

**MEASURE C BOND BUILDING FUND
OF
ST. HELENA UNIFIED SCHOOL DISTRICT
FINANCIAL AND PERFORMANCE AUDIT REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

DRAFT 3/20/2018

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
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**MEASURE C BOND BUILDING FUND
 ST. HELENA UNIFIED SCHOOL DISTRICT
 INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING
 JUNE 30, 2017**

The St. Helena Unified School District (the "District") is composed of an area of approximately 204 square miles. There was no change in District boundaries during the year. The District operates one primary school, one elementary school, one intermediate school and one high school.

On November 6, 2012, the voters of the District approved by more than the required 55% favorable vote the Measure C, authorizing the issuance of \$30,000,000 of general obligation bonds to improve student achievement, college/career readiness, and student safety by upgrading classrooms and instructional technology for improved teaching/learning in technology, science, math and other core subjects; replacing/constructing/improving school facilities, including the high school auditorium, and safer playing fields; and improving energy efficiency/conservation. 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 C including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Oversight Committee was comprised of the following members as of June 30, 2017:

Name	Name	Representation
Duane Hoff	Member	Parent, Active in Business Organization
Lisa Pelosi	Member	Parent, Active in PTG/SSC
Kelly Rios	Member	Parent, Active in PTG/SSC
Doug Abdalla	Member	Parent, Tax Payer's Association
Alexandra Haslip	Member	Senior Organization Member-At-Large
John Collins	Member	Member-At-Large
David DeSante	Member	Member-At-Large

INDEPENDENT AUDITORS' REPORT

Governing Board Members and
Measure C Citizens' Oversight Committee
St. Helena Unified School District
St. Helena, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure C Bond Building Fund of St. Helena Unified School District (the "District"), as of and for the year ended June 30, 2017, 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.

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 C Bond Building Fund of the St. Helena Unified School District as of June 30, 2017 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.

Emphasis of Matter

As discussed in Note 1A, the financial statements present only the Measure C Bond Building Fund and do not purport to, and do not present fairly the financial position of the St. Helena Unified School District, as of June 30, 2017, 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 XX, 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 C 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 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 XX, 2018**, on our consideration of the District's compliance with the requirements of Proposition 39 as it directly relates to the Measure C Bond Building Fund. That report is an integral part of our audit of the Measure C Bond Building Fund of the St. Helena Unified School District, as of and for the year ended June 30, 2017, and should be considered in assessing the results of our financial audit.

San Diego, California
March XX, 2018

FINANCIAL SECTION

DRAFT 3/20/2018

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
BALANCE SHEET
JUNE 30, 2017**

ASSETS

Cash and investments	3,744
Accounts receivable	348

Total Assets	\$ 4,092
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LIABILITIES AND FUND BALANCE

Fund Balance

Restricted for capital projects	\$ 4,092
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Total Liabilities and Fund Balance	\$ 4,092
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DRAFT 3/20/2018

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

REVENUES	
Interest income	20,822
Other local income	1,915
	<hr/>
Total Revenues	22,737
	<hr/>
EXPENDITURES	
Facilities acquisition and construction	3,709,065
	<hr/>
Total Expenditures	3,709,065
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,686,328)
	<hr/>
OTHER FINANCING SOURCES	
Transfers in	2,488,952
	<hr/>
Total Other Financing Sources	2,488,952
	<hr/>
Net Change in Fund Balance	(1,197,376)
	<hr/>
Fund Balance, July 1, 2016	1,201,468
	<hr/>
Fund Balance, June 30, 2017	\$ 4,092
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**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The St. Helena Unified School District (the “District”) operates under a locally elected Board form of government and provides educational services to grades K – 12 as mandated by the state and federal agencies. The District is composed of an area of approximately 204 square miles. There was no change in District boundaries during the year. The District operates one primary school, one elementary school, one intermediate school and one high school.

On November 6, 2012, the voters of the District approved by more than the required 55% favorable vote the Measure C, authorizing the issuance of \$30,000,000 of general obligation bonds for upgrading classrooms, instructional technology, replacing/constructing/improving school facilities, and improving energy efficiency/conservation.

An oversight committee to the District’s Governing Board and Superintendent, the Measure C Citizens’ Oversight Committee (“COC”), was established pursuant to the requirements of state law and the provisions of Measure C. 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 C General Obligation Bond funds for school capital improvements within the scope of projects outlined in the Measure C Project List. In fulfilling its duties, the COC reviews, among other things, the District’s annual performance and financial audits of Measure C activity.

