

**MEASURE I BOND BUILDING FUND  
OF  
ALAMEDA UNIFIED SCHOOL DISTRICT**

**FINANCIAL AND PERFORMANCE BOND  
AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
TABLE OF CONTENTS  
JUNE 30, 2019**

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	<u>Page</u>
Introduction and Citizens' Bond Oversight Committee Member Listing .....	1
Independent Auditors' Report .....	2

**FINANCIAL SECTION**

Balance Sheet.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance .....	5
Notes to the Financial Statements .....	6

**OTHER INDEPENDENT AUDITORS' REPORTS**

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 <i>Government Auditing Standards</i> .....	14
Independent Auditors' Report on Performance .....	16

**FINDINGS AND RESPONSES SECTION**

Audit Procedures and Results .....	18
Schedule of Findings and Recommendations.....	21

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING  
JUNE 30, 2019**

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Alameda Unified School District boundaries encompass the City of Alameda. The District provides education for grades K-12 and is currently operating ten elementary schools, three middle schools, two high schools, one continuation school, one early college high school, one adult school, and one child development center. Five charter schools also operate within the District boundaries.

On November 4, 2014, voters passed ballot Measure I, authorizing the issuance of \$179,500,000 of general obligation bonds. The issue of the general obligation bonds (Series A) occurred on June 5, 2015, for a principal amount of \$90,000,000. The issue of the general obligation bonds (Series B) occurred on April 6, 2018, for a principal amount of \$27,000,000. The funds were deposited into the Alameda County Treasury. All warrants are pre-audited and processed by the Alameda County Office of Education. All Measure I building funds are accounted for in Fund 21 of the District's general ledger.

Measure I is a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure I including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

As of June 30, 2019, the Citizens' Oversight Committee was comprised of the following members.

<b>Name</b>	<b>Title</b>	<b>Representation</b>
Don Sherratt	Chair	Senior Citizen
Sarah Olaes	Vice-Chair	Member at Large
Liana Hans	Member	Business Representative
John Baum	Member	Parent
Michelle Pero	Member	Parent Active in PTA
Rohit Reddy	Member	Member of Taxpayer Organization
<i>*Vacant</i>	<i>Member</i>	<i>Member at Large</i>

*\* As of June 30, 2019, the committee was actively seeking a member member-at-large during the year to fill the vacant seat on the committee.*

## INDEPENDENT AUDITORS' REPORT

Governing Board Members and  
Measure I Citizens' Oversight Committee  
Alameda Unified School District  
Alameda, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I Bond Building Fund of Alameda Unified School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Measure I Bond Building Fund's basic 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 statements 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the financial statements, whether due to fraud or error. 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 respective financial position of the Measure I Bond Building Fund as of June 30, 2019 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2020, on our consideration of the District'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 specific to the Measure I Bond Building Fund. The purpose of that report is solely 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 effectiveness of the Measure I Bond Building Fund's 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 internal control over financial reporting and compliance.

### **Report of Other Legal and Regulatory Requirements**

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have issued our performance audit dated January 20, 2020, on our consideration of the District's compliance with the requirements of Proposition 39 as it directly relates to the Measure I Bond Building Fund. That report is an integral part of our audit of the Measure I Bond Building Fund of Alameda Unified School District, as of and for the year ended June 30, 2019, and should be considered in assessing the results of our financial audit.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
January 20, 2020

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## **FINANCIAL SECTION**

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**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
JUNE 30, 2019**

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**ASSETS**

Cash and investments	\$	28,270,916
Accounts receivable		<u>122,311</u>
<b>Total Assets</b>		<u><b>28,393,227</b></u>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accrued liabilities	\$	<u>6,319,799</u>
<b>Total liabilities</b>		<u><b>6,319,799</b></u>

**Fund Balance**

Restricted for Measure I projects		<u>22,073,428</u>
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<b>Total Liabilities and Fund Balance</b>	\$	<u><b>28,393,227</b></u>
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The notes to the financial statements are an integral part of this statement.

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**REVENUES**

All other state revenue	\$	27,461
Local revenues - interest		632,751
Other local income		<u>16,557</u>

<b>Total Revenues</b>		<u>676,769</u>
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**EXPENDITURES**

Plant services		928,864
Facilities acquisition and construction		<u>36,153,961</u>

<b>Total Expenditures</b>		<u>37,082,825</u>
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<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>		<u>(36,406,056)</u>
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**OTHER FINANCING USES**

Interfund transfers out		(74,250)
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<b>Net Change in Fund Balance</b>		(36,480,306)
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<b>Fund Balance, July 1, 2018</b>		<u>58,553,734</u>
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<b>Fund Balance, June 30, 2019</b>	\$	<u>22,073,428</u>
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The notes to the financial statements are an integral part of this statement.



