



Financial and Performance Audits  
2013 Measure G Fund  
June 30, 2020

# Sunnyvale School District

Financial Audit

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Financial Audit  
2013 Measure G Fund  
June 30, 2020

# Sunnyvale School District



## Independent Auditor's Report

Governing Board and  
Citizens' Oversight Committee  
Sunnyvale School District  
Sunnyvale, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Sunnyvale School District's (the "District"), 2013 Measure G Fund (the "Fund"), as of and for the year ended June 30, 2020, 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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 2013 Measure G Fund of the Sunnyvale School District as of June 30, 2020, 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 1, the financial statements of the Building Fund specific to 2013 Measure G are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2020, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

Management has omitted the management's, discussion, and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of the Fund'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. 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 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 Fund's internal control over financial reporting and compliance.



San Mateo, California  
December 2, 2020

Sunnyvale School District  
2013 Measure G Fund  
Balance Sheet  
June 30, 2020

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Assets	
Deposits and investments	\$ 24,203,971
Accounts receivable	188,464
Due from district	31
	<hr/>
Total assets	\$ 24,392,466
	<hr/> <hr/>
Liabilities and Fund Balance	
Liabilities	
Vendors payable	\$ 2,865,169
Due to district	323
	<hr/>
Total liabilities	2,865,492
	<hr/>
Fund Balance	
Restricted for capital projects	21,526,974
	<hr/>
Total liabilities and fund balance	\$ 24,392,466
	<hr/> <hr/>

Sunnyvale School District  
 2013 Measure G Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Year Ended June 30, 2020

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Revenues	
Interest income	\$ 441,984
Net increase in the fair value of investment	285,277
Other local revenue	<u>6,433</u>
Total revenues	<u>733,694</u>
Expenditures	
Current expenditures	
Classified salaries	309,348
Employee benefits	127,500
Materials and supplies	75,957
Travel and conferences	4,261
Services and other operating expenses	49,172
Capital outlay	<u>10,148,993</u>
Total expenditures	<u>10,715,231</u>
Deficiency of Revenues Over Expenditures	(9,981,537)
Other Financing Sources:	
Other sources - proceeds from bond issuance	<u>28,007,410</u>
Net Change in Fund Balance	18,025,873
Fund Balance, Beginning of Year	<u>3,501,101</u>
Fund Balance, End of Year	<u><u>\$ 21,526,974</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the 2013 Measure G Fund (the Fund) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

### **Financial Reporting Entity**

The financial statements include the financial activity of the Fund only. The Fund was established to account for the expenditures of general obligation bonds issued under the Measure G bond election of 2013. These financial statements are not intended to present the financial position and results of operations of the Sunnyvale School District as a whole, in conformity with accounting principles generally accepted in the United States of America. The bonds were authorized for \$96,000,000 for the purpose of financing the addition and modernization of school facilities. The first series were issued on July 29, 2014 for the amount of \$28,000,000. The second series were issued on November 9, 2016 for the amount of \$40,000,000. The third series were issued on September 5, 2019 for the amount of \$28,000,000.

### **Fund Accounting**

The operations of the 2013 Measure G Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

### **Basis of Accounting**

The 2013 Measure G Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

### **Budgets and Budgetary Accounting**

The Fund's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.



### **Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

### **Fund Balance - 2013 Measure G Fund**

As of June 30, 2020, the fund balance is classified as restricted.

Restricted fund balance is the amount that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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/expenses during the reporting period. Actual results could differ from those estimates.

## **Note 2 - Investments**

### **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 instrument; 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 agreement; 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.

### **Investment 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 statement 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.

The District has deposited all the Fund's investment in the Santa Clara County Treasury. As of June 30, 2020, the investment has fair market value of \$24,203,971.

### **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 is to changes in market interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The Fund manages its exposure to interest rate risk by depositing substantially all of its cash in the County Pool with an average maturity of 1.75 years.

### **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 Fund's investments in the Santa Clara County Pool are not required to be rated, nor have they been rated as of June 30, 2020.

### **Fair Value Measurements**

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- 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, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- 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 reasonably 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.

Investment in the county treasury investment pool are not measured using the input levels above because the participant'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. Accordingly, the Fund's investment in the San Mateo County Treasury is uncategorized.

### **Note 3 - Interfund Transactions**

#### **Interfund Receivable/Payable (Due To/Due From)**

Interfund receivable and payable between the 2013 Measure G fund and various district funds, resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and (2) payments between funds are made.

Interfund Receivable/Payable balances at June 30, 2020, between 2013 Measure G and the District's other governmental funds are as follows:

The Fund has interfund payable to the District's General fund of \$323 and interfund receivable of \$31 from the District's Capital Facilities fund. This receivable and payable resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and (2) payments between funds are made.