The statements presented are for the individual Measure C General Obligations Bond of the District, consisting of the net construction proceeds of Measure C general obligation bonds as issued by the District, through the County of Napa, 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 C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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. Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains its cash in the Marin 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 C General Obligation Bond 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.

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as cash in county treasury for \$3,744.

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 C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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:

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 District maintains an investment with the Marin County Investment Pool with a fair value of approximately \$3,741 and an amortized book value of \$3,744. The weighted average maturity for this pool as of June 30, 2017 is 203 days.

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 Napa 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 Napa 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 Measure C fair value measurements at June 30, 2017 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 3,741
Total fair market value of investments	\$ 3,741

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 – ACCOUNTS RECEIVABLE

The accounts receivable balance as of June 30, 2017 consisted of \$348 from interest on investments.

NOTE 4 – MEASURE C GENERAL OBLIGATION BONDS

On November 6, 2012, the voters of the St. Helena Unified School District approved, by more than 55%, Measure C, authorizing the issuance and sale of general obligation bonds in an aggregate principal amount not to exceed \$30,000,000.

In March 2013, the District issued Election 2012 General Obligation Bonds, Series A-1 in the aggregate principal amount of \$19,999,474. The bonds carry interest rates ranging from 2 - 4.45% and mature on August 1, 2034. Also in March 2013, the District also issued Election 2012 General Obligation Bonds, Series A-2 in the aggregate principal amount of \$10,000,000. The bonds carry interest rates ranging from 0.36 - 2.74% and mature on August 1, 2023.

The District's General Obligation Bonds represent general obligations payable solely from ad valorem property taxes. The outstanding general obligation bonded debt for at June 30, 2017, is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2017
					Outstanding July 01, 2016	Additions	Deductions	
Series A-1	2012	August 1, 2033	2.00 - 4.00%	13,345,000	12,870,000	-	15,000	\$ 12,855,000
Series A-1	2012	August 1, 2034	4.00 - 4.45%	6,654,476	7,576,966	311,375	-	7,888,341
Series A-2	2012	August 1, 2023	0.36 - 2.74%	10,000,000	8,430,000	-	850,000	7,580,000
					\$ 28,876,966	\$ 311,375	\$ 865,000	\$ 28,323,341

The outstanding general obligation bonded debt for Measure C at June 30, 2017 is:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 935,000	\$ 655,198	\$ 1,590,198
2019	1,010,000	643,009	1,653,009
2020	1,090,000	625,943	1,715,943
2021	1,180,000	603,422	1,783,422
2022	1,275,000	575,503	1,850,503
2023 - 2027	6,033,151	4,827,048	10,860,199
2028 - 2032	8,311,584	4,012,776	12,324,360
2033 - 2035	7,254,741	1,549,187	8,803,928
Accretion	1,233,865	(1,233,865)	-
Total	\$ 28,323,341	\$ 12,258,221	\$ 40,581,562

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 – CONSTRUCTION COMMITMENTS

As of June 30, 2017, the District had no commitments with respect to unfinished capital projects.

NOTE 6 – INTERFUND TRANSACTIONS

The individual interfund transfer for the year ended June 30, 2017 consisted of a transfer from Measure B to Measure C for the moving of expenditures.

NOTE 7 – MEASURE C BOND BUILDING FUND EXPENDITURE BY PROJECT

The following table presents the expenditure amounts by project for the fiscal year June 30, 2017:

<u>Project</u>	<u>Amount</u>
SHHS New Auditorium	\$ 641,100
Technology Endowment/Fiber	2,001,759
Sports & Play Field Projects	518,274
SHES Playground	240,000
SHHS Tennis Courts	307,932
	<u>\$ 3,709,065</u>

NOTE 8 – RECONCILIATION OF BUILDING FUND BEGINNING FUND BALANCE

	<u>Measure B</u>	<u>Measure C</u>	<u>2005 Refunding</u>	<u>Total Building Fund (Fund 21)</u>
Beginning Fund Balance	\$ 1,452,826	\$ 1,201,468	\$ 2,295	\$ 2,656,589

The above schedule is to reconcile the beginning fund balances for Measure B, Measure C, and other Fund 21 sub-resources to the total beginning fund balance for Fund 21 as a whole.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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**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**

Governing Board Members and
Measure C Citizens' Oversight Committee
St. Helena Unified School District
St. Helena, 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 C Bond Building Fund of St. Helena Unified School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements of the Measure C Bond Building Fund, and have issued our report thereon dated March XX, 2018.

