

**MEASURE A BOND BUILDING FUND
OF
SYLVAN UNION SCHOOL DISTRICT**

**FINANCIAL AND PERFORMANCE BOND
AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2019**

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
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**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
INTRODUCTION AND CITIZENS' BOND OVERSIGHT COMMITTEE MEMBER LISTING
JUNE 30, 2019**

The Sylvan Union School District ("the District") was established in 1946 under the laws of the State of California. The District is currently operating ten elementary schools and three intermediate schools. All of the District's schools are located in Stanislaus County. The District is comprised of approximately 23 square miles. There were no changes to the District's boundaries during the current year.

On November 7, 2006, the voters of the District approved by more than the required 55% favorable vote the Measure A Bond Building Funds, authorizing the issuance of \$40,000,000 of general obligation bonds to repair, renovate, and upgrade aging school facilities, including technology, infrastructure, and other improvements; to construct, expand, furnish and equip school facilities, including acquisition of school sites, completion of new schools and construction of food service facilities; and to help qualify for matching State funds. Because the bond required only 55% of the vote in accordance with Proposition 39 (Article XIII of the California State Constitution), the District was required to establish a citizens' bond oversight committee and to conduct a financial and performance audit.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure A Bond Building Funds including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

As of June 30, 2019, the Citizens' Bond Oversight Committee was comprised of the following members:

CITIZENS' BOND OVERSIGHT COMMITTEE

Bruce Johnston	At Large Representation
Brian Stacey	Business Representation
Kari Flanery	Parent & PTA/PTO Representation
Ray Bingham	Senior Citizens' Representation
Jeremy Matthews	Parent Representation
<i>Vacant*</i>	<i>Bona-fide Taxpayers' Representation</i>
<i>Vacant*</i>	<i>At Large Representation</i>

** As of June 30, 2019, the District was actively seeking community participation to fill the vacant position.*

INDEPENDENT AUDITORS' REPORT

Measure A Citizens' Bond Oversight Committee and
Governing Board Members of the
Sylvan Union School District
Modesto, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure A Bond Building Fund of Sylvan Union School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Measure A Bond Building Fund's basic 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.

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 Measure A Bond Building Fund 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 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 A 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 Measure A Bond Building Fund'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 2, 2020, on our consideration of the District's compliance with the requirements of Proposition 39 as it directly relates to the Measure A Bond Building Fund. That report is an integral part of our audit of the Measure A Bond Building Fund of Sylvan Union School District, as of and for the year ended June 30, 2019, and should be considered in assessing the results of our financial audit.

Christy White, Inc.

San Diego, California
March 2, 2020

FINANCIAL SECTION

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
BALANCE SHEET
JUNE 30, 2019**

ASSETS

Cash and investments	\$	72,317
Total Assets	\$	72,317

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	8,759
Total Liabilities		8,759

FUND BALANCE

Restricted for Measure A projects		63,558
Total Fund Balance		63,558
Total Liabilities and Fund Balance	\$	72,317

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

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

REVENUES	
Local revenues - interest	\$ 13,817
Total Revenues	<u>13,817</u>
EXPENDITURES	
Facilities acquisition and construction	<u>370,161</u>
Total Expenditures	<u>370,161</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(356,344)</u>
OTHER FINANCING SOURCES	
Interfund transfer-out	<u>(1,383,963)</u>
Total Other Financing Sources	<u>(1,383,963)</u>
Net Change in Fund Balance	(1,740,307)
Fund Balance, July 1, 2018	<u>1,803,865</u>
Fund Balance, June 30, 2019	<u>\$ 63,558</u>

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

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Sylvan Union School District (“the District”) was established in 1946 under the laws of the State of California. The District is currently operating ten elementary schools and three intermediate schools. All of the District’s schools are located in Stanislaus County. The District is comprised of approximately 23 square miles. There were no changes to the District’s boundaries during the current year.