**Note 4 - Commitments and Contingencies**

**Construction Commitments**

As of June 30, 2020, the Fund and the District had the following commitments with respect to unfinished capital projects:

Project Name	Remaining Construction Commitment	Expected Date of Completion
Ellis renovation and new classrooms	\$ 40,000,000	Aug-23
Cherry Chase new kinder classrooms	2,164,396	Dec-20
MOT warehouse and parking lot	3,360,494	Dec-20
Special education expansion	14,943	Oct-20
Total outstanding construction commitments	\$ 45,539,833	

**Litigation**

The District is not currently a party to any legal proceedings related to 2013 Measure G Fund as of June 30, 2020.



Independent Auditor's Report  
June 30, 2020

# Sunnyvale School District



**Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Governing Board and  
Citizens' Oversight Committee  
Sunnyvale School District  
San Jose, 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 accompanying financial statements of the Sunnyvale School District (the "District") 2013 Measure G Fund (the "Fund"), as of and for the year ended June 30, 2020, and the related notes of the financial statements which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated December 2, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Sunnyvale School District's 2013 Measure G Fund's financial statements 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 financial statements. 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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

San Mateo, California  
December 2, 2020

None reported.





Performance Audit  
2013 Measure G Fund  
June 30, 2020

# Sunnyvale School District



## Independent Auditor's Report on Performance

Governing Board and  
Citizens' Oversight Committee  
Sunnyvale School District  
Portola Valley, California

We were engaged to conduct a performance audit of the Sunnyvale School District (District), 2013 Measure G Fund (the "Fund") for the year ended June 30, 2020.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the 2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting issued by the California Education Audit Appeals Panel. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The results of our tests indicated that the District, in all significant respects, expended 2013 Measure G fund only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

This report is intended solely for the information and use of the District, and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Eide Bailly LLP".

San Mateo California  
December 2, 2020

### **Authority for Issuance**

The 2013 Measure G General Obligation Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Series A Bonds were authorized to be issued by a resolution adopted by the Board of Education of the District in June 19, 2014.

The District received authorization at an election held on November 5, 2013, to issue bonds of the District in an aggregate principal amount not to exceed \$96,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the Authorization).

### **Purpose of Issuance**

The net proceeds of the Bonds and any other series of general obligation bonds issued under the authorization will be used for the purposes specified in the District bond proposition submitted at the election, which include replacing gas, water, and sewer lines, improving and expanding school libraries, installing energy efficient heating and cooling systems, replacing portables with permanent classrooms, expanding school facilities, and making essential school improvements. An excerpt from 2013 Measure G states:

To continue critical renovation, modernization and safety needs at the district's schools and to make needed upgrades to classrooms, libraries, science and computer labs, improve student access to computers and instructional technology and continue to improve the energy efficiency of classrooms and buildings, shall the Sunnyvale School District issue \$96,000,000 in bonds at legal interest rates with funds monitored by an Independent Citizens' Oversight Committee and no funds spent on administrators.

### **Authority for the Audit**

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizens' oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

#### **Objectives of the Audit**

1. Determine whether expenditures charged to the Fund have been made in accordance with the bond project list approved by the voters through the approval of 2013 Measure G.
2. Determine whether salary transactions, charged to the Fund were in support of 2013 Measure G and not for District general administration or operations.

#### **Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2019 to June 30, 2020. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2020, were not reviewed or included within the scope of our audit or in this report.

## Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2020, for the 2013 Measure G Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and 2013 Measure G as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
  - a. We considered all expenditures recorded in all object codes, including transfers out.
  - b. We considered all expenditures recorded in all projects that were funded from July 1, 2019 through June 30, 2020 from 2013 Measure G bond proceeds.
  - c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified as individual transactions (expenditures) that exceeded approximately 0.8 percent of the total expenditures incurred.
  - d. For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2019 and ending June 30, 2020.
3. Our sample included transactions totaling \$9,182,605. This represents 86 percent of the total expenditures of \$10,715,231, including transfers out.
4. We reviewed the actual invoices and other supporting documentation to determine that:
  - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
  - b. Expenditures were supported by proper bid documentation, as applicable.
  - c. Expenditures were expended in accordance with voter-approved bond project list.
  - d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.
5. We determined that the District has met the compliance requirement of 2013 Measure G if the following conditions were met:
  - a. Supporting documents for expenditures were aligned with the voter-approved bond project list.
  - b. Supporting documents for expenditures were not used for salaries of school administrators or other operating expenses of the Districts.

## Conclusion

The results of our tests indicated that, in all significant respects, the Sunnyvale School District has properly accounted for the expenditures held in the 2013 Measure G Fund and that such expenditures were made for authorized Bond projects.