



Performance Audit
Measure BB
2010 Measure H
2014 Measure H and Measure J
General Obligation Bond Funds
June 30, 2021

Santa Clara Unified School District

Santa Clara Unified School District
General Obligation Bond Funds
Table of Contents
June 30, 2021

Independent Auditor's Report on Performance 1

Authority for Issuance..... 2

Purpose of Issuance 3

Objectives of the Audit 4

Scope of the Audit..... 4

Conclusion..... 5

Schedule of Findings and Questioned Costs

 Schedule of Findings and Questioned Costs 6

 Summary Schedule of Prior Audit Findings..... 7



Independent Auditor's Report on Performance

Board of Trustees and
Citizens' Bond Oversight Committee
Santa Clara Unified School District
Santa Clara, California

We were engaged to conduct a performance audit of the Santa Clara Unified School District (District) Measure BB, 2010 Measure H, 2014 Measure H, and Measure J general obligation bond funds for the year ended June 30, 2021.

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

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District's compliance with those requirements.

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

The results of our tests indicated that the District expended Building Fund (Measure BB, 2010 Measure H, 2014 Measure H, and Measure J) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

This report is intended solely for the use of the District's Board of Education, the Citizens' Bond Oversight Committee, and Management of the District. This report is not intended to be, and should not be, used by anyone other than these specified parties. This limitation is not intended to limit distribution.

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

Menlo Park, California
March 29, 2022

Authority for Issuance

Measure BB

The District received authorization from an election held on November 6, 2018, to issue bonds (Measure BB) of the District in an aggregate principal amount not to exceed \$720 million to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2018 Authorization).

On April 11, 2019, The District issued Election of 2018, Series 2019 General Obligation Bonds in amount of \$360,000,000. Repayment of the Bonds is made from the special parcel tax revenues levied in connection with this bond issuance. The Bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through July 1, 2048.

2010 Measure H

The District received authorization from an election held on November 2, 2010, to issue bonds (2010 Measure H) of the District in an aggregate principal amount not to exceed \$81 million to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2010 Authorization).

In June 2011, the District issued Election of 2010, Series 2011 General Obligation Bonds in amount of \$81,100,000. The series 2011 Bonds represent the first and only series of bonds to be issued under 2010 Measure H.

2014 Measure H

The District received authorization from an election held on November 4, 2014, to issue bonds (2014 Measure H) of the District in an aggregate principal amount not to exceed \$419 million to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2014 Authorization).

On May 14, 2015, the District issued Election of 2014, Series 2015 General Obligation Bonds in amount of \$140,700,000. The Bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through July 1, 2041.

On November 14, 2017, the District issued Election of 2014, Series 2017 General Obligation Bonds in amount of \$232,300,000. The Bonds bear interest at rates ranging from 3.125% to 5.0% and are scheduled to mature through July 1, 2042.

On April 11, 2019, the District issued Election of 2014, Series 2019 General Obligation Bonds in amount of \$46,000,000. The Bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through July 1, 2042.

The Series 2015, Series 2017, and Series 2019 Bonds represent the final issuances of bonds authorized under Measure J.

Measure J

The District received authorization from an election held on November 2, 2004, to issue bonds (Measure J) of the District in an aggregate principal amount not to exceed \$315 million to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2014 Authorization).

In August 2005, the District issued Election of 2004, Series 2005 General Obligation Bonds in amount of \$78,860,000. The Bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through July 1, 2030.

In August 2008, the District issued Election of 2004, Series 2008 General Obligation Bonds in amount of \$120,000,000. The Bonds bear interest at rates ranging from 3.5% to 5.0% and are scheduled to mature through July 1, 2034.

In June 2011, the District issued Election of 2004, Series 2011A General Obligation Bonds in amount of \$91,140,000, which bears interest at rates ranging from 3.0% to 5.0% maturing through July 1, 2036, and Election of 2004, Series 2011B General Obligation Bonds in amount of \$25,000,000, which bears interest at rates ranging from 4.15% to 5.30% maturing through July 1, 2027.

The Series 2005, Series 2008, Series 2011A, and Series 2011B Bonds represent the final issuances of bonds authorized under Measure J.

Purpose of Issuance

The general obligation bond funds of the District would be used to construct classrooms, labs, and school libraries to support student achievement, college readiness, and career training in math, science, engineering, technology, and arts; acquire, renovate, construct and equip facilities to improve older schools; and to fix deteriorating roofs, plumbing and electrical systems. As required by the California Constitution, the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

Authority for the Audit

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

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizen's oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

Objectives of the Audit

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

Scope of the Audit

The scope of our performance audit covered the period of July 1, 2020 to June 30, 2021. 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, 2021, were not reviewed or included within the scope of our audit or in this report.

Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2021, for the Building Fund (Measure BB). Within the fiscal year audited, we obtained the actual invoices, purchase orders, 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 Measure BB as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.

2. We selected a sample of expenditures using the following criteria:
 - a. We considered all expenditures recorded in all object codes, including transfers out.
 - b. We considered all expenditures recorded in all projects that were funded from July 1, 2020 through June 30, 2021 from Measure BB, 2010 Measure H, 2014 Measure H, and Measure J bond proceeds.
 - c. We selected all expenditures that were individually significant expenditures.
3. We selected expenditures based on our risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2020 and ending June 30, 2021.
4. Below table represents total tested transactions, which includes transfers out, and the percentage coverage to the total expenditures:

	Total Expenditures	Total Tested Expenditures	Testing Percentage
Measure BB	\$ 89,399,751	\$ 57,472,489	64%
2010 Measure H	184,915	184,915	100%
2014 Measure H	109,399,757	51,186,155	47%
Measure J	1,862,455	1,857,969	100%

5. We reviewed the actual invoices and other supporting documentation to determine that:
 - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
 - b. Expenditures were supported by proper bid documentation, as applicable.
 - c. Expenditures were expended in accordance with voter-approved bond project list.
 - d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.
6. We determined that the District has met the compliance requirements of all General Obligation Bond Funds (Measure BB, 2010 Measure H, 2014 Measure H, and Measure J) if the following conditions were met:
 - a. Supporting documents for expenditures were aligned with the voter-approved bond project list.
 - b. Supporting documents for expenditures were not used for salaries of school administrators or other operating expenses of the Districts.

Conclusion

The results of our tests indicated that, in all significant respects, Santa Clara Unified School District has properly accounted for the expenditures held in the Building Fund (Measure BB, 2010 Measure H, 2014 Measure H, and Measure J) and that such expenditures were made for authorized Bond projects.

None reported.

Santa Clara Unified School District
General Obligation Bond Funds
Summary Schedule of Prior Audit Findings
June 30, 2021

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.