

SANGER UNIFIED SCHOOL DISTRICT

**BUILDING FUND (MEASURE S)
FINANCIAL AND PERFORMANCE AUDITS**

JUNE 30, 2014

SANGER UNIFIED SCHOOL DISTRICT

**BUILDING FUND (MEASURE S)
FINANCIAL AUDIT**

JUNE 30, 2014

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

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JUNE 30, 2014**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board and
Citizen's Oversight Committee
Sanger Unified School District
Sanger, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Sanger Unified School District's (the District), Building Fund (Measure S), as of and for the year ended June 30, 2014, and the related notes to the financial statements, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure S) of the Sanger Unified School District at June 30, 2014, and the respective changes in financial position for the year then ended in accordance 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 Building Fund specific to Measure S, and are not intended to present fairly the financial position and changes in financial position of Sanger Unified School District in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming opinions on the Sanger Unified School District's Building Fund (Measure S) financial statements. The Schedule of Long-Term Obligations and Reconciliation of Annual Financial Report with Audited Building Fund are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Long-Term Obligation and Reconciliation of Annual Financial Report with Audited Building Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the Building Fund (Measure S) financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2014, on our consideration of the District's Building Fund (Measure S) 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 (Measure S) internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinuk, Trine, Day & Co. LLP

Fresno, California
December 13, 2014

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

**BALANCE SHEET
JUNE 30, 2014**

ASSETS

Deposits and investments	\$ 12,753,489
Accounts receivable	40,976
Total Assets	<u><u>\$ 12,794,465</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 1,896,833
Due to other funds	35,000
Total Liabilities	<u>1,931,833</u>

FUND BALANCES

Restricted	10,862,632
Total Fund Balances	<u>10,862,632</u>
Total Liabilities and Fund Balances	<u><u>\$ 12,794,465</u></u>

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

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

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

REVENUES

Federal sources	\$ 1,130,060
Interest revenue	293,470
Other local revenue	232
Total Revenues	<u>1,423,762</u>

EXPENDITURES

Current

Salaries and benefits	6,114
Supplies	53,857
Services	14,958
Capital outlay	4,382,238
Other outgo	1,130,060
Total Expenditures	<u>5,587,227</u>

NET CHANGE IN FUND BALANCES

FUND BALANCE - BEGINNING

FUND BALANCE - ENDING

(4,163,465)

15,026,097

\$ 10,862,632

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

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Sanger Unified School District Building Fund (Measure S) 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 (AICPA). The Sanger 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 Sanger Unified School District used to account for Measure S. This Fund was established to account for the expenditures of general obligation bonds issued under Measure S. These financial statements are not intended to present fairly the financial position and results of operations of the Sanger Unified School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the 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 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 balance 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.

SANGER UNIFIED SCHOOL DISTRICT BUILDING FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Encumbrances

The District 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 - Building Fund (Measure S)

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

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.

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.

NOTE 2 - INVESTMENTS

Policies and Practices

The District is 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 is 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 District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair 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.

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

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

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
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	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 manages its exposure to interest rate risk by investing in the Fresno County Investment Pool. The District maintains a building fund investment of \$12,753,489 with the Fresno County Investment Pool with an average maturity of approximately three years.

NOTE 3 - ACCOUNTS RECEIVABLE

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

Local revenue	\$ 40,976
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**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

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

NOTE 4 - ACCOUNTS PAYABLE

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

Vendor payables	<u><u>\$ 1,896,833</u></u>
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NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2014, are as follows:

The Building Fund owes the County School Facilities Fund for construction expenses.	<u><u>\$ 35,000</u></u>
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NOTE 6 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2014, the Building Fund (Measure S) had the following commitments with respect to the unfinished projects:

Measure S Projects	Remaining Construction Commitment	Expected Date of Completion
Sanger High School - fire alarm project	\$ 220,860	December 2014
Centerville Elementary - HVAC project	622,087	December 2014
Jackson Elementary - HVAC project	1,083,002	December 2014
Sanger High School - door hardware project	123,964	September 2014
Del Rey Elementary - HVAC project	647,359	April 2015
Lone Star Elementary - HVAC project	176,539	September 2014
Portable classrooms project	1,110,000	December 2014
Dodson field improvements	1,026,403	December 2014
Total Projected Cost Remaining	<u><u>\$ 5,177,814</u></u>	

Litigation

The District is not currently a party to any legal proceedings regarding bond projects.

