

MEASURE D BOND BUILDING FUND OF  
**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT**

FINANCIAL AND PERFORMANCE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2019

**MEASURE D BOND BUILDING FUND  
BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
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June 30, 2019**

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**MEASURE D BOND BUILDING FUND  
 BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
 Introduction and Bond Oversight Committee Member Listing  
 June 30, 2019**

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Bellevue Union Elementary School District (“the District”) was established in 1949. The District is in Santa Rosa, California. There was no change in District boundaries during the year. The District operates four elementary schools.

On June 3, 2014, the voters of the Bellevue Union Elementary School District approved by more than 55% Measure D, authorizing the issuance and sale of general obligation bonds in an aggregate principal amount not to exceed \$12,000,000. On October 28, 2014, the District issued Series A of the Election of 2014 General Obligation Bonds in the amount of \$4,200,000. On June 7, 2016, the District issued Series B of the Election of 2014 General Obligation Bonds in the amount of \$7,800,000.

Measure D was a Proposition 39 bond. 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.

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

The Citizens’ Bond Oversight Committee was comprised of the following members as of June 30, 2019:

Name	Representation
<i>Vacant*</i>	<i>Member of Business Organization</i>
<i>Vacant*</i>	<i>Member of Bona Fide Taxpayers Organization</i>
<i>Vacant*</i>	<i>Member of Senior Citizen's Organization</i>
<i>Vacant*</i>	<i>Parent</i>
<i>Vacant*</i>	<i>Parent and Member of the PTA</i>
<i>Vacant*</i>	<i>Member-At-Large</i>
<i>Vacant*</i>	<i>Member-At-Large</i>

*\*The District is actively seeking community participation to fill the vacant positions*

**INDEPENDENT AUDITORS' REPORT**

Measure D Citizens' Bond Oversight Committee and  
Governing Board Members of the  
Bellevue Union Elementary School District  
Santa Rosa, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Measure D Bond Building Fund of Bellevue Union Elementary School District (the "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**

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.

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 D Bond Building Fund of Bellevue Union Elementary 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.

## **Emphasis of Matter**

As discussed in Note 1A, the financial statements present only the Measure D Bond Building Fund and do not purport to, and do not present fairly the financial position of the Bellevue Union Elementary School District, as of June 30, 2019, 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 March 13, 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 D 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 D 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 March 13, 2020, on our consideration of the District's compliance with the requirements of Proposition 39 as it directly relates to the Measure D Bond Building Fund. That report is an integral part of our audit of the Measure D Bond Building Fund of Bellevue Union Elementary 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 13, 2020

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## **FINANCIAL SECTION**

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**MEASURE D BOND BUILDING FUND  
BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
Balance Sheet  
June 30, 2019**

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<b>ASSETS</b>	
Cash and investments	\$ <u>896,220</u>
<b>Total Assets</b>	<b>\$ <u>896,220</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ <u>207,819</u>
<b>Total Liabilities</b>	<b><u>207,819</u></b>
<b>Fund Balance</b>	
Restricted for Measure D capital projects	<u>688,401</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>896,220</u></b>

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

**MEASURE D BOND BUILDING FUND  
BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2019**

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<b>REVENUES</b>	
Interest income	\$ 27,141
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<b>Total Revenues</b>	27,141
	<hr/>
<b>EXPENDITURES</b>	
Facilities acquisition and construction	394,488
	<hr/>
<b>Total Expenditures</b>	394,488
	<hr/>
<b>Net Change in Fund Balance</b>	(367,347)
<b>Fund Balance, July 1, 2018</b>	1,055,748
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<b>Fund Balance, June 30, 2019</b>	\$ 688,401
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The accompanying notes to financial statements are an integral part of this statement.



**MEASURE D BOND BUILDING FUND  
BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2019**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Bellevue Union Elementary School District (“the District”) was established in 1949. The District is in Santa Rosa, California. There was no change in District boundaries during the year. The District operates four elementary schools.

On June 3, 2014, the voters of the Bellevue Union Elementary School District approved by more than 55% Measure D, authorizing the issuance and sale of general obligation bonds in an aggregate principal amount not to exceed \$12,000,000 to fund repair, construction, energy efficiency improvement, facility rehabilitation and other maintenance and improvement in the district.

An advisory committee to the District’s Governing Board and Superintendent, called the Measure D Citizens’ Bond Oversight Committee, was established. The Committee’s oversight goals include: advising on bond construction priorities, reviewing school bond construction plans, verifying the project plans are in alignment with the budget, and ensuring compliance with the conditions of Measure D.

The statements presented are for the individual Measure D Bond Building Fund of the District consisting of net construction proceeds of 2014 Series A and 2014 Series B general obligation bonds as issued by the District, through the County of Sonoma, 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”).

