

**MEASURE G BOND BUILDING FUND OF
MOUNTAIN VIEW WHISMAN
SCHOOL DISTRICT**

**FINANCIAL AND PERFORMANCE AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2018**

San Diego

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Bay Area**

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**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
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FOR THE YEAR ENDED JUNE 30, 2018**

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**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING
JUNE 30, 2018**

The Mountain View Whisman School District services over 70,000 residents and over 5,000 students. The District is located at the southern tip of the San Francisco Bay and is comprised of eight elementary and two middle schools. There were no changes in boundaries during the last fiscal year.

On June 5, 2012, 67.58% of local voters passed Measure G, which generates funding to provide safe, efficient, and modern facilities for Mountain View Whisman School District students and staff. The approval percentage was the highest in Santa Clara County and the 4th highest of the 34 school bond measures in the State of California.

Measure G will generate up to \$198 million to repair, upgrade and expand our local schools. Funds will be generated through the sale of general obligation bonds, which will be repaid through assessments on residential and commercial property located within the Mountain View Whisman School District. The annual cost to local property owners is limited to \$30 per \$100,000 of assessed property value.

All projects funded by the issuance of Measure G general obligation bonds will be subject to review both 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.

Measure G is a Proposition 39 bond. Proposition 39 was enacted by the voters on November 7, 2000 and changed the required majority for local voter approval of public school and community college general obligation bonds from two-thirds to fifty-five percent of votes. It also required school districts to provide facilities to charter schools operating within their jurisdictions. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
 MEASURE G BOND BUILDING FUND
 INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING, continued
 JUNE 30, 2018**

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 G including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond proceeds.

The Citizens' Oversight Committee was comprised of the following members as of June 30, 2018:

Name	Title	Representation
Fiona Walker	Business Community	Chair
Hafsa Mirza	Member at Large	Chair
Braid Pezzaglia	Parent	Vice-Chair
Marlie Jacobs	Parent Active in PTA	Secretary
Cleave Frink	Parent Active in PTA	Member
Betsy Fowler	Senior Citizen	Member
Joey Mercer	Member at Large	Member
Una Srinivasan	Parent Active in PTA	Member
<i>Vacant*</i>	<i>Member Tax Organization</i>	<i>Member</i>

**District is actively seeking a member of a taxpayer organization.*

INDEPENDENT AUDITORS' REPORT

Governing Board Members and
Measure G Citizens' Oversight Committee
Mountain View Whisman School District
Mountain View, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure G Bond Building Fund of Mountain View Whisman School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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.

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Auditor's Responsibility (continued)

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 G Bond Building Fund of Mountain View Whisman School District, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1A, the financial statements present only the Measure G Bond Building Fund and do not purport to, and do not present fairly the financial position of the Mountain View Whisman School District, as of June 30, 2018, 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 opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018, 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 G 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 G 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 of 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 November 16, 2018, on our consideration of the District's compliance with the requirements of Proposition 39 as it directly relates to the Measure G Bond Building Fund. That report is an integral part of our audit of the Measure G Bond Building Fund of Mountain View Whisman School District, as of and for the year ended June 30, 2018, and should be considered in assessing the results of our financial audit.



San Diego, California
November 16, 2018

FINANCIAL SECTION

**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
BALANCE SHEET
JUNE 30, 2018**

ASSETS	
Cash and investments	\$ 66,956,321
Accounts receivable	325,222
Prepaid expenditures	<u>91,630</u>
Total Assets	\$ <u>67,373,173</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	<u>\$ 15,610,921</u>
Total Liabilities	<u>15,610,921</u>
Fund Balance	
Restricted for capital projects	<u>51,762,252</u>
Total Liabilities and Fund Balance	\$ <u>67,373,173</u>

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

**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

REVENUES	
Interest income	\$ 1,436,299
	<hr/>
Total Revenues	1,436,299
	<hr/>
EXPENDITURES	
Facilities acquisition and construction	86,435,751
	<hr/>
Total Expenditures	86,435,751
	<hr/>
Net Change in Fund Balance	(84,999,452)
Fund Balance, July 1, 2017	136,761,704
	<hr/>
Fund Balance, June 30, 2018	\$ 51,762,252
	<hr/>

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

**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Mountain View Whisman 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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades TK-8 as mandated by the state. The District is located at the southern tip of the San Francisco Bay and is comprised of eight elementary and two middle schools.

On June 5, 2012, the District voters authorized up to \$198 million in general obligation bonds (“Measure G”) to repair, upgrade, and expand local schools. Fund will be generated through the sale of general obligation bonds, which will be repaid through assessments on residential and commercial property located within the Mountain View Whisman School District. The annual cost to local property owners is limited to \$30 per \$100,000 of assessed property value.

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

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

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”).

MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 G Bond Building Fund maintains its cash in the Santa Clara 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.

MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

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 G 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.