On November 7, 2006, the voters of the District approved by more than the required 55% favorable vote the Measure A Bond Building Funds, authorizing the issuance of \$40,000,000 of general obligation bonds to repair, renovate, and upgrade aging school facilities, including technology, infrastructure, and other improvements; to construct, expand, furnish and equip school facilities, including acquisition of school sites, completion of new schools and construction of food service facilities; and to help qualify for matching State funds. Because the bond required only 55% of the vote in accordance with Proposition 39 (Article XIII of the California State Constitution), the District was required to establish a citizens’ bond oversight committee and to conduct a financial and performance audit.

The Committee’s oversight goals include ensuring expenditures are within the language of the ballot measure and advising the District’s Governing Board on various projects. The citizens’ oversight committee must include, among others, representation of a bona fide taxpayers association, a business organization, and a senior citizens organization. No District employees or vendors are allowed to serve on the citizens’ oversight committee.

The fund financial statements are for the Measure A Bond Building Fund. Since this is just one component of the District, these financial statements are not intended to be a complete presentation of the District’s financial position or results of operations. Accordingly, these fund statements do not include a government wide financial statement, management discussion and analysis or related organizational disclosures. The audited financial statements of Sylvan Union School District include the Measure A Bond Building Fund activities, related debt and disclosures as well as the management discussion and analysis.

An advisory committee to the District’s Governing Board and Superintendent, the Measure A Citizens’ Bond Oversight Committee (“CBOC”) was established pursuant to the requirements of state law and the provisions of Measure A. The purpose of the CBOC is to inform the public concerning the use of bond proceeds. The CBOC is required by state law to actively review and report on the proper expenditure of taxpayers’ money for school construction. The CBOC provides oversight and advises the public as to whether the District is spending the Measure A Bond funds for school capital improvements within the scope of projects outlined in the Measure A Project List. In fulfilling its duties, the CBOC reviews, among other things, the District’s annual performance and financial audits of Measure A activity.

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

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and 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. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

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. Cash and Investments

In accordance with Education Code Sections 15357 and 41001, the Measure A Bond Building Fund maintains its cash in the Stanislaus 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.

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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 A Bond Building Fund 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.

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 \$72,317.

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.

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (continued)

Policies and Practices (continued)

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.

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:

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

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 Measure A Bond Building Funds maintain an investment with the Stanislaus County Investment Pool with a fair value of approximately \$72,771 and an amortized book value of \$72,317. The weighted average maturity for this pool as of June 30, 2019 is 470 days.

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (continued)

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 not rated.

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 Stanislaus 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's fair value measurements at June 30, 2019 were as follows:

	Uncategorized
Investment in county treasury	\$ 72,771
Total fair market value of investments	\$ 72,771

NOTE 3 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consisted of \$8,759 for construction related costs.

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 4 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2019 consisted of a transfer from the Building Fund to the County School Facilities Fund in the amount of \$1,383,963 to reimburse the fund for the Sylvan Modernization Project.

NOTE 5 – MEASURE A GENERAL OBLIGATION BONDS

On June 3, 2010, the District issued Election of 2006 General Obligation Bonds, Series 2010 in the aggregate principal amount of \$11,996,169 to finance the acquisition, construction, improvement, furnishing and equipping of school facilities for the District. The bonds are payable from the proceeds of *ad valorem* property taxes which the Board of Supervisors of the Stanislaus County are obligated to levy and collect on all taxable property in the District for the payment of the accreted value or conversion value of and interest on the bonds. The bonds carry interest rates ranging from 3.14% to 6.66% and mature on August 1, 2049.

On August 16, 2016 the District issued 2016 General Obligation Refunding Bonds in the amount of \$17,315,000. Interest rates ranged from 2.00% to 5.00%, and the bonds mature through August 1, 2030. The net proceeds received for the bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the Election of 2006, Series 2007 General Obligation Bonds that were refunded. 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. The refunding resulted in a net savings to the District of \$4,473,794 and a present value of net savings of \$3,865,751.