**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Alameda Unified School District boundaries encompass the City of Alameda. The District provides education for grades K-12 and is currently operating ten elementary schools, three middle schools, two high schools, one continuation school, one early college high school, one adult school, and one child development center. Five charter schools also operate within the District boundaries.

The first issue of the general obligation bonds (Series A) occurred on June 5 2014, for a principal amount of \$90,000,000. The second issue of the general obligation bonds (Series B) occurred on April 6, 2018 for a principal amount of \$27,000,000. The funds were deposited into the Alameda County Treasury. All warrants are pre-audited and processed by the Alameda County Office of Education. All Measure I building funds are accounted for in Fund 21 of the District's general ledger.

Because the Bond required only 55% of the vote in accordance with Proposition 39 (Article XIII of the California State Constitution), the District was required to establish a citizens' bond oversight committee and to conduct a financial and performance audit.

The Committee's oversight goals include ensuring expenditures are within the language of the ballot measure and advising the District's Governing Board on various projects. The citizens' oversight committee must include, among others, representation of a bona fide taxpayers association, a business organization, and a senior citizens organization. No District employees or vendors are allowed to serve on the citizens' oversight committee.

The fund financial statements are for the Measure I Bond Building Fund. Since this is just one component of the district, these financial statements are not intended to be a complete presentation of the District's financial position or results of operations. Accordingly, these fund statements do not include a government wide financial statement, management discussion and analysis or related organizational disclosures. The audited financial statements of Alameda Unified School District include the Measure I Bond Building Fund activities, related debt and disclosures as well as the management discussion and analysis

An advisory committee to the District's Governing Board and Superintendent, the Measure I Citizens' Oversight Committee ("COC") was established pursuant to the requirements of state law and the provisions of Measure I.

The purpose of the COC is to inform the public concerning the use of bond proceeds. The COC is required by state law to actively review and report on the proper expenditure of taxpayers' money for school construction. The COC provides oversight and advises the public as to whether the District is spending the Measure I Bond Building funds for school capital improvements within the scope of projects outlined in the Measure I Project List. In fulfilling its duties, the COC reviews, among other things, the District's annual performance and financial audits of Measure I activity.

The statements presented are for the individual Measure I Bond Building Fund of the District as issued by the District, through the County of Alameda, and are not intended to be a complete presentation of the District's financial position or results of operations.

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Accounting Policies**

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**D. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

**E. Deposits and Investments**

In accordance with Education Code Sections 15357 and 41001, the Measure I Bond Building Fund maintains its cash in the Alameda County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 during the reporting period. Actual results could differ from those estimates.

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's Governing Board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**H. Fund Balance**

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance in Measure I Bond Building Fund is considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**NOTE 2 – CASH AND INVESTMENTS**

**Summary of Cash and Investments**

Cash and investments as of June 30, 2019 consist of the following:

Investment in county treasury	\$ 28,270,916
<b>Total cash and investments</b>	<b>\$ 28,270,916</b>

**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 instruments; 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 agreements; 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. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Policies and Practices (continued)**

*Cash 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 statements 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.

**General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies examples of the investment types permitted in the investment policy:

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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

**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 to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Alameda County Investment Pool with a fair value of approximately \$28,379,038 and an amortized book value of \$28,270,916. The weighted average maturity for this pool as of June 30, 2019 is 420 days.

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**Fair Value**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Alameda County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2019 were as follows:

	<b><u>Uncategorized</u></b>
Investment in county treasury	<b><u>\$ 28,379,038</u></b>
<b>Total fair market value of investments</b>	<b><u>\$ 28,379,038</u></b>

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019 consisted of the following:

Interest earned on investments	\$ 122,311
<b>Total Accounts Receivable</b>	<b><u>\$ 122,311</u></b>

**NOTE 4 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2019 consisted of the following:

Construction payable	\$ 6,319,799
<b>Total Accrued Liabilities</b>	<b><u>\$ 6,319,799</u></b>

**NOTE 5 – INTERFUND ACTIVITY**

Interfund transfers for the year ended June 30, 2019 consisted of the following:

Building Fund transfer to the Bond Interest and Redemption Fund for general obligation bonds.	\$ 74,250
Total	<b><u>\$ 74,250</u></b>

**NOTE 6 – MEASURE I GENERAL OBLIGATION BONDS**

In the election held November 4, 2014, the voters authorized the District to issue and sale \$179,500,000 of principal amount of general obligation bonds. The Series A & B Bonds are being issued to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities.