**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.

**MEASURE D BOND BUILDING FUND  
BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2019**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 District maintains a portion of its cash in the Sonoma 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.

**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 D 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.

**MEASURE D BOND BUILDING FUND  
BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2019**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Interfund Borrowing**

The District's policy is to comply with Education Code Section 42603, which permits temporary borrowing between funds so long as the temporary loan is repaid in the same fiscal year; or in the following fiscal year if the transfer took place within the final 120 calendar days of a fiscal year. The borrowing shall occur only when the fund or account receiving the money will earn sufficient income during the fiscal year to repay the amount transferred. In addition, no more than 75 percent of the maximum moneys held in any fund or account during a current fiscal year may be transferred.

**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 in the amount of \$896,220.

**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.

**MEASURE D BOND BUILDING FUND  
 BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
 Notes to Financial Statements, continued  
 June 30, 2019**

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**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 Sonoma County Investment Pool with a fair value of approximately \$897,304 and an amortized book value of \$896,220. The weighted average days to maturity for this pool are 552 days.

**MEASURE D BOND BUILDING FUND  
BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2019**

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**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 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.

At June 30, 2019, the District's Measure D Bond Building Fund held uncategorized investments in the Sonoma County Treasury with a fair market value of \$897,304.

**MEASURE D BOND BUILDING FUND  
 BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
 Notes to Financial Statements, continued  
 June 30, 2019**

**NOTE 3 – MEASURE D GENERAL OBLIGATION BONDS**

On June 3, 2014, the voters of the Bellevue Union Elementary School District approved by more than 55% Measure D, authorizing the issuance and sale of general obligation bonds in an aggregate principal amount not to exceed \$12,000,000 to fund repair, construction, energy efficiency improvement, facility rehabilitation and other maintenance and improvement in the district.

The outstanding general obligation bonded debt related to Measure D at June 30, 2019 consists of:

Bond Issue	Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Bonds			Bonds
					Outstanding July 1, 2018	Additions	Deletions	Outstanding June 30, 2019
Election of 2014, Series A	October 28, 2014	3.00 - 5.00%	2045	\$ 4,200,000	\$ 3,415,000	\$ -	\$ -	\$ 3,415,000
Election of 2014, Series B	June 7, 2016	2.00 - 4.00%	2046	7,800,000	7,630,000	-	25,000	7,605,000
					<u>\$11,045,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$11,020,000</u>

**Election of 2014, Series A General Obligation Bond**

On October 28, 2014, the District issued Series A of the Election of 2014 Measure D General Obligation Bonds in the amount of \$4,200,000 with interest rates that range from 3.00% to 5.00%.

At June 30, 2019, the principal balance outstanding on these bonds was \$3,415,000. The annual requirements to amortize the District's Measure D, Series A general obligation bonds outstanding as of June 30, 2019, are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ -	\$ 168,450	\$ 168,450
2021	-	168,450	168,450
2022	-	168,450	168,450
2023	-	168,450	168,450
2024	-	168,450	168,450
2025 - 2029	50,000	841,500	891,500
2030 - 2034	455,000	790,475	1,245,475
2035 - 2039	940,000	622,750	1,562,750
2040 - 2044	1,555,000	311,875	1,866,875
2045	415,000	10,375	425,375
Total	<u>\$ 3,415,000</u>	<u>\$ 3,419,225</u>	<u>\$ 6,834,225</u>

**MEASURE D BOND BUILDING FUND  
 BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
 Notes to Financial Statements, continued  
 June 30, 2019**

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**NOTE 3 – MEASURE D GENERAL OBLIGATION BONDS (continued)**

**Election of 2014, Series B General Obligation Bond**

On June 7, 2016, the District issued Series B of the Election of 2014 Measure D General Obligation Bonds in the amount of \$7,800,000 with interest rates that range from 2.00% to 4.00%.

At June 30, 2019, the principal balance outstanding on these bonds was \$7,605,000. The annual requirements to amortize the District’s Measure D, Series B general obligation bonds outstanding as of June 30, 2019, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 45,000	\$ 254,000	\$ 299,000
2021	65,000	252,575	317,575
2022	85,000	250,325	335,325
2023	110,000	247,400	357,400
2024	135,000	243,725	378,725
2025 - 2029	1,025,000	1,132,250	2,157,250
2030 - 2034	1,285,000	908,600	2,193,600
2035 - 2039	1,590,000	626,275	2,216,275
2040 - 2044	1,950,000	348,450	2,298,450
2045 - 2046	1,315,000	46,425	1,361,425
Total	<u>\$ 7,605,000</u>	<u>\$ 4,310,025</u>	<u>\$ 11,915,025</u>

