

FREMONT UNION HIGH SCHOOL DISTRICT

2014 MEASURE K FUND

ANNUAL FINANCIAL REPORT AND PERFORMANCE AUDIT

**FOR THE YEAR ENDED
JUNE 30, 2016**

FREMONT UNION HIGH SCHOOL DISTRICT

2014 MEASURE K FUND

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2016**

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and
Citizens' Oversight Committee
Fremont Union High School District
Sunnyvale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Fremont Union High School District (the District), 2014 Measure K Fund (the Fund), as of and for the year ended June 30, 2016, 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 opinions 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund of the Fremont Union High School District, as of June 30, 2016, 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 present only the fund specific to 2014 Measure K, and are not intended to present fairly the financial position and changes in financial position of Fremont Union High School District 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 December 5, 2016, on our consideration of the 2014 Measure K 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 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 2014 Measure K Fund's internal control over financial reporting and compliance.

Varrinek Time Day + Co. LLP

Palo Alto, California
December 5, 2016

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

**BALANCE SHEET
JUNE 30, 2016**

ASSETS

| | |
|----------------------|----------------------|
| Cash and investments | \$ 89,689,776 |
| Interest receivable | 185,621 |
| Due from other funds | 333,917 |
| Total Assets | <u>\$ 90,209,314</u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

| | |
|--------------------|------------------|
| Vendor payable | \$ 1,674,765 |
| Due to other funds | 688 |
| Total Liabilities | <u>1,675,453</u> |

FUND BALANCE

| | |
|-----------------------------------|----------------------|
| Restricted for capital projects | 88,533,861 |
| Total Liabilities and Fund Equity | <u>\$ 90,209,314</u> |

The accompanying notes are an integral part of these financial statements.

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016**

| | |
|--------------------------------------|----------------------|
| REVENUES | |
| Interest | \$ 667,967 |
| Other Local Sources | 9,900 |
| Total Revenues and Other Sources | <u>677,867</u> |
| EXPENDITURES | |
| Current Expenditures | |
| Classified salaries | 709,297 |
| Employee benefits | 190,832 |
| Supplies | 142,969 |
| Services and operating expenditures | 504,496 |
| Capital Outlay | 8,504,604 |
| Total Expenditures | <u>10,052,198</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | (9,374,331) |
| Fund Balance - Beginning | <u>97,908,192</u> |
| Fund Balance - Ending | <u>\$ 88,533,861</u> |

The accompanying notes are an integral part of these financial statements.

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fremont Union High School District's (the District) 2014 Measure K Fund (the Fund) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Financial Reporting Entity

The financial statements include only the Fund used to account for 2014 Measure K projects. This Fund was established to account for the expenditures of general obligation bonds issued under 2014 Measure K. These financial statements are not intended to present fairly the financial position and results of operations of the Fremont Union School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the 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 2014 Measure K 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

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. 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.

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Fund Balance - 2014 Measure K Fund

As of June 30, 2016, the fund balance is classified as follows:

Restricted - amounts 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 Fund 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 Fund 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.

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Investment Valuations

The Fund recognizes the fair value measurement of its investments on a recurring basis, based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Fund's investments in the Santa Clara County Treasury Investment Pool are uncatagorized because deposits to and from the pool are made on the basis of \$1 and not at fair value.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

| 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 | 180 days | 25% | 10% |
| Negotiable Certificates of Deposit | 1 years | 30% | None |
| Repurchase Agreements | 1 year | 20% | 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 |

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 Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Fund manages its exposure to interest rate risk by investing in the Santa Clara County Investment Pool. The Fund maintains an investment of \$89,689,776 with the Santa Clara County Investment Pool. The fair value of this investment is approximately \$89,853,460 with an average maturity of 439 days.

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, consisted of \$185,621 interest receivable.

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

| | |
|-------------------------------|---------------------|
| | Amount |
| Vendors Payable | \$ 1,673,450 |
| Salaries and Benefits Payable | 1,315 |
| Total Accounts Payable | <u>\$ 1,674,765</u> |

NOTE 5 - GENERAL LONG-TERM DEBT

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds. However, they are reported as liabilities on the Statement of Net Position in the Government Wide financial statements of the Fremont Union High School District.