The official question on the ballot was as follows:

“To improve schools to provide high quality education by renovating neighborhood schools, improving earthquake safety and student security, upgrading science and computer labs, improving heating, cooling, plumbing, and electrical systems, replacing leaky roofs, windows, and doors, installing solar systems, and renovating, constructing, and acquiring classrooms, sites, facilities, and equipment, shall Alameda Unified School District issue \$179,500,000 in bonds at legal rates, with annual audits and citizen oversight, no funds for administrator salaries and all funds benefiting neighborhood schools?”

Series A was issued on June 5, 2015 for \$90,000,000 with interest rates ranging from 2.00% to 5.00%. The issuance consisted of current interest serial bonds. The principal balance outstanding on June 30, 2019 amounted to \$78,210,000.

Series B was issued on April 6, 2018 for \$27,000,000 with interest rates ranging from 3.00% to 5.00%. The issuance consisted of current interest serial bonds. The principal balance outstanding on June 30, 2019 amounted to \$27,000,000.

The bonded debt is paid through the *ad valorem* property taxes through the Alameda County and the debt liability is carried on the Alameda Unified School District’s Government Wide financial statements.

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

**NOTE 6 – MEASURE I GENERAL OBLIGATION BONDS (continued)**

The District's General Obligation Bonds represent general obligations payable solely from *ad valorem* property taxes. The general obligation debt for the 2014 Series A & B bonds at June 30, 2019, was as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds		Due In One Year
					Outstanding July 01, 2018	Additions	Deductions	Outstanding June 30, 2019		
Election 2014, Series A	June 5, 2015	August 1, 2039	2.00% - 5.00%	\$ 90,000,000	\$ 78,210,000	\$ -	\$ -	\$ 78,210,000	\$ -	
Election 2014, Series B	April 6, 2018	August 1, 2042	3.00% - 5.00%	27,000,000	27,000,000	-	-	27,000,000	3,560,000	
					<u>\$ 105,210,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,210,000</u>	<u>\$ 3,560,000</u>	

The 2014 Series A general obligation bonds outstanding were as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ -	\$ 3,832,375	\$ 3,832,375
2021	-	3,832,375	3,832,375
2022	-	3,832,375	3,832,375
2023	-	3,832,375	3,832,375
2024	-	3,832,375	3,832,375
2025-2029	4,465,000	18,792,000	23,257,000
2030-2034	18,515,000	16,209,188	34,724,188
2035-2039	42,595,000	8,693,375	51,288,375
2040	12,635,000	305,875	12,940,875
Total	<u>\$ 78,210,000</u>	<u>\$ 63,162,313</u>	<u>\$ 141,372,313</u>

The 2014 Series B general obligation bonds outstanding were as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 3,560,000	\$ 1,174,700	\$ 4,734,700
2021	4,100,000	1,039,300	5,139,300
2022	450,000	948,300	1,398,300
2023	215,000	935,000	1,150,000
2024	305,000	924,600	1,229,600
2025-2029	2,105,000	3,938,250	6,043,250
2030-2034	2,415,000	3,808,750	6,223,750
2035-2039	1,920,000	3,283,000	5,203,000
2040-2043	11,930,000	1,506,000	13,436,000
Total	<u>\$ 27,000,000</u>	<u>\$ 17,557,900</u>	<u>\$ 44,557,900</u>

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 7 – CONSTRUCTION COMMITMENTS**

As of June 30, 2019 the District had commitments with respect to unfinished capital projects as follows:

	<b>Remaining Construction Commitment</b>
Capital Projects	
Historic Alameda High Seismic and Modernization	\$ 8,000,000
Lincoln Middle School Modernization	3,500,000
Love Elementary School Modernization	1,800,000
Otis ES Fencing	200,000
Earhart ES Fencing	320,000
Bay Farm ES Fencing	150,000
Encinal High Interim Housing, New CR Bldg., Modernization (Phase 1)	26,000,000
<b>Total</b>	<b><u>\$ 39,970,000</u></b>