**NOTE 4 – EXPENDITURES BY SITE**

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

<b>Site Name</b>	<b>Amount</b>
Bellevue Elementary School	\$ 23,730
Meadow View Elementary School	172,907
Kawana Elementary School	20,912
Maintenance & Operations	176,939
Total	<u>\$ 394,488</u>

**NOTE 5 – 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, 2019.

**B. Construction Commitments**

As of June 30, 2019, the District had \$874,766 in commitments with respect to unfinished capital projects.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**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 D Citizens' Bond Oversight Committee and  
Governing Board Members of the  
Bellevue Union Elementary School District  
Santa Rosa, 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 D Bond Building Fund of Bellevue Union Elementary 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 Bellevue Union Elementary School District's basic financial statements of the Measure D Bond Building Fund, and have issued our report thereon dated March 13, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bellevue Union Elementary 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 D Bond Building Fund, but not for the purpose of expressing an opinion on the effectiveness of Bellevue Union Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bellevue Union Elementary 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.

## **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 Bellevue Union Elementary School District's financial statements of the Measure D Bond Building Fund are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 13, 2020

**REPORT ON PERFORMANCE**Independent Auditors' Report

Measure D Citizens' Bond Oversight Committee and  
Governing Board Members of the  
Bellevue Union Elementary School District  
Santa Rosa, California

**Report on Performance**

We have audited Bellevue Union Elementary 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 Bellevue Union Elementary School District's Measure D 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 Bellevue Union Elementary School District's Measure D 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 Bellevue Union Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our performance audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Bellevue Union Elementary School District's compliance with those requirements.

## **Opinion on Performance**

In our opinion, Bellevue Union Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Measure D Bond Building Fund noted below for the year ended June 30, 2019.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2019-001 and #2019-002. Our performance audit opinion is not modified with respect to these matters.

Bellevue Union Elementary School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and recommendations and corrective action plan. Bellevue Union Elementary School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Procedures Performed**

In connection with the performance audit referred to above, we selected and tested transactions and records to determine Bellevue Union Elementary School District's compliance with the state laws and regulations applicable to the Financial Audit Procedures and Performance Audit Procedures over the Measure D Bond Building Fund. Additional agreed upon procedures relating the Measure D 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 13, 2020

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

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**SECTION I – FINANCIAL AUDIT PROCEDURES AND RESULTS**

**Financial Statements**

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As mentioned in the Report on Financial Statements, we have issued an unmodified opinion over the financial statements of the Measure D Bond Building Fund as of and for the fiscal year ended June 30, 2019.

**Internal Control Evaluation**

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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**

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

We tested approximately \$331,134 of non-personnel expenditures or 84% of total 2018-19 Measure D Bond Building Fund expenditures for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Measure D ballot language, the District approved facilities plan, and applicable state laws and regulations.

**Personnel Expenditures**

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

**Facilities Site Walk**

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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 for the project at Meadow View Elementary School. We physically observed the siding repairs project at Meadow View Elementary School. Based on our site walk, the project for the school site selected appears to be successfully completed and funds appear to be expended for authorized bond projects.

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

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**SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)**

**Contract and Bid Procedures**

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We reviewed a listing of contracts awarded during the 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 noted that the District did not follow the applicable bidding procedures during the year ended June 30, 2019 (See Finding #2019-002).

Based on our review of overall expenditures and projects by vendor, no instances or possible indications of bid-splitting were identified.

**Contracts and Change Orders**

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There were no change orders executed during the year ended June 30, 2019.

**Citizens' Bond Oversight Committee (CBOC)**

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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 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' Bond Oversight Committee.

We found that the District did not compile a CBOC with all required representatives (See Finding #2019-001). 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 CBOC Member Listing for the vacancies as of June 30, 2019.

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**SCHEDULE OF FINDINGS AND  
RECOMMENDATIONS SECTION**

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**MEASURE D BOND BUILDING FUND  
 BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
 JUNE 30, 2019**

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**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 Noted</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>Yes</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 2018-19.



**MEASURE D BOND BUILDING FUND  
BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS, continued  
JUNE 30, 2019**

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**PART III – PERFORMANCE AUDIT FINDINGS**

**FINDING #2019-001: CITIZENS’ BOND OVERSIGHT COMMITTEE**

**Criteria:** In accordance with California Education Code section 15278(b)(1), the Citizens’ Bond Oversight Committee shall review and report on the proper expenditure of school construction funds. California Education Code section 15280(b) states that the Citizens’ Bond Oversight Committee proceedings shall be open to the public and the oversight committee must issue at least one report on their regular activities. The minutes of these meetings shall be recorded and posted on the District’s website. In addition, Senate Bill 581 states that the financial and performance audits be delivered to the Citizens’ Bond Oversight Committee at the same time as the governing board.