Internal Control over Financial Reporting

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

San Diego, California

March XX, 2018

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board Members and
Measure C Citizens' Oversight Committee
St. Helena Unified School District
St. Helena, California

Report on Performance

We have audited St. Helena Unified School District's compliance with the performance audit procedures described in the *2016-17 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 St. Helena Unified School District's Measure C Bond Building Fund for the fiscal year ended June 30, 2017, 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 St. Helena Unified School District's Measure C 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 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 reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the local school construction bonds noted on the following page occurred. An audit includes examining, on a test basis, evidence about St. Helena Unified 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 St. Helena Unified School District's compliance with those requirements.

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
AUDIT PROCEDURES AND RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

Opinion on Performance

In our opinion, St. Helena Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Measure C Bond Building Fund noted below for the year ended June 30, 2017.

Procedures Performed

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

San Diego, California

March XX, 2018

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**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
AUDIT PROCEDURES AND RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 C Building Fund as of and for the fiscal year ended June 30, 2017.

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 C Bond Building Fund and reviewed supporting documentation to ensure funds were properly expended on specific project(s) listed in the text of the Measure C ballot.

We tested approximately \$2.1 million of non-personnel expenditures or 57% of total 2016-17 Measure C expenditures for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Measure C ballot language, the District approved facilities plan, and applicable state laws and regulations.

Personnel Expenditures

We reviewed salaries and benefits charged to the Measure C 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 B Bond Building Fund and found that all employees held positions applicable to the local school construction bond. Further, we selected a sample of three (3) of the three (3) employees charged to review personnel files and personnel action reports for proper allocation of salaries and benefits. Based on our testing, salary transactions were not used for general administration operations. Personnel costs charged to the Measure B Bond Building Fund appeared allowable.

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
AUDIT PROCEDURES AND RESULTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)

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.

The facility site walk was performed for the Technology Endowment/Fiber Project located at the Network Operations Center. We toured the Network Operations Center and physically observed the network, servers and climate control system. Based on our site walk, the project for the Network Operations Center appears to be successfully completed and funds 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, 2017 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 one (1) of four (4) 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 Network Operations Center.

Contracts and Change Orders

We reviewed a listing of contracts and change orders during the fiscal year ended June 30, 2017 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 a total of two (2) change orders (NOC Emergency Power Generator and District Cabling Project) and verified that the total of the change orders did not exceed ten percent of the total contract. All change orders were properly reviewed and approved by management and the governing board in accordance with District policy.

Citizen Oversight Committee

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' oversight committee.

We found that the District successfully compiled a citizens' oversight committee with an active member from each of the required representations. No members of the citizens' oversight committee are also employees, official, vendor or consultant of the District. Refer to the Introduction and Citizens' Oversight Committee Member Listing for a listing of current members as of June 30, 2017.

**SCHEDULE OF FINDINGS AND
RECOMMENDATIONS**

DRAFT 3/20/2018

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

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>
 STATE PERFORMANCE	
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>

DRAFT 3/20/2018

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

PART II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements in 2016-17.

DRAFT 3/20/2018

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

PART III – STATE PERFORMANCE FINDINGS

There were no findings and recommendations related to local school construction bonds in 2016-17.

DRAFT 3/20/2018

**MEASURE C BOND BUILDING FUND
ST. HELENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

PART IV – PRIOR AUDIT FINDINGS

FINDING #2016 – 001 – ACCOUNTING SYSTEM ENTRY

Criteria: Basic accounting principles are based on a double-entry accounting system, which when properly implemented and monitored, results in a balanced general ledger of accounts. Statement of Condition: It was found the Building Fund general ledger was not in balance as the result of June 30, 2015 balances not accurately and completely rolling to July 1, 2015.

Questioned Costs: The condition referred to above is an attribute of the internal control environment and no cost is questioned.

Cause: The June 30, 2015 year-end balances were not completely and accurately rolled to 2015-16 fiscal year beginning balances.

Effect or Potential Effect: An out-of-balance general ledger indicates account balances are not accurate and may not be a reliable management tool for making financial decisions.

Recommendation: We recommend the District work with the County Office of Education to add diagnostic controls to the Digital Schools Accounting System to alert users when a general ledger is out of balance and does not allow further general ledger entries until the general ledger has been returned to balance.

View of Responsible Official: The District agrees that diagnostic tools should be added to the Digital School Accounting System to alert users when a general ledger is out of balance. Staff will work with the Napa County Office of Education to determine if this change can be made. District staff will also ensure that additional internal review measures are added to the year-end close process, to verify ledger entry balances.

Current Status: Implemented.