**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2018 consist of the following:

Cash in county treasury	\$	66,956,321
Total cash and investments	\$	<u>66,956,321</u>

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.

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.

MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

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:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 District maintains an investment with the Santa Clara County Investment Pool with a fair value of approximately \$66,419,643 and an amortized book value of \$66,956,321. The weighted average maturity for this pool as of June 30, 2018 is 479 days.

**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
 MEASURE G BOND BUILDING FUND
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018**

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. Per County investment policy, the investments within the Santa Clara County Investment Pool are rated A or higher by Moody’s Investors Service.

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 Santa Clara 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, 2018 were as follows:

	Uncategorized
Investment in county treasury	\$ 66,419,643
Total fair market value of investments	\$ 66,419,643

**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of \$325,222 from other local sources.

NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of \$15,610,921 in construction related liabilities.

NOTE 5 – MEASURE G GENERAL OBLIGATION BONDS

Through elections, the District received authorization to issue general obligation bonds. The bonded debt is paid through the ad valorem property taxes through the Santa Clara County and the debt liability is carried on the Mountain View Whisman School District’s Government Wide financial statements. Bond proceeds are used to build additional classrooms and to perform repair and renovations.

The following schedule summarizes the Measure G Bond Building Fund’s outstanding General Obligation Bonds as of June 30, 2018:

Series	Year of Issue	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
					Outstanding July 01, 2017	Additions	Deductions	Outstanding June 30, 2018	
2012 GOB Series A	2013	9/1/2040	3.0 - 4.0%	\$ 50,000,000	\$ 41,475,000	\$ -	\$ -	\$ 41,475,000	
2012 GOB Series B	2016	9/1/2042	2.0 - 5.0%	148,000,000	148,000,000	-	4,020,000	143,980,000	
				\$ 198,000,000	\$ 189,475,000	\$ -	\$ 4,020,000	\$ 185,455,000	

MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 5 – MEASURE G GENERAL OBLIGATION BONDS (continued)

In February of 2013, the District issued \$50,000,000 in General Obligation Bonds, Series A. The bond bears interest rates at 3 to 4% and matures on September 1, 2040.

The 2012 Series A general obligation bonds outstanding were as follows:

Election 2012, Series A			
Year Ended June 30,	Principal	Interest	Total
2019	\$ 60,000	\$ 1,610,600	\$ 1,670,600
2020	155,000	1,608,600	1,763,600
2021	240,000	1,603,450	1,843,450
2022	340,000	1,594,750	1,934,750
2023	440,000	1,583,050	2,023,050
2024 - 2028	4,200,000	7,437,250	11,637,250
2029 - 2033	8,585,000	6,113,250	14,698,250
2034 - 2038	14,725,000	3,816,250	18,541,250
2039 - 2041	12,730,000	693,350	13,423,350
	<u>\$ 41,475,000</u>	<u>\$ 26,060,550</u>	<u>\$ 67,535,550</u>

In May of 2016, the District issued \$148,000,000 in General Obligation Bonds, Series B. The bond bears interest rates at 2 to 5% and matures on September 1, 2042.

The 2012 Series B general obligation bonds outstanding were as follows:

Election 2012, Series B			
Year Ended June 30,	Principal	Interest	Total
2019	\$ 4,925,000	\$ 5,334,894	\$ 10,259,894
2020	140,000	5,258,919	5,398,919
2021	335,000	5,250,119	5,585,119
2022	615,000	5,231,119	5,846,119
2023	930,000	5,195,569	6,125,569
2024 - 2028	10,465,000	24,768,469	35,233,469
2029 - 2033	23,505,000	21,050,644	44,555,644
2034 - 2038	40,565,000	15,746,203	56,311,203
2039 - 2043	62,500,000	6,295,600	68,795,600
	<u>\$ 143,980,000</u>	<u>\$ 94,131,536</u>	<u>\$ 238,111,536</u>

MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 6 – MEASURE G BOND BUILDING FUND EXPENDITURES BY SITE

The following table presents the expenditure amounts by project for the fiscal year ended June 30, 2018:

<u>Site</u>	<u>Amount</u>
Bubb School	\$ 8,840,775
Castro School	20,531,837
Crittenden Middle School	7,057,684
Graham Middle School	714,225
Huff School	8,695,629
Landels School	8,260,320
Mistral School	4,390,406
Monta Loma School	10,324,217
Preschool - Latham	16,847
Stevenson School	13,717,544
Theuerkauf School	3,612,206
Districtwide	274,061
	<u>\$ 86,435,751</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

B. Construction Commitments

The Measure G Bond Building Fund had construction commitments of \$48,514,306 as of June 30, 2018.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

INDEPENDENT AUDITORS' 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

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board Members and
Measure G Citizens' Oversight Committee
Mountain View Whisman School District
Mountain View, 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 G Bond Building Fund of Mountain View Whisman School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Mountain View Whisman School District's basic financial statements of the Measure G Bond Building Fund, and have issued our report thereon dated November 16, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mountain View Whisman 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 of the Measure G Bond Building Fund, but not for the purpose of expressing an opinion on the effectiveness of Mountain View Whisman School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mountain View Whisman 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.

