

**MEASURE V BOND BUILDING FUND  
OF  
MORAGA SCHOOL DISTRICT**

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

**MORAGA SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
TABLE OF CONTENTS  
JUNE 30, 2019**

---

	<u>Page</u>
Introduction and Citizens' Bond Oversight Committee Member Listing .....	1
Independent Auditors' Report .....	2

**FINANCIAL SECTION**

Balance Sheet.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance .....	5
Notes to the Financial Statements .....	6

**OTHER INDEPENDENT AUDITORS' REPORTS**

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	13
Independent Auditors' Report on Performance .....	15

**FINDINGS AND RESPONSES SECTION**

Audit Procedures and Results .....	17
Schedule of Findings and Recommendations.....	19

**MORAGA SCHOOL DISTRICT  
 MEASURE V BOND BUILDING FUND  
 INTRODUCTION AND CITIZENS' BOND OVERSIGHT COMMITTEE MEMBER LISTING  
 JUNE 30, 2019**

---

Moraga School District ("the District") was established in 1924 and is comprised of an area approximately 7 square miles located in Contra Costa County. The District currently operates three elementary schools and one intermediate school.

On November 8, 2016, voters approved by more than 55% Measure V, authorizing the issuance and sale of \$33,000,000 of general obligation bonds. This measure provides that proceeds from the sale of the bonds will generally be used to repair or replace leaky roofs; improve student access to modern technology; modernize, renovate and/or construct classrooms, restrooms and school facilities; upgrade inadequate electrical systems; and make health, seismic, safety and security improvements.

In March 2017, the District issued \$12,000,000 of 2017 Series A general obligation bonds with interest rates ranging from 3.0% to 4.0%. Principal payments are due in annual installments ranging from \$195,000 to \$840,000 through August 2042.

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

<b>Name</b>	<b>Title</b>	<b>Representation</b>
Larry Jacobs	Chair	Active PTA
Scarlett Lueder	Vice Chair	Parent of MSD Student
Aaron Cargain	Member	Parent of MSD Student
Nick Carpenter	Member	Community Member at Large
Craig Coane	Member	Active in Business Organization Representing Business Community
Lynnette Gibson	Member	Active in Senior Citizen's Organization
Amy Yip-Kikugawa	Member	Parent of MSD Student
Doug Massa	Member	Active PTA
Greg Norton	Member	Parent of MSD Student
Kathy Ranstorm	Member	Community Member at Large
Jessica Ruettgers-Meeks	Member	Active PTA
Ed Salay	Member	Active in Business Organization Representing Business Community
Scott Slyfield	Member	Parent of MSD Student
Cathy Tyson	Member	Active in Senior Citizen's Organization
Jack Weir	Member	Member of Taxpayer Organization

## INDEPENDENT AUDITORS' REPORT

Governing Board Members and  
Measure V Citizens' Oversight Committee  
Moraga School District  
Moraga, California

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure V Bond Building Fund as of June 30, 2019 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 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 V 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 V 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 February 10, 2020, on our consideration of the District's compliance with the requirements of Proposition 39 as it directly relates to the Measure V Bond Building Fund. That report is an integral part of our audit of the Measure V Bond Building Fund of Moraga School District, as of and for the year ended June 30, 2019, and should be considered in assessing the results of our financial audit.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
February 10, 2020

---

## **FINANCIAL SECTION**

---

**MORAGA SCHOOL DISTRICT BOND  
 MEASURE V BOND BUILDING FUND  
 BALANCE SHEET  
 JUNE 30, 2019**

---

	<u>Measure V Bond</u>
<b>ASSETS</b>	
Cash and investment	\$ 9,855,133
<b>Total Assets</b>	<u>\$ 9,855,133</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accrued liabilities	\$ 1,285,106
<b>Total Liabilities</b>	<u>1,285,106</u>
 <b>Fund Balance</b>	
Restricted for Measure V projects	8,570,027
<b>Total Fund Balance</b>	<u>8,570,027</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 9,855,133</u>

**MORAGA SCHOOL DISTRICT BOND  
MEASURE V BOND BUILDING FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

---

	<u>Measure V Bond</u>
<b>REVENUES</b>	
Local revenues - interest	\$ 252,753
<b>Total Revenues</b>	<u>252,753</u>
<b>EXPENDITURES</b>	
Plant services	15,000
Facilities acquisition and construction	3,063,408
<b>Total Expenditures</b>	<u>3,078,408</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(2,825,655)</u>
<b>OTHER FINANCING SOURCES</b>	
Contributions	<u>177,288</u>
<b>Net Change in Fund Balance</b>	(2,648,367)
<b>Fund Balance - Beginning, as restated</b>	<u>11,218,394</u>
<b>Fund Balance - Ending</b>	<u>\$ 8,570,027</u>



**MORAGA SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

---

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Moraga School District (“the District”) was established in 1864 and is comprised of an area approximately 7 square miles located in Contra Costa County. The District currently operates three elementary schools and one intermediate school.

