

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**

**MEASURE E BOND FUND**

**AUDIT REPORT**

**For the Fiscal Year Ended June 30, 2019**

\* \* \*



**Chavan & Associates, LLP**  
Certified Public Accountants  
1475 Saratoga Ave, Suite 180  
San Jose, CA 95129

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**For the Fiscal Year Ended June 30, 2019**

**Table of Contents**

	<u>Page No.</u>
<b>FINANCIAL SECTION:</b>	
Independent Auditor’s Report.....	1 - 2
Financial Statements:	
Measure E Bond Fund Balance Sheet.....	3
Measure E Bond Fund Statement of Revenues, Expenditures and Changes in Fund Balance .....	4
Notes to the Basic Financial Statements.....	5 - 12
<b>SUPPLEMENTARY INFORMATION:</b>	
Program Schedules:	
Measure E Bond Fund Schedule of Actual Expenditures From Inception through the Fiscal Year Ended June 30, 2019 .....	14
Notes to Program Schedules .....	15 - 16
Schedule of Findings and Recommendations .....	18
Schedule of Prior Year Findings and Recommendations .....	19
<b>OTHER INDEPENDENT AUDITOR’S REPORTS:</b>	
Internal Control:	
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 <i>Government Auditing Standards</i> .....	21 - 22
Performance and Compliance:	
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on the Measure E Bond Program.....	23 - 25

## **FINANCIAL SECTION**



## **INDEPENDENT AUDITOR'S REPORT**

Measure E Citizens' Oversight Committee and  
Governing Board Members  
Sonoma Valley Unified School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Measure E Bond Fund of the Sonoma Valley Unified School 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**

The Sonoma Valley Unified School District's 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 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 District'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 District'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 financial position of the Measure E Bond Fund of the Sonoma Valley 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.



### **Other Matters**

As discussed in Note 1, the financial statements present only the Measure E Bond Fund and do not purport to, and do not, present fairly the financial position of the Sonoma Valley Unified School District, as of June 30, 2019, and 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sonoma Valley Unified School District's Measure E Bond Fund financial statements. The Measure E Bond Fund Statement of Actual Expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the bond fund financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Measure E Bond Fund Statement of Actual Expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated February 28, 2020 on our consideration of the Sonoma Valley Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 Sonoma Valley Unified School 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 also issued our performance audit report dated February 28, 2020 on our consideration of the Measure E Bond Fund compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure E Bond Fund for the fiscal year ended June 30, 2019 and should be considered in assessing the results of our financial audit.

*C & A CP*

February 28, 2020  
San Jose, California

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Balance Sheet**  
**June 30, 2019**

---

**Assets**

Cash and investments \$ 44,499,687

Total Assets \$ 44,499,687

**Liabilities and Fund Balance**

Liabilities:

    Accounts payable \$ 1,463,358

Total Liabilities 1,463,358

Fund balance:

    Restricted for capital projects 43,036,329

Total Fund Balance 43,036,329

Total Liabilities and Fund Balance \$ 44,499,687

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

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2019**

---

Revenues:	
Interest earnings	<u>\$ 934,918</u>
Total revenues	<u>934,918</u>
Expenditures:	
Supplies and materials	1,163,399
Contract services	356,448
Capital outlay	<u>4,004,687</u>
Total expenditures	<u>5,524,534</u>
Net change in fund balance	(4,589,616)
Fund balance beginning	<u>47,625,945</u>
Fund balance ending	<u><u>\$ 43,036,329</u></u>

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

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

A. Accounting Principles

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

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees.

In 2016-17, an advisory committee to the District's Governing Board and Superintendent, called the Measure E Citizens' Oversight Committee was established. The purpose of the committee is to inform the public concerning the expenditure and uses of the District's bond measure revenues. The Committee's legal charge is to actively review and report on the expenditure of taxpayer money for school construction in accordance with voter approved projects.

The financial statements presented are for the Measure E Bond Fund and are not intended to be a complete presentation of the District's financial position on operations.

C. Basis of Presentation

**Fund Financial Statements:**

Fund financial statements report detailed information about the District. The Building Fund is a governmental fund and is presented as a major fund in the District's combined financial statements. The Building Fund is used to account for proceeds from the sale of real property and account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds such as Measure E general obligation bonds.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances for the Measure E Bond Fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.



**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

---

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**Revenues - Exchange and Non-exchange Transactions:**

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 collected 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. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

**Unavailable Revenue**

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

**Expenditures:**

On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

---

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final 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 and District superintendent during the year to give consideration to 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.

F. 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. All encumbrances are liquidated on June 30.

G. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the 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.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

2. Cash and Cash Equivalents

The District's cash deposits are considered to be cash on hand and cash in banks. Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

---

3. Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

4. Long-Term Liabilities

In the Measure E Bond Fund financial statements, bond premiums, discounts and bond issuance costs are recognized during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

5. Fund Balance Classifications

In accordance with Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Nonspendable* includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

---

decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.

