December 2, 2014

To the Governing Board
and Citizens' Oversight Committee
Spreckels Union School District

We have audited the financial statements of the Building Fund (Measure B) of Spreckels Union School District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 5, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Spreckels Union School District are described in Note 1 to the financial statements. We noted no transactions entered into by Spreckels Union School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the Building Fund financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements of the financial statements.
Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2014.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Spreckels Union School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Spreckels Union School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on supplementary information, which accompany the financial statements. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Governing Board and management of Spreckels Union School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Varnum, Tripp, Day & Co., LLP

Fresno, California
December 2, 2014

2
Spreckels Union School District

Building Fund (Measure B) 
Financial and Performance Audits

June 30, 2014
SPRECKELS UNION SCHOOL DISTRICT

BUILDING FUND (MEASURE B)
FINANCIAL AUDIT

JUNE 30, 2014
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**JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

Governing Board and
Citizens' Oversight Committee
Spreckels Union School District
Spreckels, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Spreckels Union School District (the District), Building Fund (Measure B), 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 B) of the Spreckels Union 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 B, and are not intended to present fairly the financial position and changes in financial position of Spreckels Union 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 Spreckels Union School District School District's Building Fund (Measure B) 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 B) 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 2, 2014, on our consideration of the District's Building Fund (Measure B) 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 B) internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Fresno, California
December 2, 2014
SPRECKELS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE B)

BALANCE SHEET
JUNE 30, 2014

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits and investments</td>
<td>$ 6,684,529</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 6,684,529</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LIABILITIES</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 21,926</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>46,665</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>68,591</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUND BALANCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted</td>
<td>6,615,938</td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>6,615,938</td>
</tr>
<tr>
<td>Total Liabilities and Fund Balance</td>
<td>$ 6,684,529</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
SPRECKELS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE B)

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

<table>
<thead>
<tr>
<th>REVENUES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Local revenue</td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>41</td>
</tr>
<tr>
<td>Services</td>
<td>18,435</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>112,529</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>131,005</td>
</tr>
</tbody>
</table>

Excess of Revenues Over Expenditures: (131,000)
Other Financing Sources:
- Other sources - bond proceeds: 6,745,760

Net Financing Sources: 6,745,760

NET CHANGE IN FUND BALANCE: 6,614,760
FUND BALANCE - BEGINNING: 1,178
FUND BALANCE - ENDING: $6,615,938

The accompanying notes are an integral part of these financial statements.
SPRECKELS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE B)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Spreckels Union School District's (the District) Building Fund (Measure B) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The Spreckels Union 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 Spreckels Union School District used to account for Measure B. This Fund was established to account for the expenditures of general obligation bonds issued under Measure B. These financial statements are not intended to present fairly the financial position and results of operations of the Spreckels Union 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 major object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.
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 Balance - Building Fund (Measure B)

As of June 30, 2014, fund balance of the Building Fund is 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 fairly value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.
General Authorizations

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

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Remaining Maturity</th>
<th>Maximum Percentage of Portfolio</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Bonds, Notes, Warrants</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Registered State Bonds, Notes, Warrants</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Agency Securities</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Banker's Acceptance</td>
<td>180 days</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>270 days</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>5 years</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>1 year</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>92 days</td>
<td>20% of base</td>
<td>None</td>
</tr>
<tr>
<td>Medium-Term Corporate Notes</td>
<td>5 years</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Mortgage Pass-Through Securities</td>
<td>5 years</td>
<td>20%</td>
<td>None</td>
</tr>
<tr>
<td>County Pooled Investment Funds</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Joint Powers Authority Pools</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

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 $6,684,529 with the Monterey County Investment Pool. The fair value of this investment is approximately $6,678,807 with an average maturity of 1.263 years.

NOTE 3 - ACCOUNTS PAYABLE

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

Vendors $ 21,926
NOTE 4 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The Building Fund owes the General Fund $46,665 for payment of Measure B expenditures.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Litigation

The District is not currently a party to any legal proceedings regarding bond projects.
SUPPLEMENTARY INFORMATION
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SPRECKELS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE B)

SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2014

2012 General Obligation Bonds - Series A

In May 2014, the District issued general obligation bonds in the principal amount of $7,000,000 for the addition and modernization of school facilities. The bonds were issued as current interest bonds with interest rates ranging from 2.0 percent to 3.75 percent. The bond payments begin on August 1, 2014 and mature on February 1, 2039.

