

**MEASURE S BOND BUILDING FUND OF  
ORANGE UNIFIED  
SCHOOL DISTRICT**

**AUDIT REPORT**

**JUNE 30, 2017**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
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For the Year Ended June 30, 2017**

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## **FINANCIAL SECTION**

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**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
Introduction and Citizens' Oversight Committee Member Listing  
June 30, 2017**

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The Orange Unified School District was unified in 1953 under the laws of the State of California. The District operates under a locally-elected seven member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates twenty-seven elementary schools, three middle schools, four high schools, one continuation school, one charter middle school, one community day school, one alternative education program, and one special education site.

On November 8, 2016, the District's voters approved by more than the required 55% favorable vote, Measure S, authorizing the issuance and sale of general obligation bonds, not to exceed \$288,000,000. The passage of Proposition 39 in June 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

As of June 30, 2017, the District has not issued any series of bonds and expects to issue the first series by January 2019. During the year ended June 30, 2017, the Building Fund received an advance of \$4,000,000 from the Special Reserve Fund for Capital Outlay Projects which will be repaid upon issuance of the first series of bonds.

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 S including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Oversight Committee had the following members as of June 30, 2017, all of whom were appointed by the District's Board of Education with two year terms of office:

<b>Name</b>	<b>Representation</b>	<b>Title</b>	<b>Education Code Section</b>
Bill Campbell	Representative at Large	Member	15282(a)
Carolyn Cavecche	Bona Fide Taxpayers' Association	Member	15282(a)(3)
Diana Fascenelli	Parent Representative	Member	15282(a)(4)
Trevor O'Neil	Business Organization Representative	Member	15282(a)(1)
Jennifer Schuerger	Parent-Teacher Organization & Parent Representative	Member	15282(a)(5)
Mrunal Shah	Representative at Large	Member	15282(a)
William Utter	Senior Citizens' Organization Representative	Member	15282(a)(2)

## INDEPENDENT AUDITORS' REPORT

Governing Board Members and  
Measure S Citizens' Oversight Committee  
Orange Unified School District  
Orange, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Measure S Bond Building Fund of Orange Unified School District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Measure S 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*, 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 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

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John Whitehouse, CPA

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Measure S general obligation bonds as issued by the District, through the County of Orange, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure S Bond Building Fund of Orange Unified School District as of June 30, 2017, 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 October 26, 2016 on our consideration of the Measure S Bond Building Fund'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 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 Measure S Bond Building Fund's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated November 17, 2017 on our consideration of the Measure S Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Proposition 39 Bond Building Fund for the fiscal year ended June 30, 2017 and should be considered in assessing the results of our financial audit.

*Christy White Associates*

San Diego, California  
November 17, 2017

**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
Balance Sheet  
June 30, 2017**

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**ASSETS**

Cash and cash equivalents	\$	3,647,256
Accounts receivable		453

<b>Total Assets</b>	<b>\$</b>	<b>3,647,709</b>
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**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$	1,601,862
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<b>Total Liabilities</b>		<b>1,601,862</b>
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**Fund Balance**

Restricted for:		
Capital projects		2,045,847

Total Fund Balance		2,045,847
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<b>Total Liabilities and Fund Balance</b>	<b>\$</b>	<b>3,647,709</b>
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**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended June 30, 2017**

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<b>REVENUES</b>	
Interest income	\$ 453
<b>Total Revenues</b>	<u>453</u>
<b>EXPENDITURES</b>	
Facilities acquisition and construction	1,954,606
<b>Total Expenditures</b>	<u>1,954,606</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,954,153)</u>
<b>OTHER FINANCING SOURCES / USES</b>	
Interfund transfer-in	4,000,000
<b>Total Other Financing Sources / Uses</b>	<u>4,000,000</u>
<b>Net Change in Fund Balance</b>	2,045,847
<b>Fund Balance, July 1, 2016</b>	<u>-</u>
<b>Fund Balance, June 30, 2017</b>	<u>\$ 2,045,847</u>

**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

On November 8, 2016 the District voters authorized \$288,000,000 in general obligation bonds (Measure S) to repair and modernize aging high school classrooms, labs and school facilities, including deteriorated roofs, plumbing, and electrical systems, complete earthquake safety retrofits, improve campus safety/security, and upgrade career training facilities, science labs, libraries, and technology that support student achievement in math, science, engineering and skilled trades.