- *Assigned* includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent and the Assistant Superintendent of Business Services.
- *Unassigned* includes positive fund balance that has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

6. Accounting Estimates

The presentation 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 reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 - CASH AND INVESTMENTS**

Summary of Deposits

A summary of deposits as of June 30, 2019, is as follows:

Description	Carrying Amount	Fair Value
Cash in county treasury investment pool	\$ 44,499,687	\$ 44,615,386
Total Cash and Investments	\$ 44,499,687	\$ 44,615,386

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

---

The District has the following recurring fair value measurements as of June 30, 2019:

- Investments in the Sonoma 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.

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.

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.

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, custodial credit risk - deposits 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 the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the Sonoma County Investment Pool. The pool has a fair value of approximately \$2.527 billion and an amortized book value of \$2.524 billion. The average weighted maturity for this pool is 552 days.

*Credit Risk*

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Sonoma County Investment Pool is governed by the County's general investment policy. The investment with the Sonoma County Investment Pool is rated at least A by Moody's Investor Service.

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

---

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

*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.

**NOTE 3 - MEASURE E GENERAL OBLIGATION BOND**

Through elections, the District received authorization to issue general obligation bonds (GOB) that requires the county to levy annual ad valorem taxes for the payment of interest and principal on the bonds. Bond proceeds are used to help prevent budget cuts, improve student achievement and college/job preparation by making neighborhood schools energy efficient through the installation of solar panels, energy efficient windows, and by implementing water conservation improvements. This will create savings that will be used to improve classrooms, upgrade technology, modernize and equip classrooms, libraries, computer and science labs, as well as support career/technical education.

In 2018, the District issued \$50,000,000 in 2016 General Obligation Bonds, Series 2017, with an interest rate of 2-4% to finance specific constructions, repairs and improvement projects. The County Treasurer levies annual ad valorem taxes for required debt service payments.

The following schedule summarizes the District’s Measure E Bond Fund general obligation bonds as of June 30, 2019:

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 01, 2018	Issued	Redeemed	Outstanding June 30, 2019
2016 GOB, Series 2017	2018	2047	2-4%	\$ 50,000,000	\$ 50,000,000	\$ -	\$ 4,000,000	\$ 46,000,000
Total General Obligation Bonds					\$ 50,000,000	\$ -	\$ 4,000,000	\$ 46,000,000

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

---

The following is a summary of the annual debt service requirements as of June 30, 2019:

Year Ending June 30	Principal	Interest	Total
2020	\$ 2,650,000	\$ 1,614,175	\$ 4,264,175
2021	2,895,000	1,516,525	4,411,525
2022	-	1,458,625	1,458,625
2023	-	1,458,625	1,458,625
2024	-	1,458,625	1,458,625
2025-2029	-	7,293,125	7,293,125
2030-2034	4,470,000	6,990,725	11,460,725
2035-2039	9,400,000	5,945,125	15,345,125
2040-2044	12,905,000	4,045,663	16,950,663
2045-2049	13,680,000	1,117,400	14,797,400
Total Debt Service	<u>\$ 46,000,000</u>	<u>\$ 32,898,614</u>	<u>\$ 78,898,614</u>

**NOTE 4 - COMMITMENTS**

Through February 28, 2020, the date on which the financial statements were available to be issued, the District had encumbered \$13,115,184 of the Measure E Bond proceeds to be spent on capital projects in the fiscal year ended June 30, 2020.

## **SUPPLEMENTARY INFORMATION**



**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Schedule of Actual Expenditures**  
**From Inception Through the Fiscal Year Ended June 30, 2019**

<b>Project Description</b>	<b>From Inception Through June 30, 2018</b>	<b>Fiscal Year Ended June 30, 2019</b>	<b>Total Expenditures</b>
Adele Gym Renovation	\$ 6,492	\$ 102,537	\$ 109,029
Altimira Track and Field	40,806	405,614	446,420
Building Improvements	420	-	420
CBO - Audit Fees	18,901	31,201	50,102
Classroom Furniture - Districtwide	7,818	280,232	288,050
Classroom Furniture - Dunbar	4,855	74,026	78,881
Creekside High Modernization	95	47,582	47,677
Districtwide Technology	-	880,607	880,607
Dunbar Bathroom Improvements	5,610	184,528	190,138
Dunbar MPR	-	48,130	48,130
Dunbar Septic System Replacement and Site Lighting	5,902	194,799	200,701
El Verano MPR and Portable Relocation	20,223	243,238	263,461
Flowery K Garden Turf	-	38,899	38,899
Flowery MPR Modernization	10,937	106,793	117,730
Flowery Staff Parking	28,129	700,065	728,194
Sassarini Field Improvements	95	-	95
Sassarini Site Lighting and Security	17,442	19,620	37,062
Sonoma Charter Portable Replacement Phase 1	3,685	84,929	88,614
Sonoma Valley High School Ag Farm Phase 2	8,632	200	8,832
Sonoma Valley High School CTE Renovations	23,846	28,168	52,014
Sonoma Valley High School Library Renovations	132,469	311,313	443,782
Sonoma Valley High School New Pool	2,490	56,613	59,103
Sonoma Valley High School Roofing and HVAC Replacen	2,302,053	1,477,641	3,779,694
Sonoma Valley High School Track and Field Renovations	49,081	207,799	256,880
Bond Issuance Cost	235,452	-	235,452
<b>Grand Total</b>	<b>\$ 2,925,433</b>	<b>\$ 5,524,534</b>	<b>\$ 8,449,967</b>