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Internal Control over Financial Reporting (continued)

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 Mountain View Whisman School District's financial statements of the Measure G 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.



San Diego, California
November 16, 2018

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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John Whitehouse, CPA

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*Licensed by the California
State Board of Accountancy*

Governing Board Members and
Measure G Citizens' Oversight Committee
Mountain View Whisman School District
Mountain View, California

Report on Performance

We have audited Mountain View Whisman School District's compliance with the performance audit procedures described in the *2017-18 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 Mountain View Whisman School District's Measure G Bond Building Fund for the fiscal year ended June 30, 2018, 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 Mountain View Whisman School District's Measure G 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 *2017-18 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 Mountain View Whisman 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 Mountain View Whisman School District's compliance with those requirements.

Opinion on Performance

In our opinion, Mountain View Whisman School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Measure G Bond Building Fund noted below for the year ended June 30, 2018.

Procedures Performed

In connection with the performance audit referred to above, we selected and tested transactions and records to determine Mountain View Whisman School District's compliance with the state laws and regulations applicable to the Financial Audit Procedures and Performance Audit Procedures over the Measure G Bond Building Fund. Additional agreed upon procedures relating the Measure G 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 Associates

San Diego, California

November 16, 2018

**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 G Bond Building Fund as of and for the fiscal year ended June 30, 2018.

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 G Bond Building Fund and reviewed supporting documentation to ensure funds were properly expended on specific projects listed in the text of the Measure G ballot.

We tested approximately \$32.5 million of non-personnel expenditures or 38% of 2017-18 Measure G Bond Building Fund non-personnel expenditures for validity, allowability and accuracy. We concluded that the sampled expenditures were in compliance with the terms of Measure G ballot language, the District approved facilities plan, and applicable state laws and regulations.

Personnel Expenditures

We reviewed salaries and benefits charged to the Measure G Bond Building Fund to verify that the personnel expenditures were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General, which concluded that “a school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.”

We reviewed a listing of all employees charged to the Measure G Bond Building Fund and found that all employees held positions applicable to the local school construction bond. Further, we selected a sample of two employees charged to the Measure G Bond Building Fund to review personnel files and personnel action reports for proper allocation of salaries and benefits. We tested \$140,789 or 51% of salary and benefit expenditures. Based on our testing, salary transactions were not used for general administration operations. Personnel costs charged to the Measure G Bond Building Fund appeared allowable.

The previous Report on Performance is an integral part of the above performance audit results.

**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)

Facilities Site Walks

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 two facilities site walks.

Facilities site walks were performed for projects at Castro Elementary School and Stevenson Elementary School. We toured the school site of Castro Elementary School and physically observed the new construction which will feature the kindergarten building, administration building, library and two-story classroom buildings. Additionally, we toured the work in progress for the new construction at Stevenson Elementary School including the new multi-purpose room, new classroom buildings, library, and administration buildings. Based on our site walks, the projects for the school sites appear to be successfully completed or advanced into 2018-19 construction phases and fund appear to be expended for authorized bond projects.

Contract and Bid Procedures

We reviewed a listing of contracts awarded during the fiscal year ended June 30, 2018 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.

From a sample of three contracts awarded during the year, we noted that applicable bidding procedures were followed and that contracts were appropriately awarded to the lowest responsible bidder for the Stevenson Sitework Project, Stevenson Electrical Project, and Stevenson MUR/Library Project.

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.

**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)

Contracts and Change Orders

We reviewed a listing of contracts and change orders during the fiscal year ended June 30, 2018 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.

Citizens' Oversight Committee (COC)

In accordance with Assembly Bill (AB) 1908 and Education Code (Ed Code) Section 15278, the District is required to establish a bond citizen's oversight committee for Proposition 39 bonds to 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 COC with all required representatives, but has not yet been successful in recruiting an active member of a Taxpayer Organization. The District appears to have been making ongoing efforts to fill the vacancy and has exercised due diligence with regard to the requirements of AB 1908 and Ed Code 15278. Refer to the Introduction and COC Member Listing for current members and the noted vacancy as of June 30, 2018.

**MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT
 MEASURE G BOND BUILDING FUND
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 FOR THE YEAR ENDED JUNE 30, 2018**

PART I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS	<u>Unmodified</u>
Type of auditors’ report issued	
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 in 2017-18.

PART III – PERFORMANCE AUDIT FINDINGS

There were no findings or recommendations related to local school construction bonds in 2017-18.

PART IV – PRIOR AUDIT FINDINGS

There were no findings or recommendations during the year ended June 30, 2017.