



Financial Statements  
June 30, 2019

# San Jacinto Unified School District Financing Authority

**SAN JACINTO UNIFIED SCHOOL DISTRICT  
FINANCING AUTHORITY**

**JUNE 30, 2019**

**BOARD OF DIRECTORS**

**MEMBERS**

John I. Norman

Willie Hamilton

Trica Ojeda

Deborah Rex

Jasmin Rubio

**OFFICE**

Chairperson

Vice Chairperson

Member

Member

Member

**ADMINISTRATION**

**NAMES**

Diana Perez

Seth Heeren

Willie Hamilton

**TITLES**

Executive Director

Treasurer

Secretary

**ORGANIZATION**

The San Jacinto Unified School District Financing Authority (the Authority) was established on June 1, 2017, under a joint powers agreement between the San Jacinto Unified School District (the District) and Community Facilities District (CFD) No. 2004-3 of the San Jacinto Unified School District for the purpose of assisting the District in providing financing for acquisition, construction and improvement of public capital improvements or working capital requirements.

**SAN JACINTO UNIFIED SCHOOL DISTRICT  
FINANCING AUTHORITY**

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JUNE 30, 2019**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Governing Board  
San Jacinto Unified School District  
Financing Authority  
San Jacinto, CA

### Report on the Financial Statements

We have audited the accompanying financial statements of the San Jacinto Unified School District Financing Authority (the Authority), a component unit of the San Jacinto Unified School District (the District), the Capital Project Fund for Blended Component Units specific to the Community Facilities District (CFD) No. 2004-3, the related fiduciary funds 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Capital Project Fund for Blended Component Units specific to the Community Facilities District (CFD) No. 2004-3 and the related fiduciary funds of the Authority as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the San Jacinto Unified School District Financing Authority (the Authority) of the Capital Project fund for Blended Component Units specific to the Community Facilities District (CFD) No. 2004-3 and the related fiduciary funds, are intended to present fairly the financial position and changes in financial position of the Authority attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the San Jacinto Unified School District as of June 30, 2019, and the changes in 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 December 17, 2019, on our consideration of the Authority's Capital Project Fund for Blended Component Units specific to the Community Facilities District (CFD) No. 2004-3 and the related fiduciary funds 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 the Authority's Capital Project Fund for Blended Component Units specific to the Community Facilities District (CFD) No. 2004-3 and the related fiduciary funds internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's Capital Project Fund for Blended Component Units specific to the Community Facilities District (CFD) No. 2004-3 and the related fiduciary funds 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 Authority's Capital Project Fund for Blended Component Units specific to the Community Facilities District (CFD) No. 2004-3 and the related fiduciary funds internal control over financial reporting and compliance.



Rancho Cucamonga, California  
December 17, 2019

**SAN JACINTO UNIFIED SCHOOL DISTRICT  
FINANCING AUTHORITY**

**GOVERNMENTAL FUND  
BALANCE SHEET  
JUNE 30, 2019**

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	<b>Capital Project Fund for Blended Component Unit</b>
<b>ASSETS</b>	
Investments	<u>\$ 20,492</u>
<b>FUND BALANCE</b>	
Restricted	<u>\$ 20,492</u>

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

**SAN JACINTO UNIFIED SCHOOL DISTRICT  
FINANCING AUTHORITY**

**GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
JUNE 30, 2019**

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	<b>Capital Project Fund for Blended Component Unit</b>
<b>EXPENDITURES</b>	
Capital outlay	<u>\$ 459,508</u>
<b>Other Financing Sources (Uses)</b>	
Other sources - proceeds from issuance of Community Facilities District Bonds	36,047,677
Other uses - transfer of proceeds for debt payment of Community Facilities	
District bonds	<u>(36,640,838)</u>
Net Financing Sources (Uses)	<u>(593,161)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,052,669)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,073,161</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 20,492</u></u>

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



**SAN JACINTO UNIFIED SCHOOL DISTRICT  
FINANCING AUTHORITY**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

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	<b>CFD Agency Funds</b>
<b>ASSETS</b>	
Investments	<u>\$ 36,975,206</u>
<b>LIABILITIES</b>	
Due to bondholders	<u>\$ 36,975,206</u>

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

# **SAN JACINTO UNIFIED SCHOOL DISTRICT FINANCING AUTHORITY**

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

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the San Jacinto Unified School District Financing Authority (the Authority) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### **The Reporting Entity**

The financial statements include the Capital Project Fund for Blended Component Units and the related Fiduciary Funds specific to the CFD No. 2004-3 of the Authority used to account for capital projects financed by Mello-Roos Community Facilities Districts and the receipt of special taxes for payment of debt required for the CFD. These financial statements are not intended to present fairly the financial position and results of operations of the San Jacinto Unified School District (the District) in compliance with accounting principles generally accepted in the United States of America.

#### **Fund Accounting**

The operations of the CFD is 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 CFD capital projects activity is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds accounted for the CFD receipt of special taxes for payment of debt using the flow of economic resources measurement focus and the accrual basis of accounting.

#### **Encumbrances**

The Authority 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 are liquidated at June 30 since they do not constitute expenditures or liabilities.

# SAN JACINTO UNIFIED SCHOOL DISTRICT FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Fund Balance

As of June 30, 2019, the fund balance of the Capital Project Fund for Blended Component Units specific to the CFD No. 2004-3 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, voters 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 Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - INVESTMENTS

Deposits and investments as of June 30, 2019, are classified as follows:

Governmental fund	\$ 20,492
Fiduciary fund	36,975,206
Total	<u>\$ 36,995,698</u>

### Policies and Practices

The Authority 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.