The following provides information on the outstanding general obligation bonds:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 1, 2015 | Issued | Redeemed | Bonds Outstanding June 30, 2016 |
|------------|---------------|---------------|----------------|--------------------------------|-------------|-------------|---------------------------------|
| 4/8/2015 | 8/1/2044 | 3.0-5.0% | \$100,000,000 | <u>\$ 100,000,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 100,000,000</u> |

The bonds mature through 2045 as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|-------------|-----------------------|----------------------|-----------------------|
| 2017 | \$ - | \$ 3,998,494 | \$ 3,998,494 |
| 2018 | 18,000,000 | 3,678,494 | 21,678,494 |
| 2019 | - | 3,358,494 | 3,358,494 |
| 2020 | - | 3,358,494 | 3,358,494 |
| 2021 | - | 3,358,494 | 3,358,494 |
| 2022-2026 | - | 16,792,470 | 16,792,470 |
| 2027-2031 | 5,555,000 | 16,244,220 | 21,799,220 |
| 2032-2036 | 13,285,000 | 14,204,935 | 27,489,935 |
| 2037-2041 | 25,855,000 | 10,303,500 | 36,158,500 |
| 2042-2045 | 37,305,000 | 3,197,100 | 40,502,100 |
| Total | <u>\$ 100,000,000</u> | <u>\$ 78,494,695</u> | <u>\$ 178,494,695</u> |

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2016, the 2014 Measure K Fund had the following commitment with respect to unfinished projects:

| <u>Capital Project</u> | <u>Expected Date of Completion</u> | <u>Remaining Construction Commitment</u> |
|--|--|--|
| Cupertino High School New Classroom and Science Building | 12/2017 | \$ 21,747,500 |
| Fremont High School GSS and Classroom Building | 12/2018 | 26,288,000 |
| Fremont High School Science Roofing | 08/2016 | 277,900 |
| Fremont High School Gym HV Replacement | 08/2016 | 734,200 |
| Fremont High School Football Field Light | 10/2016 | 13,800 |
| Fremont High School Electrical Infrastructure | 10/2016 | 12,700 |
| Homestead High School Utility Infrastructure | 10/2016 | 1,485,000 |
| Homestead High School Science Roofing | 08/2016 | 260,700 |
| Homestead High School New Two Story Classroom Building | 12/2016 | 9,067,600 |
| Lynbrook High School New Field House Addition | 03/2018 | 9,186,000 |
| Monta Vista High School New Classroom Building | 12/2017 | 6,970,000 |
| Monta Vista High School Gym Modernization, Amphitheater | 12/2017 | 6,144,000 |
| Monta Vista High School Landscape Improvements | 08/2018 | 760,000 |
| Total | | <u>\$ 82,947,400</u> |

Litigation

The Fund is not currently a party to any legal proceedings.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet to December 5, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

INDEPENDENT AUDITOR'S REPORT



**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***

Board of Trustees and
Citizens' Oversight Committee
Fremont Union High School District
Sunnyvale, 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 2014 Measure K Fund (the Fund), as of and for the year ended June 30, 2016, and have issued our report thereon dated December 5, 2016.

As discussed in Note 1, the financial statements present only the Fund specific to the 2014 Measure K, and are not intended to present fairly the financial position and results of operations of Fremont Union High School District (the District) in conformity with accounting principles generally accepted in the United States of America.

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) 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 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 Fund'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 charge with governance.

Our consideration of internal control reporting 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 Fund's financial statements 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 Fund'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.

Varrinek Trine Day + Co. LLP

Palo Alto, California
December 5, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2016**

None reported.

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

There were no audit findings reported in the prior year's schedule of financial statement findings.

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FREMONT UNION HIGH SCHOOL DISTRICT

2014 MEASURE K FUND

PERFORMANCE AUDIT

**FOR THE YEAR ENDED
JUNE 30, 2016**

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

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JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and
Citizens' Oversight Committee
Fremont Union High School District
Sunnyvale, California

We were engaged to conduct a performance audit of the Fremont Union High School District's (the District), 2014 Measure K Fund (the Fund) for the year ended June 30, 2016.

We conducted this performance audit in accordance with the standards applicable to performance 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 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 Fund'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. Management is responsible for the Fund's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the 2014 Measure K Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the 2014 Measure K Fund's internal control.

