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INDEPENDENT AUDITOR’S REPORT

To the Board of Trustees
Santa Clara Unified School District
Santa Clara, California

Report on the Financial Statements

We have audited the accompanying financial statements of Santa Clara Unified School District (the "District") Measure H of 2014 General Obligation Bonds (the "Bonds") activity included in the Building Fund of the District, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of 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.

(Continued)
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Clara Unified School District's Measure H of 2014 General Obligation Bonds activity as of June 30, 2016, and the 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 the financial activity and balances of the Measure H of 2014 General Obligation Bonds activity only, and do not purport to, and do not, present fairly the financial position of Santa Clara Unified School District as of June 30, 2016, or the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2017 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 for the Measure H of 2014 General Obligation Bonds activity. 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 for the Measure H of 2014 General Obligation Bonds activity. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Santa Clara Unified School District's internal control over financial reporting and compliance for the Measure H of 2014 General Obligation Bonds activity.

Crowe Horwath LLP
Sacramento, California
February 17, 2017
ASSETS
Cash in County Treasury (Note 3) $ 116,176,569
Cash with Fiscal Agent (Note 3) 6,095
Receivables 396,637
Due from District (Note 4) 708,749
Total assets $ 117,288,050

LIABILITIES AND FUND BALANCE
Accounts payable $ 2,294,338
Due to District (Note 4) 714,940
Total liabilities 3,009,278
Fund balance – restricted (Note 5) 114,278,772
Total liabilities and fund balance $ 117,288,050

See accompanying notes to financial statements.
SANTA CLARA UNIFIED SCHOOL DISTRICT
MEASURE H OF 2014 GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
For the Year Ended June 30, 2016

<table>
<thead>
<tr>
<th>Revenues:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>$1,091,306</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
</tr>
<tr>
<td>Classified salaries</td>
<td>96,515</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>45,563</td>
</tr>
<tr>
<td>Books and supplies</td>
<td>20,917</td>
</tr>
<tr>
<td>Contract services and operating expenditures</td>
<td>622,851</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>25,039,390</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>25,825,236</td>
</tr>
<tr>
<td>Change in fund balance</td>
<td>(24,733,930)</td>
</tr>
</tbody>
</table>

Fund balance, July 1, 2015 | 139,012,702
Fund balance, June 30, 2016 | $114,278,772

See accompanying notes to financial statements.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Santa Clara Unified School District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California School Districts. The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's California School Accounting Manual. The activities of the Measure H of 2014 General Obligation Bonds (the "Bonds") are recorded in the District's Building Fund. The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include the activity and balances of the Bonds, only. The activities of the Bonds are recorded in the District's Building Fund. These financial statements are not intended to present the financial position or results of operations of Santa Clara Unified School District as a whole.

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 collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

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 government funds. By State law, the District's Board of Trustees must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements.

The District's Board of Trustees and Superintendent revise the budgets 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.

Cash and Cash Equivalents: For the purpose of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Santa Clara County Treasury are considered cash equivalents.

Receivables: Receivables are made up principally of amounts due from local and state agencies for shared project reimbursements and funding. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2016.

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates: The presentation 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 during the reporting period. Actual results could differ from those estimates.

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. All encumbrances are liquidated as of June 30.

NOTE 2 – PURPOSE OF BOND ISSUANCE

Bond Authorization: The Santa Clara Unified School District, Santa Clara, California Measure H Election of 2014 General Obligation Bonds, were authorized at an election of the registered voters of the Santa Clara Unified School District held on November 4, 2014, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $419 million principal amount of general obligation bonds of the District. The proceeds of the Bonds are being issued to renovate and expand educational facilities. The Bonds are general obligations of the District, payable solely from ad valorem property taxes.

Purpose of Bonds: The summarized text of the ballot language was as follows:

“To repair or replace deteriorating roofs, plumbing and wiring, remove asbestos, lead and hazardous materials; to upgrade outdated classrooms and career training facilities to support 21st century learning and prepare students for college and careers; to acquire, renovate, construct/equip classrooms and facilities to relieve overcrowding and attract quality teachers, shall the Santa Clara Unified School District issue $419 million in bonds at legal rates, with independent citizen oversight, no money for administrators and all money staying local?”

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.

On May 14, 2015, the District issued Election of 2014, Series 2015 General Obligation Bonds totaling $140,700,000. The Bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through July 1, 2040.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments at June 30, 2016 consisted of the following:

Pooled Funds:
- Cash in County Treasury: $116,176,569

Investments:
- Cash with Fiscal Agent: $6,095

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Santa Clara County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the 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 basis.

Cash with Fiscal Agent: Cash with fiscal agent represents amounts held by a third party on behalf of the District. The balances are comprised entirely of cash equivalents and are carried at amortized cost.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2016, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2016, the District had no concentration of credit risk.

NOTE 4 – INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables / Payables: At June 30, 2016, $708,749 was due from the General Fund of the District, and $714,940 was due to the General Fund of the District.

Interfund Transfers: Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. There were no interfund transfers for the year ended June 30, 2016.
NOTE 5 – FUND BALANCE

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, Fund Balance Reporting and Governmental Fund Type Definitions (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of the Bonds is restricted, as described below.

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.
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
Santa Clara Unified School District
Santa Clara, 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 Santa Clara Unified School District Measure H of 2014 General Obligation Bonds activity included in the Building Fund of Santa Clara Unified School District as of and for the year ended June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated February 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Clara Unified School District's internal control over Measure H of 2014 General Obligation Bonds activity financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Santa Clara Unified School District's internal control over Measure H of 2014 General Obligation Bonds activity financial reporting. Accordingly, we do not express an opinion of the effectiveness of Santa Clara Unified School District's internal control over Measure H of 2014 General Obligation Bonds activity financial reporting.

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 Santa Clara Unified School District Measure H of 2014 General Obligation Bonds activity included in the Building Fund financial statements are free of material misstatement, we performed tests of Santa Clara Unified School District’s 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 over financial reporting 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.

Crowe Horwath LLP

Sacramento, California
February 17, 2017
No matters were reported.
No matters were reported.