**NOTE 8 – EXPENDITURES BY SITE**

<b>Site</b>	<b>Amount</b>
Alameda High School	\$ 18,579,389
Edison Elementary School	4,268,688
Paden Elementary School	3,073,705
Encinal High School	2,987,860
Lincoln Middle School	2,550,869
Love Elementary School	2,026,667
Ruby Bridges School	822,987
Project Management	690,950
Earhart Elementary School	554,307
Bay Farm Elementary School	495,653
Otis Elementary School	352,541
Franklin Elementary School	223,329
Wood Middle School	162,468
Island High School	77,858
Academy of Alameda Middle School	55,575
Alameda Science & Technology Institute	53,857
Longfellow Elementary School	38,781
PERS On-Behalf	27,461
Maintenance Yard	20,628
Maya Lin Elementary School	12,889
Lum Elementary School	3,285
Woodstock	1,649
District Office	891
Alameda Community Learning Center	269
Academy of Alameda Elementary School	269
<b>Total</b>	<b><u>\$ 37,082,825</u></b>



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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**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**

Independent Auditors' Report

Measure I Citizens' Bond Oversight Committee and  
Governing Board Members of the  
Alameda Unified School District  
Alameda, 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 Measure I Bond Building Fund of Alameda Unified School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Alameda Unified School District's basic financial statements of the Measure I Bond Building Fund, and have issued our report thereon dated January 20, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Alameda Unified School District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alameda Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Alameda Unified School District'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 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 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 Alameda Unified School District's financial statements of the Measure I Bond Building Fund are free from 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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is fluid and cursive.

San Diego, California  
January 20, 2020

**REPORT ON PERFORMANCE**Independent Auditors' Report

Measure I Citizens' Bond Oversight Committee and  
Governing Board Members of the  
Alameda Unified School District  
Alameda, California

**Report on Performance**

We have audited Alameda Unified School District's compliance with the performance audit procedures described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on Alameda Unified School District's Measure I Bond Building Fund for the fiscal year ended June 30, 2019, as identified below.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to local school construction bonds.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of Alameda Unified School District's Measure I Bond Building Fund based on our performance audit of the types of compliance requirements referred to above. We conducted our performance audit in accordance with generally accepted government auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the performance audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about Alameda Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the evidence obtained in our performance audit provides a reasonable basis for our findings and conclusions based on our audit objectives. However, our audit does not provide a legal determination of Alameda Unified School District's compliance with those requirements.

**Opinion on Performance**

In our opinion, Alameda Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Measure I Bond Building Fund noted below for the year ended June 30, 2019.

## Procedures Performed

In connection with the performance audit referred to above, we selected and tested transactions and records to determine Alameda Unified School District's compliance with the state laws and regulations applicable to the Financial Audit Procedures and Performance Audit Procedures over the Measure I Bond Building Fund. Additional agreed upon procedures relating the Measure I Bond Building Fund may also be included.

The results of the procedures performed and the related results are further described in the accompanying performance audit results following this Report on Performance.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
January 20, 2020

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## **FINDINGS AND RESPONSES SECTION**

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**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
AUDIT PROCEDURES AND RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**SECTION I – FINANCIAL AUDIT PROCEDURES AND RESULTS**

**Financial Statements**

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As mentioned in the Report on Financial Statements, we have issued an unmodified opinion over the financial statements of the Measure I Bond Building Fund as of and for the year ended June 30, 2019.

**Internal Control Evaluation**

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We tested internal controls over financial reporting and compliance with laws, regulations, or provisions of contracts or agreements and have determined through our inquiry of management and our evaluation of District processes that no significant deficiencies were noted.

**SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS**

**Facility Project Expenditures**

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We selected a representative sample of expenditures charged to the Measure I Bond Building Fund and reviewed supporting documentation to ensure funds were properly expended on specific project(s) listed in the text of the Measure I ballot.

We tested approximately \$18.9 million of non-personnel expenditures or 51% of total 2018-19 Measure I Bond Building Fund expenditures for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Measure I ballot language, the District approved facilities plan, and applicable state laws and regulations.

**Personnel Expenditures**

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We reviewed salaries and benefits charged to the Measure I Bond Building Fund to verify that the personnel expenditures were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General, which concluded that “a school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.”

We reviewed a listing of all employees charged to the Measure I Bond Building Fund and found that all employees held positions applicable to the local school construction bond. Further, we selected a sample of two of the nine employees charged to review personnel files and personnel action reports for proper allocation of salaries and benefits. Based on our testing, salary transactions were not used for general administration operations. Personnel costs charged to the Measure I Bond Building Fund appeared allowable.

