



**2018 Measure CC
Annual Financial Report and Performance Audit
For the Year Ended
June 30, 2019
Fremont Union High School District**



**2018 Measure CC
Annual Financial Report
For the Year Ended
June 30, 2019**

Fremont Union High School District

**FREMONT UNION HIGH SCHOOL DISTRICT
2018 MEASURE CC 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 (District, 2018 Measure CC Fund (Fund, as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to 2018 Measure CC 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, 2019, 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, discussion, and analysis that accounting principles generally accepted in the United States of America require 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 November 20, 2019 on our consideration of the 2018 Measure CC 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 2018 Measure CC Fund's internal control over financial reporting and compliance.



Palo Alto, California
November 20, 2019

**FREMONT UNION HIGH SCHOOL DISTRICT
2018 MEASURE CC FUND**

**BALANCE SHEET
JUNE 30, 2019**

ASSETS

| | |
|----------------------|----------------------|
| Cash and investments | \$ 54,818,963 |
| Interest receivable | 83,954 |
| Total Assets | <u>\$ 54,902,917</u> |

LIABILITIES AND FUND BALANCE

Liabilities

| | |
|---------------------|----------------|
| Vendor payable | \$ 468,665 |
| Due to the District | 51,535 |
| Total Liabilities | <u>520,200</u> |

Fund Balance

| | |
|-----------------------------------|----------------------|
| Restricted for capital projects | 54,382,717 |
| Total Liabilities and Fund Equity | <u>\$ 54,902,917</u> |

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

**FREMONT UNION HIGH SCHOOL DISTRICT
2018 MEASURE CC FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

| | |
|--|-----------------------------|
| REVENUES | |
| Interest | \$ 83,954 |
| EXPENDITURES | |
| Current Expenditures | |
| Services and operating expenditures | 181,037 |
| Capital Outlay | 520,200 |
| Total Expenditures | <u>701,237</u> |
| Deficiency of Revenues Over Expenditures | (617,283) |
| Other Financing Sources | |
| Proceeds from sale of bonds | <u>55,000,000</u> |
| NET CHANGE IN FUND BALANCE | 54,382,717 |
| Fund Balance - Beginning | - |
| Fund Balance - Ending | <u><u>\$ 54,382,717</u></u> |

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

**FREMONT UNION HIGH SCHOOL DISTRICT
2018 MEASURE CC FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fremont Union High School District's (District) 2018 Measure CC Fund (Fund) conforms 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 2018 Measure CC projects. This Fund was established to account for the expenditures of general obligation bonds issued under 2018 Measure CC. 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 2018 Measure CC 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.

On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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 in the accounting period in which the related fund liability is incurred.

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.

**FREMONT UNION HIGH SCHOOL DISTRICT
2018 MEASURE CC FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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.

Fund Balance - 2018 Measure CC Fund

As of June 30, 2019, 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. The fund balance can only be used for construction projects authorized by Measure CC.

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.

Cash and Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Fair values of investments in county investment pools are determined by the program sponsor.

**FREMONT UNION HIGH SCHOOL DISTRICT
2018 MEASURE CC FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - INVESTMENTS

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. The Fund maintains an investment of \$54,818,963 with the Santa Clara County Investment Pool.

Fair Value Measurement

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.

Investment in the county treasury investment pool are not measured using the input levels above because the participant's transactions are based on amortized cost which approximate fair value.

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's investment has an average maturity of 436 days.