On November 8, 2016, voters provided the District approved by more than 55% Measure V, authorizing the issuance and sale of \$33,000,000 of general obligation bonds. This measure provides that proceeds from the sale of the bonds will generally be used to “repair or replace leaky roofs; improve student access to modern technology; modernize, renovate and/or construct classrooms, restrooms and school facilities; upgrade inadequate electrical systems; and make health, seismic, safety and security improvements.

In April 2017, the District issued \$12,000,000 of 2017 Series A general obligation bonds with interest rates ranging from 3.0% to 4.0% and are due in annual installments ranging from \$195,000 to \$840,000 through August 2042.

**B. Accounting Policies**

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”) and the American Institute of Certified Public Accountants (“AICPA”).

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**D. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

**MORAGA SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

---

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

**E. Deposits and Investments**

In accordance with Education Code Sections 15357 and 41001, the District maintains its cash in the Contra Costa 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 V Bond Building Fund is considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**MORAGA SCHOOL DISTRICT  
 MEASURE V BOND BUILDING FUND  
 NOTES TO THE FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

---

**NOTE 2 – CASH AND INVESTMENTS**

**Summary of Cash and Investments**

Cash and investments as of June 30, 2019 consist of the following:

	<b><u>Measure V Bond</u></b>
Cash in county treasury	<u>\$ 9,855,133</u>
Total cash and investments	<u>\$ 9,855,133</u>

**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

*Cash in County Treasury* – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District’s investment in the pool is reported in the accounting financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**MORAGA SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

---

**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 Contra Costa County Investment Pool with a fair value of approximately \$9,897,385 and an amortized book value of \$9,855,133. The weighted average maturity for this pool as of June 30, 2019 is 174 days.

**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.

**MORAGA SCHOOL DISTRICT  
 MEASURE V BOND BUILDING FUND  
 NOTES TO THE FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

---

**NOTE 2 – CASH AND INVESTMENTS (continued)**

**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 Contra Costa County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

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

	<b>Uncategorized</b>
Investment in county treasury	<u>\$ 9,897,385</u>
Total fair market value of investments	<u>\$ 9,897,385</u>

**NOTE 3 – ACCOUNTS PAYABLE**

Accounts payable of \$1,285,106 at June 30, 2019 consisted of construction related liabilities.

**MORAGA SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

---

**NOTE 4 – MEASURE V GENERAL OBLIGATION BONDS**

On November 8, 2016, approved by more than 55% Measure V, authorizing the issuance and sale of \$33,000,000 of general obligation bonds. This measure provides that proceeds from the sale of the bonds will generally be used to repair or replace leaky roofs; improve student access to modern technology; modernize, renovate and/or construct classrooms, restrooms and school facilities; upgrade inadequate electrical systems; and make health, seismic, safety and security improvements.

In March 2017, the District issued \$12,000,000 of 2016 Series A general obligation bonds with interest rates ranging from 3.0% to 4.0%. Principal payments are due in annual installments ranging from \$195,000 to \$840,000 through August 2042. The remaining outstanding balance of 2016 Series A bonds are as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2019
					Outstanding July 01, 2018	Additions	Deductions	
Election 2016, Series A	4/16/2017	8/1/2042	3.00% - 4.00%	\$ 12,000,000	\$ 12,000,000	\$ -	\$ 750,000	\$ 11,250,000
					\$ 12,000,000	\$ -	\$ 750,000	\$ 11,250,000

**2016 Series A**

Year Ended June 30,	Principal	Interest	Total
2020	\$ 745,000	\$ 424,137	\$ 1,169,137
2021	-	394,337	394,337
2022	-	394,337	394,337
2023	-	394,337	394,337
2024	-	394,337	394,337
2025 - 2029	1,265,000	1,882,285	3,147,285
2030 - 2034	2,150,000	1,586,023	3,736,023
2035 - 2039	3,315,000	1,123,886	4,438,886
2040 - 2043	3,775,000	369,046	4,144,046
Total	\$ 11,250,000	\$ 6,962,725	\$ 18,212,725

**MORAGA SCHOOL DISTRICT  
MEASURE V BOND BUILDING FUND  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

---

**NOTE 5 – MEASURE V BOND BUILDING FUND EXPENDITURES BY PROJECT**

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

<u>Site</u>	<u>Amount</u>
Donald Rheem Elementary	\$ 1,354,614
Camino Pablo Elementary	1,213,952
Joaquin Moraga Intermediate	300,820
General Planning	110,464
Los Perales Elementary	98,558
	<u>\$ 3,078,408</u>

**NOTE 6 – CONSTRUCTION COMMITMENTS**

As of June 30, 2019, the Measure V Bond Building Fund had no material commitments with respect to unfinished Measure V projects.

**NOTE 7 – RESTATEMENT OF FUND BALANCE**

The beginning fund balance of Measure V Bond Building Fund has been restated by \$301,050 to reduce amounts related to a past measure that were included in the prior year ending fund balance.