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
AUDIT PROCEDURES AND RESULTS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)**

**Facilities Site Walk**

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We verified that funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects by review of supporting documentation as previously noted under Facility Project Expenditures but also through performance of a facilities site walk.

A facilities site walk was performed with assistance from the Donald Albright, construction project manager. The auditor toured the Edison Elementary School to view the bond project. Auditor viewed the newly installed Clear Fire-H boiler. We also viewed newly installed ADA ramps, new pipes, and new compressors on top of the Gym. Auditor toured new hallways, saw new ecofriendly glass panes installed in modernized areas and newly installed single pane glass in the historically updated areas. A new office building was in the front. A newly installed black fence surrounded the exit areas of the school.

The auditor toured the Historic Alameda High School to view the bond project. Auditor inspected the new paint job covering all buildings viewed and hallways inside. Auditor inspected the new fire alarm system. The fire alarm system panels appeared to be new and recently installed. New features of the system allow for prerecorded voice messages in the case of an emergency. Auditor viewed area where the previous system fire alarm system panel had been removed. The fire alarm system was marked Bay Alarm Systems. Auditor viewed the newly installed boiler brand marked as HEATNET RBI, Air filter machine, grout being installed in the basement floor to prevent leaks, ADA ramp walkways installed on multiple exit and entrances, new flooring installed in the hallways and upper floor, roofing work had been completed, new ecofriendly glass installed in modernized areas and new single glass panes installed in historically updated areas.

**Contract and Bid Procedures**

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We reviewed a listing of contracts awarded during the fiscal year ended June 30, 2019 and selected a sample to ensure that contracts for public projects followed appropriate bidding procedures per applicable Public Contract Code. Additionally, we reviewed overall expenditures by vendor in order to determine if multiple projects under the applicable bidding threshold were identified to suggest any possible bid-splitting.

From a sample of four of five contracts awarded during the year, we noted that applicable bidding procedures were followed and that the contracts were appropriately awarded to the lowest responsible bidder. The following contracts were tested:

- Project: Encinal Jr/Sr HS Modernization, Lathrop Construction Associates, \$25,100,145
- Project: Love Elementary School Modernization – Amendment #1, \$4,714,617
- Project: Lincoln Middle School – Amendment #1, \$4,528,203
- Project: Earhart Elementary School – Fencing, \$458,465

Based on our review of overall expenditures and projects by vendor, no instances or possible indications of bid-splitting were identified. The District appears to be properly reviewing projects and applying appropriate procedures over contract and bidding procedures.



**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
AUDIT PROCEDURES AND RESULTS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)**

**Contracts and Change Orders**

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We reviewed a listing of contracts and change orders during the fiscal year ended June 30, 2019 and selected a sample to ensure that change orders were properly approved and in accordance with District policies. Additionally, cumulative change orders for any given contract were reviewed to ensure that total change orders did not exceed ten percent of the total original contract.

We reviewed one change order for each of the projects below:

- Paden Elementary School Modernization
- Edison Elementary School Modernization
- Ruby Bridges Elementary School Modernization
- Historic Alameda High School Modernization

We verified that the total aggregate amount of the change orders did not exceed ten percent of the total original contract. All change orders were properly reviewed and approved by management and the governing board in accordance with District policy.

**Citizens' Oversight Committee (COC)**

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In accordance with Assembly Bill (AB) 1908 and Education Code (Ed Code) Section 15278, the District is required to establish a bond oversight committee for Proposition 39 bonds to include one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers' association, parent/guardian of a child enrolled in the District and a parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. Additionally, no employee or official of the District shall be appointed to the citizens' oversight committee.

We found that the District has made attempts to compile a COC with all required representatives. Refer to the Introduction and COC Member Listing for current members and the noted vacancy as of June 30, 2019.

**MEASURE I BOND BUILDING FUND  
ALAMEDA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**PART I – SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to the financial statements?	No

**PERFORMANCE AUDIT**

Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on performance for local school construction bonds:	Unmodified

**PART II – FINANCIAL STATEMENT FINDINGS**

There were no findings related to the financial statements in 2018-19.

**PART III – PERFORMANCE AUDIT FINDINGS**

There were no findings or recommendations related to local school construction bonds in 2018-19.

**PART IV – PRIOR AUDIT FINDINGS**

There were no findings and recommendations during the year ended June 30, 2018.