

**ALUM ROCK UNION ELEMENTARY
SCHOOL DISTRICT**

**MEASURE I GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

June 30, 2023

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

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CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
BACKGROUND:	
LEGISLATIVE HISTORY	2
ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT MEASURE I GENERAL OBLIGATION BONDS.....	2
PERFORMANCE AUDIT:	
OBJECTIVES	3
SCOPE	3
METHODOLOGY	3
CONCLUSION.....	3

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Alum Rock Union Elementary School District
San Jose, California

We have conducted a performance audit of the Alum Rock Union Elementary School District (the "District") Measure I General Obligation Bond funds for the year ended June 30, 2023.

We conducted our performance audit in accordance with *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 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 on page 3 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure I General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Alum Rock Union Elementary School District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of Alum Rock Union Elementary School District to determine the audit procedures that are appropriate for the purpose of providing a conclusion on the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our procedures indicated that, in all significant respects, Alum Rock Union Elementary School District expended Measure I General Obligation Bond funds for the year ended June 30, 2023 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.


Crowe LLP

Sacramento, California
January 11, 2024

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
BACKGROUND

LEGISLATIVE HISTORY

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, "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT MEASURE I GENERAL OBLIGATION BONDS

On June 7, 2016, the electorate of the Alum Rock Union Elementary School District approved the \$139,999,672 Measure I general obligation bonds with greater than 55% of the votes in favor. The summarized text of the ballot language was as follows:

"To improve local neighborhood schools, fix leaky, deteriorated roofs, improve fire safety, repair/upgrade classrooms, improve student safety and security, renovate outdated restrooms, upgrade heating/ventilation/electrical systems for energy efficiency, and computer technology, shall \$139,999,671.60 of Alum Rock Union Elementary School District bonds approved by the voters in June 2008, be reapproved at legal rates to renovate, acquire, construct, repair classrooms, sites, facilities/equipment, with independent audits, citizens' oversight, no money for administrators' salaries and all money controlled locally..."

All bond expenditures are subject to review by a Citizens' Oversight Committee which reports to the public, as provided in Education Code Section 15278 *et seq.*

The financial activity related to the Measure I General Obligation Bonds is recorded in the Fund 21 (Building Fund) in the District's audited financial statements.

On July 19, 2022, the District issued 2016 Series A Bonds totaling \$40,000,000 in connection with the Measure I authorization. The 2016 Series A Bonds bear interest at rates ranging from 4.0% to 5.25% and mature in varying amounts through August 2047.

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure I General Obligation Bond funds for the year ended June 30, 2023 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all Measure I General Obligation Bond project expenditures for the year ended June 30, 2023 (the "List"). A total of \$11,461,682 in expenditures from July 1, 2022 through June 30, 2023 were identified.

METHODOLOGY

We performed the following procedures to the List of Measure I General Obligation Bond project expenditures for the year ended June 30, 2023:

- Verified the mathematical accuracy of the List.
- Reconcile the list to total bond expenditures as reported by the District in the District's audited Measure I General Obligation Bonds financial statements for the year ended June 30, 2023.
- Selected a total sample of 29 non-payroll, payroll and debt service expenditures totaling \$10,226,560. The sample was selected to provide a representation across specific construction projects, vendors, expenditure amounts, and other activity. The sample represented approximately 89% of the total expenditure value. Verified that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects. Verified that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CONCLUSION

The results of our procedures indicated that, in all significant respects, Alum Rock Union Elementary School District expended Measure I General Obligation Bond funds for the year ended June 30, 2023 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.