

LOS GATOS UNION SCHOOL DISTRICT

MEASURE E - BUILDING FUND

**SANTA CLARA COUNTY
LOS GATOS, CALIFORNIA**

PERFORMANCE AUDIT

JUNE 30, 2014

**LOS GATOS UNION SCHOOL DISTRICT
MEASURE E - BUILDING FUND
PERFORMANCE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Los Gatos Union School District

and

Citizens' Oversight Committee
Measure E, General Obligation Bonds, Election of 2010

We have conducted a performance audit of Los Gatos Union School District's Measure E - Building Fund's compliance with California Proposition 39, as incorporated in Article XIII A of the California Constitution, for the fiscal year ended June 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our performance audit.

We conducted this performance audit in accordance with 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 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 does not provide a legal determination on the District's compliance with specific requirements.

The attached performance audit presents the objectives and scope of services for the audit of the Measure E - Building Fund Program. The report also includes the procedures performed and the results of those procedures.

In our opinion, Los Gatos Union School District's Measure E - Building Fund Program complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2014. This report is intended solely for the information and use of the District's Board, and the Measure E, General Obligation Bonds, Election of 2010, Citizens' Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2014

LOS GATOS UNION SCHOOL DISTRICT
MEASURE E - BUILDING FUND
PERFORMANCE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

EXECUTIVE SUMMARY

Background

In a general election held on November 7, 2000, California voters approved Proposition 39, which provides that the governing board of a school district may pursue the authorization and issuance of bonds by a 55% vote of the electorate. As a result of the passage of Proposition 39, language was added to the Education Code addressing the requirement to establish a Citizens' Oversight Committee to monitor and audit bond proceeds to ensure they are spent only on school and classroom improvements and not for any other purpose.

Proposition 39 contains two specific reporting requirements that are applicable to the District's general obligation bond program. The first requirement is for school district boards to provide for an annual, independent financial audit of the proceeds from the sale of the bonds until all of the funds have been expended for school facilities projects. The second requirement is for school district boards to provide for an annual, independent performance audit to ensure that the bond funds have been expended only on the specific projects listed in the ballot measure.

Financial audits provide reasonable assurance about whether the financial statements of an entity present fairly the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Performance audits are an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of an organization, program, or activity, in order to provide information to improve public accountability and facilitate decision making by parties with responsibility to oversee or initiate corrective action.

The Board of Trustees of Los Gatos Union School District voted to place a 55% school facilities bond (Measure E) on the June 2010 ballot. On June 8, 2010, the Measure E, General Obligation Bonds, Election of 2010, were authorized at a general election of the registered voters of the District, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of general obligation bonds with a principal amount not to exceed \$30.9 million.

Los Gatos Union School District engaged Stephen Roatch Accountancy Corporation to perform the required financial and performance audits of the Measure E - Building Fund for the fiscal year ended June 30, 2014.

Objective

The objective of the performance audit is to provide an independent assessment of the District's compliance with certain state laws and procedures, as specified by the Los Gatos Union School District, for the purpose of assisting the Measure E, General Obligation Bonds, Election of 2010 Citizens' Oversight Committee to:

- Inform the public concerning the expenditure of bond funds.
- Ensure that bond funds are expended only for the purposes described in the ballot measure.
- Ensure that no funds are used for any teacher or administrative salaries or any other school operating expenditures.

LOS GATOS UNION SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

EXECUTIVE SUMMARY (CONCLUDED)

Scope of Services

To achieve the stated objective, the Los Gatos Union School District requested Stephen Roatch Accountancy Corporation conduct a performance audit that consists solely of the following procedures:

- Review expenditures made from the bond proceeds and determine if the bond funds were used only for the purposes of 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. (California Constitution, Article XIII A, 1(b)(3)(A))
- Review expenditures made from the bond proceeds and determine if any of the bond funds were used to pay for teacher or administrative salaries, or any other school operating expenditures. (California Constitution, Article XIII A, 1(b)(3)(A))
- Review expenditures made from the bond proceeds and determine if the bond funds were spent only on projects identified in the ballot measure. (California Constitution, Article XIII A, 1(b)(3)(C))
- Review expenditures made from the bond proceeds and determine if bond funds were expended in accordance with District and State guidelines for bidding and procurement.
- Review the accounting system and account codes used by the District, and determine if they provide an adequate system for tracking bond fund expenditures by project.
- Review and evaluate whether the District's actions are consistent with assertions presented in the ballot measure.
- Review payments made to vendors and contractors to determine if the payments were made in accordance with required payment schedules.
- Review the bond sale transactions and determine if all bond proceeds were deposited into the appropriate District funds and/or bond trustee accounts.
- Make recommendations that will help to improve the District bond program, if applicable.

Conclusion

On December 5, 2014, Stephen Roatch Accountancy Corporation completed the above procedures, which constitute the performance audit of the Measure E - Building Fund, for the fiscal year ended June 30, 2014. The results of the performance audit are presented in the Summary of Audit Results section of this report.

SUMMARY OF AUDIT RESULTS

LOS GATOS UNION SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDIT RESULTS

1. Procedure:

Review expenditures that will be charged against the bond proceeds and determine if they were used only for the purposes of 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. (California Constitution, Article XIII A, 1(b)(3)(A))

Results:

All expenditures reviewed were made for allowable purposes in accordance California Constitution, Article XIII A, 1(b)(3)(A).

2. Procedure:

Review expenditures that will be charged against the bond proceeds and determine if they were used to pay for teacher or administrative salaries, or any other school operating expenditures. (California Constitution, Article XIII A, 1(b)(3)(A))

Results:

None of the expenditures reviewed were used to pay for teacher or administrative salaries, or any other school operating expenditures prohibited by California Constitution, Article XIII A, 1(b)(3)(A).

3. Procedure:

Review expenditures that will be charged against the bond proceeds and determine if they were spent only on projects identified in the ballot measure. (California Constitution, Article XIII A, 1(b)(3)(C))

Results:

All expenditures reviewed were made for projects that were identified in the ballot measure.

4. Procedure:

Review expenditures that will be charged against the bond proceeds and determine if they were expended in accordance with District and State guidelines for bidding and procurement.

Results:

We noted no instances where District and State guidelines for bidding and procurement were not followed.

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SUMMARY OF AUDIT RESULTS (CONCLUDED)

5. Procedure:

Review the accounting system and account codes used by the District, and determine if they provide an adequate system for tracking bond fund expenditures by project.

Results:

The accounting system and account codes used by the District provide an adequate system for tracking bond fund expenditures by project.

6. Procedure:

Review and evaluate whether the District's actions are consistent with assertions presented in the ballot measure.

Results:

The District's actions appear to be consistent with assertions presented in the ballot measure.

7. Procedure:

Review payments made to vendors and contractors to determine if the payments were made in accordance with required payment schedules.

Results:

All payments reviewed were made in accordance with required payment schedules.

8. Procedure:

Review the bond sale transactions and determine if all bond proceeds were deposited into the appropriate District funds and/or bond trustee accounts.

Results:

There were no general obligation bonds sold during fiscal year 2013-14.

9. Procedure:

Make recommendations that will help to improve the District bond program, if applicable.

Results:

There are no recommendations to report as a result of this performance audit.