*The notes to the supplementary information are an integral part of this schedule.*

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Notes to Program Schedules**  
**For the Fiscal Year Ended June 30, 2019**

---

**NOTE 1 - THE PROGRAM**

In November 2000, California voters passed Proposition 39, which allows school districts to issue general obligation bonds with 55% voter approval (instead of two-thirds of the votes), if the intent and purpose of the bonds is to reduce class sizes and to modernize/replace school facilities. Along with the passage of Proposition 39, additional requirements are also added to ensure accountability over the usage of the bond proceeds, which includes conducting annual financial and performance audits.

The Sonoma Valley Unified School District passed Measure E on November 2016, with 55% of District voters approving the measure. The governing board then appointed a Citizens' Oversight Committee to ensure accountability over the issuance and expenditures of bond proceeds. The bond oversight committee holds quarterly meetings to ensure that bond proceeds are expended in accordance with the bond project list and to obtain updates from the bond manager in regard to the progress of projects funded with bond proceeds.

The Sonoma Valley Unified School District successfully sold all of the bonds authorized by the capital program under Measure "E", which authorized \$120 million in bonds to be sold over time.

All projects funded by the issuance of Measure E general obligation bonds are subject to review by the District's Board of Trustees and by an independent Citizens' Oversight Committee. The District will also provide many public forums to present progress and seek input from community members, parents, and staff.

**NOTE 2 - ORGANIZATION**

Sonoma Valley Unified School District was established in 1901 and encompasses an area of approximately 900 square miles. There were no changes in the boundaries of the District during the current year. The District currently operates five elementary schools, two middle schools, one high school, and a continuation high school.

The board of Education for the fiscal year ended June 30, 2019, was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Dunbar Trustee	President	December 2020
John Kelly	Vice President	December 2020
Cathy Coleman	Member	December 2020
Melanie Blake	Member	December 2020
Britta Johnson	Member	December 2020

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Notes to Program Schedules**  
**For the Fiscal Year Ended June 30, 2019**

---

**NOTE 3 - CITIZENS' OVERSIGHT COMMITTEE**

Duties of the committee include ensuring that bond revenues are expended only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities. The committee must also ensure that no funds are used for any teacher or administrative salaries or other school operation expenses.

Furthermore, the committee is authorized to receive and review copies of the annual independent performance audit and the annual independent financial audit required by Article XIII A, Section 1(b)(3)(C) and Article XIII A, Section 1(b)(3)(D), respectively, of the California Constitution.

The Committee was formed by the Board trustees, which met one time in the last fiscal year. The Citizens' Oversight Committee was comprised of the following members as of June 30, 2019:

<u>Name</u>	<u>Title</u>
Berger, Kevin	At-large Community Member
Hilliard, Sally	Senior Citizens Organization
McNairy, Chris	Parent and Active in a School Organization
Staggs, Havard	Senior Citizens Organization
Gruendle, Jay	Parent and At-large member
Storck, Jamie	Bonafide Taxpayer Organization/Local Business

**SCHEDULE OF FINDINGS  
AND  
RECOMMENDATIONS**

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Schedule of Findings and Recommendations**  
**For the Fiscal Year Ended June 30, 2019**

---

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Our tests resulted in the following finding:

**Finding 2019-001; 30000 – Accounts Payable Accrual (Repeat of finding 2018-001)**

**Criteria:** According to Generally Accepted Accounting Principles (GAAP) all expenses should be recognized when incurred.

**Condition:** During our testwork over the District's accounts payable, we noted that the District incorrectly excluded \$248,427.

**Effect:** The District's accounts payable and expenses were understated by \$248,427.

**Cause:** During year end process, the District incorrectly performing system processes and failed to review the final accrual balances to ensure proper classification of expense cutoff for accounts payable.

**Recommendation:** We recommend the District review the system process for recording expenses as accounts payable and ensure ending accounts payable balances are correct.