An oversight committee to the District's Governing Board and Superintendent, called the Citizens' Oversight Committee (COC), was established pursuant to the requirements of State law and the provisions of the Measure S bond. 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 whether the District is spending the Measure S Bond funds for school capital improvements within the scope of projects outlined in the Measure S Bond project list. In fulfilling its duties, the COC reviews, among other things, the District's annual performance and financial audits of Measure S activity.

The statements presented are for the individual Measure S Bond Building Fund of the District and are not intended to be a complete presentation of the District's financial position or results of operations. There are no related parties or component units included in this financial statement presentation.

**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 collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2017**

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

**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 District maintains a portion of its cash in the Orange 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.

**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 S Bond Building Fund is considered restricted.

**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2017**

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

**H. Fund Balance (continued)**

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, 2017 are classified in the accompanying financial statements as cash in county treasury for \$3,647,256.

**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.

*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:

**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2017**

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

**General Authorizations (continued)**

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
Agency Obligations	5 years	None	25%
Local Agency Obligations	5 years	15%	10%
Bankers' Acceptances	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	40%	10-15%
Reverse Repurchase Agreements	92 days	20%	10%
Local Agency Investment Fund (LAIF)	N/A	10%	10%
Corporate Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	15%	10%
Bond Funds	N/A	2.5%	2.5%
Pass-Through Securities	5 years	20%	5%

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 is, 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 Orange County Investment Pool with a fair value of approximately \$3,641,424 and an amortized book value of \$3,647,256. The weighted average maturity for this pool as of June 30, 2017 was 325 days.

**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. The investments in the County Treasury are not required to be rated. As of June 30, 2017, the pooled investments in the County Treasury were rated AAA.

**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2017**

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

**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 S 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 Orange 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, 2017 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 3,641,424
<b>Total fair market value of investments</b>	<b>\$ 3,641,424</b>

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2017 amounting to \$453 consists of interest earned on the District's investment in the County Treasury.

**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2017**

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**NOTE 4 – CONSTRUCTION COMMITMENTS**

The Measure S Bond Building Fund did not have any outstanding construction commitments as of June 30, 2017.

**NOTE 5 – INTERFUND ACTIVITIES**

As of June 30, 2017, the Special Reserve Fund for Capital Outlay Projects transferred to the Building Fund as an advance for construction expenses. The total amount of the interfund transfer-in was \$4,000,000.

**NOTE 6 – MEASURE S – EXPENDITURES BY SITE**

Site	Program Management		Amount
	Fess	All Other	
Canyon High School	\$ 42,963	\$ 405,458	\$ 448,421
El Modena High School	42,963	506,796	549,759
Orange High School	42,963	507,120	550,083
Villa Park High School	42,963	363,380	406,343
<b>Total</b>	<b>\$ 171,852</b>	<b>\$ 1,782,754</b>	<b>\$ 1,954,606</b>

**NOTE 7 – MEASURE S – EXPENDITURES BY OBJECT**

Expenditure	Object Code	Amount
Services and Other Operating Expenditures	5000-5999	\$ 3
Capital Outlay	6000-6999	1,954,603
<b>TOTAL EXPENDITURES</b>		<b>\$ 1,954,606</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**

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Independent Auditors' Report

Governing Board Members and  
Measure S Citizens' Oversight Committee  
Orange Unified School District  
Orange, 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 S Bond Building Fund, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Measure S Bond Building Fund's basic financial statements, and have issued our report thereon dated November 17, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Measure S Bond Building Fund'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 the Measure S Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure S Bond Building Fund'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 Measure S Bond Building Fund'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.