**Condition:** During our testing, we identified that the Citizens’ Bond Oversight Committee did not hold any meetings during the 2018-19 year. As a result, the Citizens’ Bond Oversight Committee did not review and report on the proper expenditure of school construction funds. The Committee did not hold any public meeting nor did they issue an annual report of their regular activities

**Perspective/Context:** Review of Citizens’ Bond Oversight Committee activities for the 2018-19 year.

**Cause:** Management turnover occurred during the 2016-17 year and lack of community interest in joining the committee.

**Effect:** The Citizens’ Bond Oversight Committee is out of compliance with Education Code section 15278(b)(1), 15280(b), and Senate Bill 581.

**Recommendation:** To comply with the Education Code sections and Senate Bill noted above, we recommend that the District convene regular Citizens’ Bond Oversight Committee meetings. We recommend that these meetings should be conducted twice a year.

**Corrective Action Plan:** The District agrees with the finding and will implement the recommendation of the auditor.

**MEASURE D BOND BUILDING FUND  
BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS, continued  
JUNE 30, 2019**

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**PART III – PERFORMANCE AUDIT FINDINGS, (continued)**

**FINDING #2019-002: BIDDING PROCEDURES - CALIFORNIA UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT PARTICIPATING AGENCIES**

**Criteria:** The California Uniform Public Construction Cost Accounting Act (CUPCCAA) under Public Contract Public Contract Code section 22000 was enacted to promote “uniformity of the cost accounting standards and bidding procedures on construction work performed or contracted by public entities in the state.” CUPCCAA is a voluntary program and requires public agencies to “opt in” to the provisions set forth in the Act per Public Contract Code section 22003. This requires the public agency to adopt, by Board Resolution, the uniform construction accounting procedures in order to utilize the bidding procedures set forth in the Act. The public agency is also required to submit this adopted Board Resolution to the California Uniform Construction Cost Accounting Commission for placement on the Participating Agency Listing.

**Condition:** During our testing of bidding procedures, we identified that the District was not included on the California Uniform Construction Cost Accounting Commission Participating Agency Listing. The Board had adopted a resolution on April 14, 2015 to adopt the uniform construction accounting procedures but had not submitted this resolution for inclusion on the California Uniform Construction Cost Accounting Commission Participating Agency Listing.

**Effect:** The District had not completed the process to “opt in” to CUPCCAA but was performing bidding procedures under the Act.

**Cause:** Turnover in key positions in the business office created oversight in the submission of this resolution to the California Uniform Construction Cost Accounting Commission.

**Repeat Finding:** This is a repeat finding as there was a prior year finding related to bidding procedures.

**Recommendation:** We recommend that the District submit their adopted Board Resolution to the California Uniform Construction Cost Accounting Commission for inclusion on the Participating Agency Listing. Subsequent to the audit, the District submitted the adopted Board Resolution and is included on the Participating Agency Listing.

**Corrective Action Plan:** The District has completed the process to opt in to CUPCCAA. Confirmation of the District’s participation was received in November 2019 and the District should now be listed as a participating agency.

**MEASURE D BOND BUILDING FUND  
BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS, continued  
JUNE 30, 2019**

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**PART IV – PRIOR AUDIT FINDINGS**

**FINDING #2018-001: CITIZENS’ BOND OVERSIGHT COMMITTEE**

**Criteria:** In accordance with California Education Code section 15278(b)(1), the Citizens’ Bond Oversight Committee shall review and report on the proper expenditure of school construction funds. California Education Code section 15280(b) states that the Citizens’ Bond Oversight Committee proceedings shall be open to the public and the oversight committee must issue at least one report on their regular activities. The minutes of these meetings shall be recorded and posted on the District’s website. In addition, Senate Bill 581 states that the financial and performance audits be delivered to the Citizens’ Bond Oversight Committee at the same time as the governing board.

**Condition:** During our testing, we identified that the Citizens’ Bond Oversight Committee did not hold any meetings during the 2017-18 year. As a result, the Citizens’ Bond Oversight Committee did not review and report on the proper expenditure of school construction funds. The Committee did not hold any public meeting nor did they issue an annual report of their regular activities

**Perspective/Context:** Review of Citizens’ Bond Oversight Committee activities for the 2017-18 year.

**Cause:** Management turnover occurred during the 2016-17 year.

**Effect:** The Citizens’ Bond Oversight Committee is out of compliance with Education Code section 15278(b)(1), 15280(b), and Senate Bill 581.

**Recommendation:** To comply with the Education Code sections and Senate Bill noted above, we recommend that the District convene regular Citizens’ Bond Oversight Committee meetings. We recommend that these meetings should be conducted twice a year.

**District Response:** The District agrees with the finding and will implement the recommendation of the auditor.

**Current Status:** Not implemented. See Finding #2019-001.