---

## **OTHER INDEPENDENT AUDITORS' REPORTS**

---



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**Independent Auditors' Report

Measure V Citizens' Bond Oversight Committee and  
Governing Board Members of the  
Moraga School District  
Moraga, 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 V Bond Building Fund of Moraga 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 Moraga School District's basic financial statements of the Measure V Bond Building Fund, and have issued our report thereon dated February 10, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Moraga School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Moraga School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Moraga School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
February 10, 2020

**REPORT ON PERFORMANCE**  
Independent Auditors' Report

Measure V Citizens' Bond Oversight Committee and  
Governing Board Members of the  
Moraga School District  
Moraga, California

**Report on Performance**

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

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

**Opinion on Performance**

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

## Procedures Performed

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

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
February 10, 2020

---

## **FINDINGS AND RESPONSES SECTION**

---

**MORAGA SCHOOL DISTRICT BOND  
MEASURE V BOND BUILDING FUND  
AUDIT PROCEDURES AND RESULTS  
JUNE 30, 2019**

---

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

**Financial Statements**

---

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

**Internal Control Evaluation**

---

We tested internal controls over financial reporting and compliance with laws, regulations, or provisions of contracts or agreements and have determined through our inquiry of management and our evaluation of District processes that no significant deficiencies were noted.

**SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS**

**Facility Project Expenditures**

---

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

We tested approximately \$1.5 million of non-personnel expenditures or 49% of total 2018-19 Measure V Bond Building Fund expenditures for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Measure V ballot language, the District approved facilities plan, and applicable state laws and regulations.

**Personnel Expenditures**

---

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

**Facilities Site Walk**

---

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

The auditor toured the Donald Rheem Elementary School to view the Measure V bond project. The auditor inspected the new ADA ramp way installed in front of building A and the ADA curb installed in the parking lot for ADA access. Auditor inspected in both building A and building D the modernized sheet vinyl floors in the hallways, blue and yellow paint on the buildings outside in good condition, new shelving in classrooms, and new CO2 monitors installed in the classrooms ceiling. The auditor also inspected one of the new modular buildings installed in the back of the playground area and found modernized tact board walls installed in classrooms, new Delta Controls energy panels and newly installed Delta Controls energy management system, Bogen phone system, Emerson HVAC system, new fire alarm system, and new Hylo water fountains with bottle fillers at ADA accessible height. The fire alarm system panels appeared to be new and recently installed. The collection of modular buildings also had one newly installed loudspeaker installed facing the playground, rock face foundations, and brown paint on the outside exteriors. Based on our site walk, the project for the school site tested appear to be successfully completed or advanced into 2019-20 construction phases and funds appear to be expended for authorized bond projects.

**MORAGA SCHOOL DISTRICT BOND  
MEASURE V BOND BUILDING FUND  
AUDIT PROCEDURES AND RESULTS, continued  
JUNE 30, 2019**

---

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

**Contract and Bid Procedures**

---

We reviewed a listing of contracts awarded during the fiscal year ended June 30, 2019 and selected a sample to ensure that contracts for public projects followed appropriate bidding procedures per applicable Public Contract Code. Additionally, we reviewed overall expenditures by vendor in order to determine if multiple projects under the applicable bidding threshold went out to bid during the year ended June 30, 2019 to suggest any possible bid-splitting.

The auditor tested two of four projects sent out to bid. We noted that applicable bidding procedures were followed, and the contract was appropriately awarded to the lowest responsible bidder for the following projects:

- Camino Pablo Modernization Project, CWS Construction Group, Inc., \$4,704,000
- Donald Rheem Modernization Project, SW Allen Construction, Inc., \$4,799,179

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

**Contracts and Change Orders**

---

We reviewed a listing of contracts and change orders during the fiscal year ended June 30, 2019 and selected a sample to ensure that change orders were properly approved and in accordance with District policies. Additionally, cumulative change orders for any given contract were reviewed to ensure that total change orders did not exceed ten percent of the total original contract.

We noted that there was only one change order for the Donald Rheem Modernization Project, and we verified that the total of the total of the change orders did not exceed ten percent of the total contract with SW Allen Construction, Inc. All change orders were properly reviewed and approved by management and the governing board in accordance with District policy.

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

---

In accordance with Assembly Bill (AB) 1908 and Education Code (Ed Code) Section 15278, the District is required to establish a bond oversight committee for Proposition 39 bonds 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 successfully compiled a CBOC with an active member from each of the required representations. No members of the CBOC are also an employee, official, vendor or consultant of the District. Refer to the Introduction and CBOC Member Listing for a listing of current members as of June 30, 2019.

**MORAGA SCHOOL DISTRICT BOND  
 MEASURE V BOND BUILDING FUND  
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
 JUNE 30, 2019**

---

**PART I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors’ report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to the financial statements?	No

**PERFORMANCE AUDIT**

Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditor’s report issued on performance for local school construction bonds:	Unmodified

**PART II – FINANCIAL STATEMENT FINDINGS**

There were no findings related to the financial statements during the year ended June 30, 2019.

**PART III – PERFORMANCE AUDIT FINDINGS**

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

**PART IV – PRIOR AUDIT FINDINGS**

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