# SAN JACINTO UNIFIED SCHOOL DISTRICT FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### 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

### Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the *California Government Code* or the County's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

### 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 Authority 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 Authority manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by limiting the total amount invested in any one issuer.

Investment Type	Reported Amount	Maturity Date
Money Market Funds	\$ 36,995,698	N/A

# SAN JACINTO UNIFIED SCHOOL DISTRICT FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the *California Government Code*, the Authority's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. The Money Market Funds were rated by Standard & Poor's.

Investment Type	Minimum Legal Rating	Rating at June 30, 2019	Reported Amount
Money Market Funds	Not required	AAAm	\$ 36,995,698

### NOTE 3 - FAIR VALUE MEASUREMENTS

The Authority 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 Authority 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 Authority's own data. The Authority should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the Authority are not available to other market participants.

The Authority's fair value measurements are as follows at June 30, 2019:

Investment Type	Level 1
Money Market Funds	\$ 36,995,698

**SAN JACINTO UNIFIED SCHOOL DISTRICT  
FINANCING AUTHORITY**

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

**NOTE 4 - NON-OBLIGATORY DEBT**

Non-obligatory debt relates to debt issuances by the Community Facilities Districts as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the Authority. Neither the faith and credit nor taxing power of the Authority is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the Authority has no duty to pay the delinquency out of any available funds of the Authority. The Authority acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings.

Special assessment debt of \$46,870,000, as of June 30, 2019, does not represent debt of the Authority and, as such, does not appear in the accompanying basic financial statements.

A schedule of changes in long-term obligations for the year ended June 30, 2019 is shown below:

Authority Bonds	Balance July 1, 2018	Additions/ Adjustments	Deductions	Balance June 30, 2019
Special Tax Revenue Refunding - Series 2017	\$ 15,225,000	\$ -	\$ 465,000	\$ 14,760,000
Special Tax Revenue Bonds, Series 2019	-	32,110,000	-	32,110,000
	<u>\$ 15,225,000</u>	<u>\$ 32,110,000</u>	<u>\$ 465,000</u>	<u>\$ 46,870,000</u>

The annual debt service requirements to amortize the Special Tax Revenue Refunding Bonds, Series 2017, outstanding as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 480,000	\$ 552,813	\$ 1,032,813
2021	510,000	540,363	1,050,363
2022	530,000	524,763	1,054,763
2023	560,000	505,613	1,065,613
2024	590,000	482,613	1,072,613
2025-2029	3,485,000	2,060,400	5,545,400
2030-2034	4,480,000	1,360,656	5,840,656
2035-2039	3,235,000	462,025	3,697,025
2040-2044	890,000	100,250	990,250
Total	<u>\$ 14,760,000</u>	<u>\$ 6,589,496</u>	<u>\$ 21,349,496</u>

**SAN JACINTO UNIFIED SCHOOL DISTRICT  
FINANCING AUTHORITY**

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

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The annual debt service requirements to amortize the Special Tax Revenue Bonds, Series 2019, outstanding as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 1,068,537	\$ 1,068,537
2021	-	1,532,563	1,532,563
2022	95,000	1,530,188	1,625,188
2023	115,000	1,524,938	1,639,938
2024	145,000	1,518,438	1,663,438
2025-2029	1,930,000	7,379,313	9,309,313
2030-2034	3,820,000	6,647,563	10,467,563
2035-2039	5,685,000	5,514,172	11,199,172
2040-2044	7,685,000	4,145,828	11,830,828
2045-2049	9,980,000	2,029,250	12,009,250
2050	2,655,000	66,375	2,721,375
Total	<u>\$ 32,110,000</u>	<u>\$ 32,957,165</u>	<u>\$ 65,067,165</u>

**NOTE 5 - CONTINGENCIES**

**Litigation**

The Authority is not currently a party to any legal proceedings related to the Community Facilities District at June 30, 2019.



## **INDEPENDENT AUDITOR'S REPORT**





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
San Jacinto Unified School District  
Financing Authority  
San Jacinto, 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 San Jacinto Unified School District Financing Authority (the Authority), a component unit of the San Jacinto Unified School District (the District), the Capital Project Fund for Blended Component Units specific to the Community Facilities District (CFD) No. 2004-3, the related fiduciary funds as of and for the year ended June 30, 2019, and the related notes of the financial statements, and have issued our report thereon dated December 17, 2019.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the San Jacinto Unified School District Financing Authority (the Authority) of the Capital Project fund for Blended Component Units specific to the Community Facilities District (CFD) No. 2004-3 and the related fiduciary funds, are intended to present fairly the financial position and changes in financial position of the Authority attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the San Jacinto Unified School District as of June 30, 2019, and the changes in 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.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 the Authority's Capital Project Fund for Blended Component Units specific to the CFD No. 2004-3 and the related fiduciary funds financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California  
December 17, 2019



## **SCHEDULE OF FINDINGS**

**SAN JACINTO UNIFIED SCHOOL DISTRICT  
FINANCING AUTHORITY**

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2019**

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None reported.

**SAN JACINTO UNIFIED SCHOOL DISTRICT  
FINANCING AUTHORITY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2019**

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There were no audit findings reported in the prior year's Financial Statement Findings.