

FREMONT UNIFIED SCHOOL DISTRICT

**MEASURE E
GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2015

DRAFT

**FREMONT UNIFIED SCHOOL DISTRICT
MEASURE E
GENERAL OBLIGATION BONDS – PERFORMANCE AUDIT**

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Trustees and Citizens' Bond
Oversight Committee for Measure E
Fremont Unified School District
Fremont, California

We were engaged to conduct a performance audit of the Fremont Unified School District (the District), Measure E 2014 General Obligation Bond funds for the year ended June 30, 2015.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our 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. Management is responsible for the District's Measure E funds' compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's Measure E funds' internal control in order to determine if the internal controls were adequate to help ensure the District's Measure E funds' 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 on the effectiveness of the District's Measure E Fund's internal controls. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure E General Obligation Bond 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
_____, 2016

**FREMONT UNIFIED SCHOOL DISTRICT
MEASURE E OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2015

AUTHORITY FOR ISSUANCE

The Measure E Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized pursuant to a request of the District made by a resolution adopted by the Board of Education of the District.

The District received authorization at an election held on June 3, 2014, to issue bonds of the District in an aggregate principal amount not to exceed \$650,000,000 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). The Bonds represent the first series of the authorized bonds to be issued under the 2014 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which includes to update technology/aging classrooms, math, science/computer labs for 21st Century learning; to upgrade electrical wiring to current safety codes; to fix/replace leaky roofs, aging plumbing/restrooms, remove asbestos; and to repair, construct, acquire equipment, classrooms, sites and facilities.

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 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 District to appoint a citizen's oversight committee.
4. Requires the 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 District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**FREMONT UNIFIED SCHOOL DISTRICT
MEASURE E OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2015

OBJECTIVES OF THE AUDIT

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

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2014 to June 30, 2015. The population of expenditures tested included all object and project codes associated with the Measure E 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, 2015 were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2015 for the Building Fund Measure E funds. Within the fiscal year audited, we obtained the actual invoices 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 as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2014 and ending June 30, 2015, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included 14 transactions totaling \$2,534,558, including \$2,505,400 of construction costs and \$29,158 of salaries, overtime, and benefits. This represents 41 percent of the total expenditures of \$6,204,748.
3. We verified that funds from the Building Fund Measure E funds were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held in the Building Fund Measure E funds were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CONCLUSION

The results of our tests indicated that, in all significant respects, the Fremont Unified School District has properly accounted for the expenditures held in the Building Fund Measure E funds and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Building Fund Measure E funds, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**FREMONT UNIFIED SCHOOL DISTRICT
MEASURE E OBLIGATION BONDS
PERFORMANCE AUDIT - FINDINGS**

JUNE 30, 2015

None noted.

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