On November 16, 2017 the District issued Election of 2006 General Obligation Bonds, Series C Bonds in the amount of \$6,000,000 to finance the acquisition, construction, improvement, furnishing and equipping of school facilities for the District. Interest rates ranged from 3.00% to 5.00%, and the bonds mature through August 1, 2032.

The bonded debt is paid through the *ad valorem* property taxes through the County of Stanislaus and the debt liability is carried on the Sylvan Union School District's Government Wide financial statements.

The District's General Obligation Bonds represent general obligations payable solely from *ad valorem* property taxes. The general obligation debt at June 30, 2019, is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding	
					July 01, 2018	Additions	Deductions	June 30, 2019	
Election 2006, Series 2010	6/3/2010	8/1/2049	3.14% - 6.66%	\$ 11,996,169	\$ 19,859,260	\$ 1,377,654	\$ 50,000	\$ 21,186,914	
2016 Refunding	8/16/2016	8/1/2030	2.00% - 5.00%	\$ 17,315,000	16,535,000	-	570,000	15,965,000	
Election 2006, Series C	11/16/2017	8/1/2032	3.00% - 5.00%	\$ 6,000,000	6,000,000	-	-	6,000,000	
					<u>\$ 42,394,260</u>	<u>\$ 1,377,654</u>	<u>\$ 620,000</u>	<u>\$ 43,151,914</u>	

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 5 – MEASURE A GENERAL OBLIGATION BONDS (continued)

The Election 2006, Series 2010 general obligation bonds outstanding were as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 36,388	\$ 18,612	\$ 55,000
2021	43,138	26,862	70,000
2022	43,022	31,979	75,001
2023	45,244	39,756	85,000
2024	44,273	45,727	90,000
2025 - 2029	243,197	391,803	635,000
2030 - 2034	941,131	9,644,354	10,585,485
2035 - 2039	904,981	17,587,407	18,492,388
2040 - 2044	2,661,514	20,575,107	23,236,621
2045 - 2049	5,399,475	23,919,409	29,318,884
2050	1,531,282	5,195,175	6,726,457
Accreted Interest	9,293,269	(9,293,269)	-
Total	\$ 21,186,914	\$ 68,182,922	\$ 89,369,836

The 2016 Refunding general obligation bonds outstanding were as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 660,000	\$ 640,700	\$ 1,300,700
2021	750,000	605,450	1,355,450
2022	855,000	565,325	1,420,325
2023	970,000	519,700	1,489,700
2024	1,090,000	468,200	1,558,200
2025 - 2029	7,545,000	1,345,975	8,890,975
2030 - 2031	4,095,000	83,150	4,178,150
Total	\$ 15,965,000	\$ 4,228,500	\$ 20,193,500

The Election 2006, Series C general obligation bonds outstanding were as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 710,000	\$ 252,650	\$ 962,650
2021	210,000	229,650	439,650
2022	280,000	217,400	497,400
2023	300,000	202,900	502,900
2024	325,000	187,275	512,275
2025 - 2029	2,040,000	655,500	2,695,500
2030 - 2033	2,135,000	122,725	2,257,725
Total	\$ 6,000,000	\$ 1,868,100	\$ 7,868,100

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 6 – EXPENDITURES BY SITE

The following table presents the expenditure amounts by project or site for the fiscal year ended June 30, 2019:

Site	Amount
Sylvan Elementary School	\$ 367,411
DSA and financial service fees	2,750
Total	<u>\$ 370,161</u>

NOTE 7 – CONSTRUCTION COMMITMENTS

As of June 30, 2019, the Measure A Bond Building Fund had commitments with respect to unfinished Measure A capital projects totaling \$176,780.

OTHER INDEPENDENT AUDITORS' REPORTS

**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**

Independent Auditors' Report

Measure A Citizens' Bond Oversight Committee and
Governing Board Members of the
Sylvan Union School District
Modesto, 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 A Bond Building Fund of Sylvan Union School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Sylvan Union School District's basic financial statements of the Measure A Bond Building Fund, and have issued our report thereon dated March 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sylvan Union 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 Sylvan Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sylvan Union 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 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 Sylvan Union School District's financial statements of the Measure A Bond Building Fund 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.