*Christy White Associates*

San Diego, California  
November 17, 2017

## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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Heather Daud Rubio

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Governing Board Members and  
Measure S Citizens' Oversight Committee  
Orange Unified School District  
Orange, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Measure S Bond Building Fund, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Measure S 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*, 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 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.

### **Objectives**

In connection with our audit, we also performed an audit of compliance as required in the performance requirements for the Measure S General Obligation Bonds for the fiscal year ended June 30, 2017. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds of the sale of the Measure S Bonds were only used for the purposes set forth in the Measure S ballot language and not for any other purpose, such as teacher and administrative salaries.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

<b>Internal Control Evaluation</b>
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### **Procedures Performed:**

Inquiries were made of management regarding internal controls to:

- Prevent fraud or waste regarding Measure S projects, including budgetary controls
- Ensure adequate separation of duties exists in the fiscal services department for Measure S funds
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper fund(s)
- To follow applicable regulations, including regulations related to bidding and contract management

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the year 2016-17 financial statement balances for the Measure S Bond Building Fund are not materially misstated.

### **Results of Procedures Performed:**

The result of our audits tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unmodified opinion was expressed on the financial statements.

<b>Facilities Site Walk</b>
-----------------------------

**Procedures Performed:**

We did not perform a facilities site walk for the year ended June 30, 2017 as construction has not begun at any of the school sites.

<b>Test of Expenditures</b>
-----------------------------

**Procedures Performed:**

The following performance tests of expenditures were performed:

We tested approximately \$1.4 million (73%) of the 2016-17 expenditures for validity, allowability and accuracy. Expenditures sampled in our test included payments made to architects, consultants and other vendors.

**Results of Procedures Performed:**

We found the expenditures tested to be in compliance with the terms of the Measure S ballot measure, Facilities Plan, and applicable State laws and regulations without exception.

<b>Test of Contracts and Bid Procedures</b>
---

**Procedures Performed:**

For the year ending June 30, 2017, we reviewed construction management services for Measure S General Obligation Bond for each school with services performed. The construction management firms contracted included Arcadis, Balfour Beatty, Cordoba and Gafcon.

**Results of Procedures Performed:**

All bid procedures were reviewed and appeared reasonable.

<b>Citizens' Oversight Committee</b>
--------------------------------------

**Procedures Performed:**

In accordance with AB (Assembly Bill) 1908 and Education Code Section 15278, the District is required to establish a bond oversight committee for Prop 39 bonds including one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayer's association, one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association.

**Results of Procedures Performed:**

The District successfully compiled a citizens' oversight committee with an active member from each of the required representations.

Our audit of compliance was made for the purposes set forth in the Objectives section of this report and would not necessarily disclose all instances of noncompliance.

***Opinion***

In our opinion, based on the fieldwork described above as well as the other tests that we conducted, the District complied with the compliance requirements for the Measure S General Obligation Bonds as listed and tested above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on accountability requirements pursuant to the passage of Proposition 39 and the enactment of AB 1908 (Chapter 44, Statutes of 2000). Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
November 17, 2017

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**SCHEDULE OF FINDINGS AND  
RECOMMENDATIONS**

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**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
Schedule of Findings and Recommendations  
For the Year Ended June 30, 2017**

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This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

We found Orange Unified School District's accounting systems to be functioning efficiently and effectively to account for the Measure S Bond. In addition, our tests resulted in no findings and recommendations related to the financial and performance audit of the Measure S Bond for the year ended June 30, 2017.

**MEASURE S BOND BUILDING FUND  
ORANGE UNIFIED SCHOOL DISTRICT  
Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2017**

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*There were no findings or questioned costs for the year ended June 30, 2016 as this is a first-year of the bond program.*