The results of our tests indicated that the 2014 Measure K Fund were expended 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.

Vavrinek Trine Day + Co. LLP

Palo Alto, California
December 5, 2016

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**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

JUNE 30, 2016

AUTHORITY FOR ISSUANCE

The 2014 Measure K 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 District received authorization at an election held on November 4, 2014, to issue bonds of the District in an aggregate principal amount not to exceed \$295,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. Measure K required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2014 Authorization). The funds represent the all series of the authorized bonds to be issued under the 2014 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 building the new classrooms and facilities needed to serve a growing student population for Cupertino, Fremont, Homestead, Lynbrook, and Monta Vista High Schools.

The funds will be used to build new classrooms and facilities to avoid overcrowding; upgrade science labs and technology; update computer network capability and replace, acquire, construct and renovate school facilities.

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% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, 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.

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

JUNE 30, 2016

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 2014 Measure K.
2. Determine whether salary transactions, charged to the Fund were in support of 2014 Measure K and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2015 to June 30, 2016. 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, 2016 were not reviewed or included within the scope of our audit or in this report.

FINANCIAL SUMMARY

1. The funds were authorized at an election of the registered voters of the District held on November 4, 2014. The bonds were authorized at an issuance of \$295,000,000 for the purpose of financing the addition and modernization of school facilities. The first series of the bonds was issued in April 2015, with a face value of \$100,000,000.
2. Total expenditures and commitments through June 30, 2016, were \$94,971,712 since inception.
3. An analysis of expenditures as of June 30, 2016 is as follows:

| EXPENDITURES | Prior Periods | Current Year | Total |
|--|---------------|---------------|---------------|
| Current Expenditures | | | |
| Classified salaries and benefits | \$ - | \$ 900,129 | \$ 900,129 |
| Supplies | 802 | 142,969 | 143,771 |
| Services and operating expenditures | 4,693 | 504,496 | 509,189 |
| Capital outlay | 1,966,619 | 8,504,604 | 10,471,223 |
| Total Expenditures | \$ 1,972,114 | \$ 10,052,198 | 12,024,312 |
| Contracted commitments as of June 30, 2016 | | | 82,947,400 |
| Total Expenditures and Commitments | | | \$ 94,971,712 |

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

JUNE 30, 2016

Available unspent funds from the bonds as of June 30, 2016 are:

| | Prior Periods | Current Year | Total |
|--|----------------------|-----------------------|---------------------|
| Bond proceeds | \$ 99,775,000 | \$ - | \$ 99,775,000 |
| Interest income | 105,306 | 667,967 | 773,273 |
| Other local sources | - | 9,900 | 9,900 |
| Total expenditures | (1,972,114) | (10,052,198) | (12,024,312) |
| Total | <u>\$ 97,908,192</u> | <u>\$ (9,374,331)</u> | 88,533,861 |
| Contracted commitments as of June 30, 2016 | | | (82,947,400) |
| Amount available | | | <u>\$ 5,586,461</u> |

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2016 for the 2014 Measure K. 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 2014 Measure K as to the approved bond projects list. We performed the following procedures:

1. We verified the 2014 Measure K Fund expenditures were accounted for in Fund 216 (2014 Measure K Fund) of the District.
2. We examined non-payroll related expenditures aggregating \$6,522,990, which is 71% of the total Measure K non-payroll related expenditures for the year ended June 30, 2016. Our review did not reveal any items that were paid from the Measure K General Obligation Bond proceeds that did not comply with the intended use of bond proceeds approved by the voters of the District on November 4, 2014. See Appendix A for a list of expenditures reviewed.
3. We examined payroll related expenditures aggregating \$900,129, which is 100% of the total Measure K Fund payroll related expenditures for the year ended June 30, 2016. Our review did not reveal any items that were paid from the Measure K General Obligation Bond proceeds that did not comply with the intended use of bond proceeds approved by the voters of the District on November 4, 2014.

CONCLUSION

The results of our tests indicated that, in all significant respects, the Fremont Union High School District has properly accounted for the expenditures held in the Measure K resources and that such expenditures were made for authorized Bond projects.

**FREMONT UNION HIGH SCHOOL DISTRICT
2014 MEASURE K FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

None reported.