Christy White, Inc.

San Diego, California
March 2, 2020

REPORT ON PERFORMANCEIndependent Auditors' Report

Measure A Citizens' Bond Oversight Committee and
Governing Board Members of the
Sylvan Union School District
Modesto, California

Report on Performance

We have audited Sylvan Union 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 Sylvan Union School District's Measure A 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 Sylvan Union School District's Measure A 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 generally accepted government auditing standards; 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 sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about Sylvan Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the evidence obtained in our performance audit provides a reasonable basis for our findings and conclusions based on our audit objectives. However, our audit does not provide a legal determination of Sylvan Union School District's compliance with those requirements.

Opinion on Performance

In our opinion, Sylvan Union School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Measure A 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 Sylvan Union School District's compliance with the state laws and regulations applicable to the Financial Audit Procedures and Performance Audit Procedures over the Measure A Bond Building Fund. Additional agreed upon procedures relating the Measure A 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.

Christy White, Inc.

San Diego, California

March 2, 2020

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – FINANCIAL AUDIT PROCEDURES AND RESULTS

Financial Statements

As mentioned in the Report on Financial Statements, we have issued an unmodified opinion over the financial statements of the Measure A Bond Building Fund as of and for the 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 AND RESULTS

Facility Project Expenditures

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

We tested approximately \$337,400 of non-personnel expenditures or 91% of total 2018-19 Measure A Bond Building Fund expenditures for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Measure A ballot language, the District approved facilities plan, and applicable state laws and regulations.

Personnel Expenditures

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

Facilities Site Walk

We verified that funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects by review of supporting documentation as previously noted under Facility Project Expenditures but also through performance of a facilities site walk.

A facilities site walk was performed at Sylvan Elementary School (STEAM Academy). We toured the school site and physically observed the newly installed single-ply roof on buildings A through F completed during the fiscal year ended June 30, 2019. Based on our site walk, the project at Sylvan Elementary School appears expended for authorized bond projects.

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)

Contract and Bid Procedures

We reviewed a listing of contracts awarded during the fiscal 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.

We reviewed one (1) of one (1) contract awarded during the year, we noted that applicable bidding procedures were followed and that the contract was appropriately awarded to the lowest responsible bidder. The following contract was tested:

- **Project:** Sylvan Elementary School Window Replacement, Robert E Boyer Construction, Inc., \$218,121

Based on our review of overall expenditures and projects by vendor, no instances or possible indications of bid-splitting were identified. The District appears to be properly reviewing projects and applying appropriate procedures over contract and bidding procedures.

Contracts 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 one (1) of one (1) change order for the Sylvan Elementary School Roofing Project and verified that the total of the change orders did not exceed ten percent of the total contract with Brazos Urethane, Inc. All change orders were properly reviewed and approved by management and the governing board in accordance with District policy.

Citizens' Bond Oversight Committee (CBOC)

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 with a minimum of at least seven members and 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' oversight committee.

We found that the District has made attempts to compile a CBOC with all required representations but has not yet been successful in recruiting an active member of the Bona-fide Taxpayers' Association Organization. The District appears to have been making ongoing efforts to fill the vacancies and has exercised due diligence with regard to the requirements of AB 1908 and Ed Code 15278. Refer to the Introduction and CBOC Member Listing for current members and the noted vacancies as of June 30, 2019.

FINDINGS AND RESPONSES SECTION

**SYLVAN UNION SCHOOL DISTRICT
MEASURE A 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 for the year ended June 30, 2019.

PART III – PERFORMANCE AUDIT FINDINGS

There were no findings or recommendations related to local school construction bonds for the year ended June 30, 2019.

PART IV – PRIOR AUDIT FINDINGS

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