**Corrective Action Plan:** The District will review invoices received subsequent to year end and apply them to the correct fiscal year. The district will also review all closing entries with our County Office of Education to ensure that proper system processes have been performed correctly to produce the appropriate entries.

**SONOMA VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure E Bond Fund**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Fiscal Year Ended June 30, 2019**

---

**Finding 2018-001: 30000 - Account Payable Accrual**

**Criteria:** According to Generally Accepted Accounting Principles (GAAP) all expenses should be recognized when incurred.

**Condition:** During our testwork over the District's accounts payable, we noted that the District incorrectly included \$516,220 and excluded \$98,008.

**Effect:** The District's accounts payable was overstated by \$418,212.

**Cause:** During year end process, the District did not review the final accrual balances to ensure that all invoices for services provided and expenditures incurred as of June 30, were included in accounts payable.

**Recommendation:** We recommend management review the District's process of capturing invoices for services provided before year-end and paid after year-end for inclusion in accounts payable.

**Corrective Action Plan:** This error was caused by three (3) entries related to large facility projects which were occurring through the year-end process. The District will review all closing entries with our County Office of Education to ensure that proper system processes have been performed correctly to produce the appropriate entries.

**Status:** Not Implemented. See finding 2019-001.

**OTHER INDEPENDENT  
AUDITOR'S REPORTS**



**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***

Measure E Citizens' Oversight Committee and  
Governing Board Members  
Sonoma Valley Unified School District

We have audited, 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, the financial statements of the Measure E Bond Fund of the Sonoma Valley Unified School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Sonoma Valley Unified School District's Measure E Bond Fund financial statements, and have issued our report thereon dated February 28, 2019.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Sonoma Valley Unified School District'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 Sonoma Valley Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sonoma Valley Unified School 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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. We consider the deficiency described in the accompanying schedule of findings and recommendations that we consider to be a material weakness: see finding 2019-001.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be a material weakness.





***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Sonoma Valley Unified School 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 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*.

***District's Responses to Findings***

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***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.

*C & A LLP*

February 28, 2020  
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE  
MEASURE E BOND PROGRAM**

Measure E Citizens' Oversight Committee and  
Governing Board Members  
Sonoma Valley Unified School District

**Compliance**

We have audited the Sonoma Valley Unified School District's (the District) compliance with Measure E of the November 2016 election, as approved under Proposition 39, and with the performance requirements referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

**Management's Responsibility**

Compliance with the requirements referred to above is the responsibility of the District's management.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance with the laws and regulations identified above based on our audit. We conducted our audit of compliance 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 noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the laws and regulations have occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

**Audit Objectives**

Our audit includes the following objectives:

1. To obtain reasonable assurance that the proceeds of the sale of the Measure E Bond Fund were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
2. To obtain reasonable assurance that the Governing Board of the District, in establishing the approved projects set forth in the ballot measure, evaluated the remodeling, new construction and renovations of items which will relieve overcrowding, repair local schools and improve student safety conditions of the District.



3. To obtain reasonable assurance that the District complied 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, the enactment of AB 1908 (Chapter 44, Statutes of 2000) and the bond measure. Management is responsible for the District's compliance with these requirements.

### **Scope and Methodology**

To meet the objectives of our performance audit, procedures we performed included, but were not limited to, the following scope and methodology:

1. We documented and tested controls over financial reporting and compliance specific to the Measure E Bond Fund which included inquires about separation of duties, account coding, timekeeping, pay rates and procurement.
2. We verified that bond proceeds were deposited in the District's name and invested in accordance with applicable legal requirements.
3. We selected the one and only contract and verified its compliance with bid requirements, and that invoices were paid within the contract terms and with board approval.
4. We tested payments made to the architectural service companies and reviewed the terms of contracts.
5. We tested approximately 74% of the 2018-19 expenditures to ensure they were valid, allowable and accurate.
6. We verified that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.
7. We verified that the District was in compliance with Assembly Bill 1908 and Ed Code Section 15278, where the District is required to establish a bond oversight committee for Proposition 39 bonds that includes one active member from each of the following sectors: a business organization, senior citizens' organization, bona fide taxpayer's association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association.
8. We verified the Citizens' Oversight Committee met pursuant to Education Code Section 15280.

### **Results of Procedures Performed**

We did not identify any exceptions to the procedures performed above, nor any exceptions to other tests that we conducted related to the Measure E Bond Fund. Our audit of compliance was made for the purposes set forth in the Objectives section of this report and wouldn't not necessarily disclose all instances of noncompliance.



**Opinion**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Measure E Bond program for the fiscal year ended June 30, 2019.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing over compliance and the results of that testing based on the standards referred to above. Accordingly, this report is not suitable for any other purpose.

*C & A LLP*

February 28, 2020  
San Jose, California