

SANTA CLARA UNIFIED SCHOOL DISTRICT
Santa Clara, California

MEASURE J GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2013

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REPORT OF INDEPENDENT AUDITORS

Board of Education
Santa Clara Unified School District
Santa Clara, California

We have conducted a performance audit of the Santa Clara Unified School District (the "District") Measure J General Obligation Bond funds for the year ended June 30, 2013.

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 J 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 Santa Clara Unified 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 Santa Clara Unified School District to determine if internal controls were adequate to help ensure 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. Accordingly, we do not express any assurance on the internal control.

The results of our procedures indicated that, in all significant respects, Santa Clara Unified School District expended Measure J General Obligation Bond funds for the year ended June 30, 2013 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 Horwath LLP

Sacramento, California
December 26, 2013

SANTA CLARA UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

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.

SANTA CLARA UNIFIED SCHOOL DISTRICT MEASURE J GENERAL OBLIGATION BONDS

On November 2, 2004, the electorate of Santa Clara Unified School District approved the \$315 million "Measure J" General Obligation Bonds with greater than 55% of the qualified votes in favor. The summarized text of the ballot language was as follows:

"To rehabilitate middle and high schools, improve student safety and qualify for State matching funds, shall Santa Clara Unified School District make seismic upgrades to classrooms and schools, add school facilities to relieve overcrowding, and repair deteriorated plumbing, sewers, bathrooms, leaky roofs, aging boilers, inadequate heating, electrical and building systems; by issuing \$315,000,000 of bonds at legal interest rates, with independent citizen oversight, no money for administrative salaries, and all money staying in our community to improve local schools?"

In August 2005, the District issued Election of 2004, Series 2005 General Obligation Bonds totaling \$78,890,000. In August 2008, the District issued Election of 2004, Series 2008 General Obligation Bonds totaling \$120,000,000. In June 2011, the District issued Election of 2004, Series 2011A General Obligation Bonds totaling \$91,140,000 and Election of 2004, Series 2011B General Obligation Bonds totaling \$25,000,000. The Series 2011A Bonds and Series 2011B Bonds represent the final issuances of bonds authorized under Measure J.

SANTA CLARA UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure J General Obligation Bond funds for the year ended June 30, 2013 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 J General Obligation Bond project expenditures for the year ended June 30, 2013. A total of \$56,545,200 in expenditures was identified from July 1, 2012 through June 30, 2013.

METHODOLOGY

We performed the following procedures to the list ("the List") of Measure J General Obligation Bond project expenditures for the year ended June 30, 2013:

- Interviewed District management to determine that controls over planning, bidding, contracting, expenditure of bond funds, and financial reporting have been put in place and are working as documented.
- Documented the District's procedures and controls over planning, bidding, contracting, expenditure of bond funds, and financial reporting.
- Performed tests to determine that the District controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Verified the mathematical accuracy of the List.
- Agreed the List to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2013, presented as the Building Fund.
- Selected a sample of 27 expenditures totaling \$5,402,664. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 10% of the total expenditure value. Verified that the expenditures were for the approved projects and were to construct, upgrade, and improve classrooms and school facilities, renovate restrooms and plumbing, upgrade electrical systems, replace heating and air conditioning systems or to make health and safety improvements.

CONCLUSION

The results of our procedures indicated that, in all significant respects, Santa Clara Unified School District expended Measure J General Obligation Bond funds for the year ended June 30, 2013 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.