SUPPLEMENTARY INFORMATION

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2014**

2006 General Obligation Bonds

The Sanger Unified School District 2006 General Obligation Bonds were issued in the aggregate principal amount of \$30,799,481 by the Board of Supervisors of the County of Fresno on behalf of the Sanger Unified School District. The bonds were authorized at an election by voters on November 6, 2006, at which 55 percent or more of the voters authorized issuance of \$30,800,000 of general obligation bonds. The bonds were issued as both current interest bonds and capital appreciation bonds.

The Sanger Unified School District 2012, Series A, General Obligation Bonds were issued in the aggregate principal amount of \$15,000,000 by the Board of Supervisors of the County of Fresno on behalf of the Sanger Unified School District. The bonds were authorized at an election by voters on November 6, 2012, at which 55 percent or more of the voters authorized issuance of \$50,000,000 of general obligation bonds. The bonds were issued as current interest bonds.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2013	Accreted Interest/ Issued	Bonds Redeemed	Bonds Outstanding June 30, 2014
7/20/2006	8/1/2033	3.625-5.0	\$ 30,789,481	\$ 31,398,148	\$ 345,380	\$ 530,000	\$ 31,213,528
3/12/2013	8/1/2042	2.00-4.12	15,000,000	15,000,000	-	-	15,000,000
	Premium		586,569	586,569	-	19,552	567,017
	Total		<u>\$ 46,376,050</u>	<u>\$ 46,984,717</u>	<u>\$ 345,380</u>	<u>\$ 549,552</u>	<u>\$ 46,780,545</u>

Debt Service Requirements to Maturity

2006 Current Interest - Payment Summary

The bonds mature through 2034 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2015	\$ 640,000	\$ 1,167,631	\$ 1,807,631
2016	755,000	1,142,031	1,897,031
2017	880,000	1,111,831	1,991,831
2018	1,015,000	1,076,631	2,091,631
2019	1,160,000	1,036,031	2,196,031
2020-2024	8,580,000	4,144,375	12,724,375
2025-2028	11,210,000	1,473,250	12,683,250
Total	<u>\$ 24,240,000</u>	<u>\$ 11,151,780</u>	<u>\$ 35,391,780</u>

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2014**

2006 Capital Appreciation - Accretion Summary

<u>Year of Maturity</u>	<u>Full Maturity Amount</u>	<u>Accreted Obligation</u>	<u>Unaccreted Obligation</u>
2029	\$ 3,575,000	\$ 1,756,040	\$ 1,818,960
2030	3,750,000	1,747,500	2,002,500
2031	3,940,000	1,739,904	2,200,096
2034	4,135,000	1,730,084	2,404,916
Total	<u>\$ 15,400,000</u>	<u>\$ 6,973,528</u>	<u>\$ 8,426,472</u>

2012 Series A Obligation

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 1,080,000	\$ 598,350	\$ 1,678,350
2016	1,095,000	566,750	1,661,750
2017	-	544,850	544,850
2018	-	544,850	544,850
2019	-	544,850	544,850
2020-2024	555,000	2,692,650	3,247,650
2025-2029	1,330,000	2,530,101	3,860,101
2030-2034	2,365,000	2,226,664	4,591,664
2035-2039	3,915,000	1,558,500	5,473,500
2040-2043	4,660,000	435,673	5,095,673
Total	<u>\$ 15,000,000</u>	<u>\$ 12,243,238</u>	<u>\$ 27,243,238</u>

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
GENERAL OBLIGATION BOND FUND
JUNE 30, 2014**

Summarized below are the fund balance reconciliations between the Unaudited Actual General Building Fund (Measure S) and the audited Building Fund (Measure S).

