDURES PERFORMED**

We obtained the general ledger, the project expenditure summary reports and other related detail prepared by the District for the fiscal year ended June 30, 2017 for the General Obligation Bond Funded Capital Outlay Projects - Measure Q Bond Program. We also reviewed documentation, including the District website, for compliance with Education Code Sections 15264 and 15272 - 15286. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to insure compliance with the requirements of Proposition 39 and Measure Q with regards to the approved bond projects list. We performed the following procedures:

- We reviewed the projects listed to be funded with the General Obligation Bonds proceeds as set out in the Measure Q election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2017 and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified on a sample basis that funds from the General Obligation Bond Funded Capital Outlay Projects - Measure Q Bond Program were expended on authorized bond projects. We verified that no funds from the General Obligation Bond Funded Capital Outlay Projects - Measure Q Bond Program were expended for salaries of administrators or other operating expenditures.
- We made inquiries of District personnel to determine the status of projects required or authorized to be funded by Measure Q General Obligation Bond proceeds issued through June 30, 2017.

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**CONCLUSION**

The results of our procedures indicated that, in all significant respects, the Northern Humboldt Union High School District has properly accounted for the expenditures of the funds held in the Bond Funded Capital Outlay Projects - Measure Q Bond Program and that such expenditures were made for authorized bond projects. Further, it was noted that the funds held in the Measure Q General Obligation Bond Funds and expended by the District were not expended for salaries of school administrators or other operating expenditures.

In addition, the results of our tests indicated that, in all significant respects, the District complied with certain provisions of the California Education Code requirements for which the purpose of a Citizens' Oversight Committee is established.

**RECOMMENDATIONS**

There were no material findings related to the performance audits for the years ended June 30, 2016 and June 30, 2017.