

CUPERTINO UNION SCHOOL DISTRICT

**2012 MEASURE H
GENERAL OBLIGATION BOND FUND
PERFORMANCE AUDIT**

FOR THE YEAR ENDED JUNE 30, 2013

**CUPERTINO UNION SCHOOL DISTRICT
2012 MEASURE H GENERAL OBLIGATION BOND FUND**

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JUNE 30, 2013**

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and Citizens Oversight Committee
Cupertino Union School District
Cupertino, California

We were engaged to conduct a performance audit of the 2012 Measure H General Obligation Bond Fund (the Fund) of the Cupertino Union School District (the District) for the year ended June 30, 2013.

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 Fund'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 compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of internal control.

The results of our tests indicated that the Fund expended bond proceeds only for the specific projects approved by Measure H, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Palo Alto, California
November 8, 2013

**CUPERTINO UNION SCHOOL DISTRICT
2012 MEASURE H GENERAL OBLIGATION BOND FUND**

JUNE 30, 2013

AUTHORITY FOR ISSUANCE

The Measure H Bonds (the 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 District received authorization at an election held on June 5, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$220,000,000 to finance specific construction and renovation projects approved by eligible voters. The proposition required approval by at least 55 percent of the votes. The Bonds represent the first series of the authorized bonds to be issued under the 2012 Authorization.

PURPOSE OF ISSUANCE

The proceeds from the bonds are used to finance the design, acquisition, installation, restoration and construction of the District's public schools.

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 school 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 school district to appoint a citizens oversight committee.
4. Requires the school 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 school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**CUPERTINO UNION SCHOOL DISTRICT
2012 MEASURE H GENERAL OBLIGATION BOND FUND**

JUNE 30, 2013

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Fund are consistent with the project list approved by the voters through the approval of Measure H.
2. Determine whether salary transactions, charged to the Fund are in support of the approved project list and not for district general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2012 to June 30, 2013. The population of expenditures tested included all object and project codes associated with the 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, 2013, 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 period July 1 2012 through June 30, 2013. From the population of expenditures, we obtained the 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 and the approved project list authorized by Measure H. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2012 and ending June 30, 2013, 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 38 transactions totaling \$6,275,537. This represents 57 percent of the \$10,974,136 of total expenditures.
3. We verified that proceeds of Bonds were only expended in support of construction, renovation, furnishing and equipping of District facilities constituting authorized Measure H projects.

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Fund and that such expenditures were made for authorized projects as stipulated in Measure H.

**CUPERTINO UNION SCHOOL DISTRICT
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

None reported.