FREMONT UNION HIGH SCHOOL DISTRICT

**BUILDING FUND – 2014 MEASURE K GENERAL OBLIGATION BOND
RESOURCE**

**APPENDIX A – NONPAYROLL EXPENDITURES REVIEWED
FOR THE YEAR ENDED JUNE 30, 2016**

| Date | Reference | Vendor | School Site | Project Description | Amount |
|-------------|------------------|-----------------------------|--------------------|---------------------------------------|---------------|
| 05/26/2016 | PO-161174 | Aedis Architects | Fremont | New Admin and Classroom Building | \$ 222,261 |
| 01/21/2016 | PO-161174 | Aedis Architects | Fremont | New Admin and Classroom Building | 101,605 |
| 04/21/2016 | PO-161174 | Aedis Architects | Fremont | New Admin and Classroom Building | 95,255 |
| 06/09/2016 | PO-161174 | Aedis Architects | Fremont | New Admin and Classroom Building | 74,087 |
| 06/30/2016 | EP-600320 | Blach Construction Co. | Fremont | GYM HVAC Replacement Program | 394,576 |
| 04/11/2016 | PO-161494 | Blach Construction Co. | Various sites | Management Program | 113,850 |
| 05/09/2016 | PO-161494 | Blach Construction Co. | Various sites | Management Program | 94,149 |
| 06/30/2016 | PO-161494 | Blach Construction Co. | Various sites | Management Electrical | 72,955 |
| 03/21/2016 | PO-161194 | Cupertino Electric Inc. | Fremont | Infrastructure New Classroom Building | 150,241 |
| 01/21/2016 | PO-160414 | Deems Lewis McKinley | Monta Vista | Gym Modernization | 112,455 |
| 06/30/2016 | PO-160414 | Deems Lewis McKinley | Monta Vista | New Classroom Building | 73,627 |
| 01/21/2016 | PO-160414 | Deems Lewis McKinley | Monta Vista | New Classroom and Science Building | 22,680 |
| 06/09/2016 | PO-162144 | Division of State Architect | Cupertino | Football Field Light | 192,140 |
| 06/30/2016 | PO-161874 | General Lighting | Fremont | Pole Alterations Football Field Light | 107,609 |
| 06/20/2016 | PO-161014 | Musco Lighting Inc. | Fremont | Pole Alterations Technology | 73,118 |
| 11/09/2015 | PO-160594 | Nexus IS Inc. | Various sites | Upgrades and Technology | 70,543 |
| 11/09/2015 | PO-160614 | Nexus IS Inc. | Various sites | Upgrades and Technology | 28,877 |
| 12/17/2015 | PO-160954 | Quattrocchi Kwok Architect | Cupertino | New Science and Classroom building | 78,400 |
| 06/16/2016 | PO-160954 | Quattrocchi Kwok Architect | Cupertino | New Science Classroom Building | 566,579 |

FREMONT UNION HIGH SCHOOL DISTRICT

**BUILDING FUND – 2014 MEASURE K GENERAL OBLIGATION BOND
RESOURCE**

**APPENDIX A – NONPAYROLL EXPENDITURES REVIEWED (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

| Date | Reference | Vendor | School Site | Project Description | Amount |
|---------------------------------|------------------|----------------------------|--------------------|---|---------------------|
| 06/16/2016 | PO-160544 | Quattrocchi Kwok Architect | Lynbrook | New Field House Addition | 195,563 |
| 08/31/2015 | PO-160304 | Ranger Pipelines Inc. | Homestead | Utility Infrastructure Phase II year 2 | 1,317,457 |
| 09/21/2015 | PO-160304 | Ranger Pipelines Inc. | Homestead | Utility Infrastructure Phase II year 2 | 1,100,715 |
| 06/30/2016 | EP-600053 | Ranger Pipelines Inc. | Homestead | Utility Infrastructure Phase II year 2 | 697,989 |
| 12/10/2015 | PO-160304 | Ranger Pipelines Inc. | Homestead | Utility Infrastructure Phase II year 2 | 326,073 |
| 05/26/2016 | PO-161854 | Ranger Pipelines Inc. | Homestead | Utility Infrastructure Phase II year 2 | 240,184 |
| Amount Tested | | | | | \$ 6,522,990 |
| Non Payroll Expenditures | | | | | \$ 9,152,069 |
| Percent Tested | | | | | 71% |