

SAN LEANDRO UNIFIED SCHOOL DISTRICT

MEASURE B
2006 GENERAL OBLIGATION BONDS

AUDIT REPORT
JUNE 30, 2014

**SAN LEANDRO UNIFIED SCHOOL DISTRICT
BUILDING FUND MEASURE B**

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JUNE 30, 2014**

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board and
Citizens Oversight Committee
San Leandro Unified School District
San Leandro, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Leandro Unified School District's (the District), Measure B General Obligation Bonds, (the Bonds), and the related notes to the financial statements, as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure B General Obligation Bonds of the San Leandro Unified School District at June 30, 2014, and the changes in financial position for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure B Fund specific to the Measure B General Obligation Bonds, and are not intended to present fairly the financial position and changes in financial position of San Leandro Unified School District in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2015, on our consideration of the Measure B General Obligation Bonds internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's Building Fund's (General Obligation Bonds, Measure B) internal control over financial reporting and compliance

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
March 11, 2015

**SAN LEANDRO UNIFIED SCHOOL DISTRICT
BUILDING FUND MEASURE B**

**BALANCE SHEET
JUNE 30, 2014**

ASSETS

Cash and investments	\$ 18,619,742
Accounts receivable	11,745
Due from other funds	1,516,451
Total Assets	<u>\$ 20,147,938</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 1,038,260
Due to other fund	423
Total Liabilities	<u>1,038,683</u>

FUND BALANCES

Restricted	<u>19,109,255</u>
Total Fund Balances	<u>19,109,255</u>
Total Liabilities and Fund Balances	<u>\$ 20,147,938</u>

The accompanying notes are an integral part of these financial statements.

**SAN LEANDRO UNIFIED SCHOOL DISTRICT
BUILDING FUND MEASURE B**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

REVENUES	
Interest income	\$ 35,448
Total Revenues	<u>35,448</u>
EXPENDITURES	
Current expenditures	
Salaries	164,635
Books and supplies	127,669
Services and operating expenditures	197,277
Capital outlay	
Buildings	10,680,376
Total Expenditures	<u>11,169,957</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(11,134,509)
OTHER FINANCING SOURCES /(USES)	
Proceeds from sale of bond - deposit to building fund	11,670,000
Proceeds from Qualified Zone Academy Lease	5,000,000
Transfers in	1,961,234
Total other financing sources (uses)	<u>18,631,234</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	7,496,725
FUND BALANCE, BEGINNING OF YEAR	11,612,530
FUND BALANCE, END OF YEAR	<u>\$ 19,109,255</u>

The accompanying notes are an integral part of these financial statements.

**SAN LEANDRO UNIFIED SCHOOL DISTRICT
BUILDING FUND MEASURE B**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Leandro Unified School District Building Fund Measure B conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The San Leandro Unified School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund of the San Leandro Unified School District used to account for Measure B projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2006. These financial statements are not intended to present fairly the financial position and results of operations of the San Leandro Unified School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure B Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Measure B Building Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**SAN LEANDRO UNIFIED SCHOOL DISTRICT
BUILDING FUND MEASURE B**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Encumbrances

The District and Measure B Building Fund utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Fund Balances - Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Spending Order

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**SAN LEANDRO UNIFIED SCHOOL DISTRICT
BUILDING FUND MEASURE B**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 - INVESTMENTS

Policies and Practices

The District and the Measure B Building Fund are authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State: U.S. Treasury instrument; registered State warrants or treasury notes: securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

The District and the Measure B Building Fund are considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the investment in the pool is reported in the accounting financial statement at amounts based upon the pro-rata share of the fairly value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District and the Measure B Building Fund manages its exposure to interest rate risk by investing in the County Pool (and LAIF).

**SAN LEANDRO UNIFIED SCHOOL DISTRICT
BUILDING FUND MEASURE B**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District and Measure B portfolios is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Days</u>
County Pool	<u>\$ 18,619,742</u>	<u>535</u>

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, consisted of the following:

Interest	<u>\$ 11,745</u>
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NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

Vendor payables	<u>\$ 1,038,260</u>
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NOTE 5 - INTERFUND TRANSACTIONS

Interfund receivable balance at June 30, 2014, was as follows:

To transfer Korematsu school building costs contributed by City of San Leandro into construction fund	<u>\$ 1,516,451</u>
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Interfund payable balance at June 30, 2014, was as follows:

To transfer packing project costs	<u>\$ 423</u>
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NOTE 6 - COMMITMENTS AND CONTINGENCIES

Litigation

The District and the Measure B Building Fund is involved from time to time in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

**SAN LEANDRO UNIFIED SCHOOL DISTRICT
BUILDING FUND MEASURE B**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Construction Commitments

At June 30, 2014, The Measure B Building Fund had the following construction commitments with respect to unfinished capital projects:

Measure B Projects	Remaining Construction Commitment	Expected Date of Completion
Bancroft modernization	1,647,083	August-16
Garfield modernization	156,216	August-16
Jefferson modernization	958,516	August-16
Madison modernization	886,013	August-16
McKinley modernization	899,836	August-16
Monroe modernization	570,265	August-16
Adult school modular	47,798	August-16
Muir modernization	1,332,991	August-16
Roosevelt modernization	564,691	August-16
San Leandro High modernization	5,072,714	June-15
Districtwide projects	3,547,794	June-15
Washington modernization	681,981	August-16
Wilson modernization	842,846	August-16
Total	\$ 17,208,744	

INDEPENDENT AUDITORS' REPORT



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board and
Citizens Oversight Committee
San Leandro Unified School District
San Leandro, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Leandro Unified School District Building Fund Measure B as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise San Leandro Unified School District Building Fund Measure B's basic financial statements, and have issued our report thereon dated March 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Leandro Unified School District Measure B's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Leandro Unified School District Measure B's internal control. Accordingly, we do not express an opinion on the effectiveness of San Leandro Unified School District Measure B's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the San Leandro Unified School District Measure B's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Leandro Unified School District's Building Fund Measure B financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the San Leandro Unified School District Measure B's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the San Leandro Unified School District Measure B's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
March 11, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SAN LEANDRO UNIFIED SCHOOL DISTRICT
BUILDING FUND MEASURE B**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2014**

None reported.

**SAN LEANDRO UNIFIED SCHOOL DISTRICT
BUILDING FUND MEASURE B**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

None reported.