

San Dieguito Union High School District

Its Expenditures for Community Facilities District 94-2 Were Generally Appropriate, but It Did Not Fully Disclose Some of Its Financial Issues

REPORT NUMBER 2009-116, ISSUED JUNE 2010

This report concludes that from 1998 through 2009, the San Dieguito Union High School District (school district) spent funds from Community Facilities District 94-2 (facilities district 94-2) almost entirely on appropriate facilities and services. Our test of 60 expenditure items valued at \$16.4 million charged to facilities district 94-2 revealed \$451,000 in inappropriate expenditures; otherwise, the funds went to school facilities and bond-related activities allowed in the resolution of formation that created the facilities district. Therefore, these expenditures were appropriate.

The school district did not make clear in its school board agendas and minutes the financial problems that it encountered in early 2008, its plans for dealing with these problems, or the eventual cost of resolving them. Specifically, the school district did not adequately reveal to the public in 2008 that it faced substantial problems with community facilities district bonds and risked running out of funds for making bond payments within a year. Furthermore, it did not disclose that its community facilities districts would have to pay a significant amount, eventually totaling \$8.1 million to resolve the problems with the bonds. In addition, the school district did not make all required disclosures related to these bonds in its fiscal year 2006–07 financial statements.

Finally, although we found that the school district generally met the legally required deadlines for responding to requests for information, deficiencies in the school district's records often prevented us from determining whether the information provided by the school district responded adequately to requests.

In the report, the California State Auditor (state auditor) made the following recommendations to the school district. The state auditor's determination regarding the current status of recommendations is based on the school district's response to the state auditor as of June 2011.

Recommendation 1.1—See pages 17 and 18 of the audit report for information on the related finding.

To make certain that it uses funds from facilities district 94-2 for appropriate purposes only, the school district should reimburse the facilities district for the \$451,000 in erroneous payments for administrative facilities and demographic studies, or the school district should adjust the charges to this facilities district so that they reflect only appropriate expenditures.

School District's Action: Fully implemented.

The school district reported that it reclassified the expenses related to the relocatable buildings at Sunset High School and the demographic studies as non-qualified facilities district 94-2 expenditures, effectively eliminating them from the account used to track spending on facilities district 94-2 projects.

Recommendation 1.2.a—See pages 18—22 of the audit report for information on the related finding.

To provide the public with information that it can use to participate in the school district's decision-making process and to hold school board and other school district officials accountable, the school district should ensure that descriptions for agenda items and minutes for school board meetings contain sufficient information to convey the substance of the items accurately, and post to the school district's Web site all relevant documents and presentations related to agenda items.

School District's Action: Fully implemented.

The school district reported that its staff will endeavor to appropriately caption agenda items so that the public is sufficiently informed of the discussion. It also said that supplemental materials made available at meetings of the school board are now included in the minutes and are posted on its Web site.

Recommendation 1.2.b—See pages 22—24 of the audit report for information on the related finding.

To provide the public with information that it can use to participate in the school district's decision-making process and to hold school board and other school district officials accountable, the school district should ensure that it follows all relevant standards for financial reporting. To facilitate this effort, the school district should consider using a checklist, such as the Government Finance Officers Association's School District Preparer Checklist, which is designed to assist in preparing comprehensive annual financial reports of school districts.

School District's Action: Fully implemented.

The school district reported that it went through a request-for-proposal process to select a firm to audit its financial statements, and ultimately it renewed its contract with the firm that audited the financial statements we reviewed as part of our audit. According to the school district, the firm has provided it with materials to assist the firm with its annual audit to ensure that future audits will comply with all standards for financial reporting. Moreover, the school district indicated that the comprehensive government agency auditing software the firm uses, the materials it provides to the district, their mutual acknowledgement of the excluded disclosure in the fiscal year 2006–07 report, and their mutual commitment to present to the board of trustees and to the public an annual audit report which accurately reflects the financial position of the school district will ensure that such omissions do not reoccur.

Recommendation 1.3—See pages 24 and 25 of the audit report for information on the related finding.

To enable it to demonstrate its responsiveness to public record requests, the school district should maintain a record of documents that it makes available to requesters.

School District's Action: Fully implemented.

The school district reported that depending on the scope of the request, it will either continue its practice of making a back-up copy of records provided under the records act, or in the case of a voluminous request, the school district will document a general description of records provided.