**FREMONT UNION HIGH SCHOOL DISTRICT
2018 MEASURE CC FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 - 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 | | Bonds |
|------------|---------------|---------------|----------------|--------------------------|----------------------|---------------------------|
| | | | | Outstanding July 1, 2018 | Issued | Outstanding June 30, 2019 |
| 5/15/2019 | 8/1/2046 | 3.00-5.00% | \$47,195,000 | \$ - | \$47,195,000 | \$ 47,195,000 |
| 5/17/2019 | 8/1/2019 | 5.00% | 7,805,000 | - | 7,805,000 | 7,805,000 |
| | | | | <u>\$ -</u> | <u>\$ 55,000,000</u> | <u>\$ 55,000,000</u> |

The bonds mature through 2047 as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|-------------|----------------------|----------------------|----------------------|
| 2020 | \$ 7,805,000 | \$ 1,318,908 | \$ 9,123,908 |
| 2021 | 2,117,000 | 1,945,742 | 4,062,742 |
| 2022 | 3,055,000 | 1,852,882 | 4,907,882 |
| 2023 | - | 1,791,782 | 1,791,782 |
| 2024 | 712,000 | 1,773,980 | 2,485,980 |
| 2025-2029 | 4,133,000 | 8,284,513 | 12,417,513 |
| 2030-2034 | 5,275,000 | 7,113,744 | 12,388,744 |
| 2035-2039 | 11,699,000 | 5,343,888 | 17,042,888 |
| 2040-2044 | 6,110,000 | 2,754,435 | 8,864,435 |
| 2045-2047 | 14,094,000 | 609,449 | 14,703,449 |
| Total | <u>\$ 55,000,000</u> | <u>\$ 32,789,323</u> | <u>\$ 87,789,323</u> |

**FREMONT UNION HIGH SCHOOL DISTRICT
2018 MEASURE CC FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, the 2018 Measure CC Fund had the following commitments with respect to unfinished projects:

| Capital Project | Expected Date of Completion | Remaining Construction Commitment |
|---|-----------------------------------|---|
| DO/Adult Ed Bldg | 12/31/2021 | \$ 3,586,328 |
| CHS Field Improvements | 12/21/2020 | 23,115 |
| CHS Classroom Modernization Bldg 500/Science Roof | 10/1/2020 | 211,179 |
| FHS Athletic Field Improvements | TBD | 27,455 |
| FHS Classroom Modernization Original Building | 12/31/2020 | 15,426 |
| HHS Classroom Modernization Bldg A 2nd Fl | 7/1/2021 | 101,384 |
| HHS Seismic Upgrades | TBD | 3,230,000 |
| LHS Athletic Field Improvements | TBD | 37,895 |
| MVHS Classroom Modernization Bldg AB&C 2nd FL | 8/1/2021 | 1,346,421 |
| | | <u>\$ 8,579,203</u> |

INDEPENDENT AUDITOR'S REPORT



CPAs & BUSINESS ADVISORS

**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 2018 Measure CC Fund (the Fund), as of and for the year ended June 30, 2019, and have issued our report thereon dated November 20, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to 2018 Measure CC 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, 2019, 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, discussion, and analysis that accounting principles generally accepted in the United States of America require 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.

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 porting 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.



Palo Alto, California
November 20, 2019

SCHEDULE OF FINDINGS AND RECOMMENDATIONS



**2018 Measure CC
Performance Audit Report
For the Year Ended
June 30, 2019**

Fremont Union High School District

**FREMONT UNION HIGH SCHOOL DISTRICT
2018 MEASURE CC FUND**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2019**

None reported.

FREMONT UNION HIGH SCHOOL DISTRICT

**BUILDING FUND – 2018 MEASURE CC GENERAL OBLIGATION
BOND RESOURCE
APPENDIX A – NONPAYROLL EXPENDITURES REVIEWED
FOR THE YEAR ENDED JUNE 30, 2019**

| Date | Reference | Vendor | Project Description | Amount |
|---------------------------------|------------------|------------------|--------------------------------|-------------------|
| 8/6/2019 | EP-900744 | Quattrocchi Kwok | Architects/Engineers | \$ 398,750 |
| 8/6/2019 | EP-900746 | Quattrocchi Kwok | Architects/Engineers | 43,031 |
| Amount Tested | | | | \$ 441,781 |
| Non Payroll Expenditures | | | | \$ 701,237 |
| Percent Tested | | | | 63% |