	<u>Building Fund</u>
FUND BALANCE	
Balance, June 30, 2014, Unaudited Actuals	\$ 10,746,895
Increase in:	
Cash in county treasury - FMV adjustment	115,737
Balance, June 30, 2014, Audited Building Fund (Measure S)	<u>\$ 10,862,632</u>

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Long-Term Obligations

This schedule provides a debt repayment schedule associated with the bond proceeds received through issuance of Building Fund (Measure S) obligations.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of the Building Fund (Measure S) reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORT



**INDEPENDENT AUDITOR'S 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
Citizen's Oversight Committee
Sanger Unified School District
Sanger, 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 accompanying financial statements of the Sanger Unified School District (the District) Building Fund (Measure S), as of and for the year ended June 30, 2014, and the related notes of the financial statements, and have issued our report thereon dated December 13, 2014.

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure S, and are not intended to present fairly the financial position and changes in financial position of Sanger Unified School District in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanger Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sanger Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanger Unified School District's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be, significant deficiencies or material weaknesses. 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 Sanger Unified School District's Building Fund (Measure S) 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinck, Trine, Day + Co. LLP

Fresno, California
December 13, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2014**

None reported.

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

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

There were no audit findings reported in the prior year's schedule of financial statement findings.

SANGER UNIFIED SCHOOL DISTRICT

**BUILDING FUND (MEASURE S)
PERFORMANCE AUDIT**

JUNE 30, 2014

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND - MEASURE S GENERAL OBLIGATION BONDS**

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JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and
Citizen's Oversight Committee
Sanger Unified School District
Sanger, California

We were engaged to conduct a performance audit of the Sanger Unified School District (the District) Building Fund (Measure S) for the year ended June 30, 2014.

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 compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's 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 the District's internal control.

The results of our tests indicated that the District expended Building Fund (Measure S) 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

Fresno, California
December 13, 2014

SANGER UNIFIED SCHOOL DISTRICT BUILDING FUND

JUNE 30, 2014

AUTHORITY FOR ISSUANCE

The Proposition 39 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 to be issued by a resolution adopted by the Board of Education of the District.

The District received authorizations at elections held on November 6, 2006, and November 6, 2012, to issue bonds of the District in aggregate principal amounts not to exceed \$30,800,000 and \$50,000,000, respectively, 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 Bonds represent the first and second series of the authorized bonds to be issued under the 2006 Authorization and the first series of the authorized bonds to be issued under the 2012 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. An excerpt from the ballot language is as follows:

2006 Election:

"To add classrooms throughout the District, allow the District to access State matching funds, construct a new elementary school, acquire land for a future elementary, middle and high school, repair and upgrade classrooms and facilities, upgrade classroom electrical systems for modern technology, make health and safety improvements, retire facilities debt, shall the Sanger Unified School District issue \$30,800,000 of bonds within legal interest rates, with citizen oversight, independent audits and No money for administrative salaries".

2012 Election:

"To offset severe state budget cuts, maintain quality neighborhood schools, and retain/attract quality teachers by: Upgrading deteriorating classrooms, science labs, vocational education classrooms, libraries, and fire safety systems; Repairing electrical systems, leaky roofs, plumbing/restrooms; Upgrading classroom technology; Ensuring handicapped accessibility; and Constructing/equipping school facilities/acquiring sites. Shall Sanger Unified School District issue \$50 million in bonds at legal interest rates, with independent annual audits, no money for administrators' salaries or pensions, and all money used locally".

SANGER UNIFIED SCHOOL DISTRICT BUILDING FUND

JUNE 30, 2014

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 citizen's 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.

OBJECTIVES OF THE AUDIT

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

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2013 to June 30, 2014. 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, 2014 were not reviewed or included within the scope of our audit or in this report.

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

JUNE 30, 2014

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2014 for the Building Fund (Measure S). 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 and Measure S 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, 2013 and ending June 30, 2014, 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 transactions totaling \$3,430,602. This represents 61.4 percent of the total expenditures of \$5,587,227 including expenditures related to project costs and debt service payments.
3. We verified that funds from the Building Fund (Measure S) were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

CONCLUSION

The results of our tests indicated that, in all significant respects, the Sanger Unified School District has properly accounted for the expenditures held in the Building Fund (Measure S) and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Building Fund, and expended by the District, were not used for any administrative salaries.

**SANGER UNIFIED SCHOOL DISTRICT
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

None reported.

**SANGER UNIFIED SCHOOL DISTRICT
BUILDING FUND**

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

There were no audit findings reported in the prior year's schedule of financial statement findings.