General Obligation Bonds

The general obligation bonded debt is as follows:

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Original Issue</th>
<th>Bonds Outstanding July 1, 2013</th>
<th>Issued</th>
<th>Redeemed</th>
<th>Bonds Outstanding June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8/14</td>
<td>2/1/39</td>
<td>2.0-3.75%</td>
<td>$ 7,000,000</td>
<td>$ -</td>
<td>$ 7,000,000</td>
<td>$ -</td>
<td>$ 7,000,000</td>
</tr>
</tbody>
</table>

2012 Series A General Obligation Bonds

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest to Maturity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ 385,000</td>
<td>$ 180,018</td>
<td>$ 565,018</td>
</tr>
<tr>
<td>2016</td>
<td>110,000</td>
<td>238,713</td>
<td>348,713</td>
</tr>
<tr>
<td>2017</td>
<td>115,000</td>
<td>236,513</td>
<td>351,513</td>
</tr>
<tr>
<td>2018</td>
<td>125,000</td>
<td>234,213</td>
<td>359,213</td>
</tr>
<tr>
<td>2019</td>
<td>135,000</td>
<td>231,713</td>
<td>366,713</td>
</tr>
<tr>
<td>2024</td>
<td>835,000</td>
<td>1,115,475</td>
<td>1,950,475</td>
</tr>
<tr>
<td>2029</td>
<td>1,200,000</td>
<td>977,275</td>
<td>2,177,275</td>
</tr>
<tr>
<td>2034</td>
<td>1,720,000</td>
<td>683,913</td>
<td>2,403,913</td>
</tr>
<tr>
<td>2039</td>
<td>2,375,000</td>
<td>297,000</td>
<td>2,672,000</td>
</tr>
<tr>
<td>Total</td>
<td>$ 7,000,000</td>
<td>$ 4,194,833</td>
<td>$ 11,194,833</td>
</tr>
</tbody>
</table>
There were no adjustments to the Unaudited Actual Building Fund (Measure B), which required reconciliation to the audited financial statements at 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 B) 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 B) reported on the Unaudited Actual Financial Report to the audited financial statements.
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INDEPENDENT AUDITOR'S REPORT
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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
Citizens Oversight Committee
Spreckels Union School District
Spreckels, 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 Spreckels Union School District (the District) Building Fund (Measure B), 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 2, 2014.

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure B, and are not intended to present fairly the financial position and changes in financial position of Spreckels Union 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 Spreckels Union 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 Spreckels Union School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Spreckels Union 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 Spreckels Union School District's Building Fund (Measure B) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Fresno, California
December 2, 2014
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
None reported.
There were no audit findings reported in the prior year's schedule of financial statement findings.
Spreckels Union School District

Building Fund (Measure B) Performance Audit

June 30, 2014
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
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</thead>
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<td>3</td>
</tr>
<tr>
<td>Purpose of Issuance</td>
<td>3</td>
</tr>
<tr>
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<td>3</td>
</tr>
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<td>Objectives of the Audit</td>
<td>4</td>
</tr>
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<td>4</td>
</tr>
<tr>
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<td>4</td>
</tr>
<tr>
<td>Conclusion</td>
<td>5</td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>6</td>
</tr>
<tr>
<td>Summary Schedule of Prior Year Audit Findings</td>
<td>7</td>
</tr>
</tbody>
</table>
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INDEPENDENT AUDITOR’S REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of the Spreckels Union School District (the District) Building Fund (Measure B) 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 B) 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 2, 2014
SPRECKELS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE B)

JUNE 30, 2014

AUTHORITY FOR ISSUANCE

The general obligation bonds associated with Measure B were 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 Spreckels Union School District received authorization at the election held on November 6, 2012 to issue bonds of the Districts in an aggregate principal amount not to exceed $7,000,000. The proceeds are to finance construction and renovation projects approved by eligible voters within Districts. The propositions required approval by eligible voters within the Districts and the bonds represent the series of the authorized bonds issued under the 2012 authorizations.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorizations will be used for the purposes specified in the District bond proposition submitted at the election.

The 2012 general obligation bonds were issued "to improve educational quality/student achievement/safety in every local school, retain teachers, reduce the impact of state budget cuts, qualify for matching grants by upgrading technology to improve teaching/student learning, repairing/upgrading fire alarms, 9-1-1 systems, roofs, ventilation, classrooms/computer labs."

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 XIXIA, 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.
SPRECKELS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE B)

JUNE 30, 2014

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 B.

2. Determine whether salary transactions, charged to the Building Fund were in support of Measure B 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.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period July 1 2013 through June 30, 2014, for the Building Fund (Measure B). 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 B 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 bond related transactions totaling $80,304. This represents 61 percent of the total expenditures of $131,005, within the District's Building Fund.

3. We verified that funds from the Building Fund (Measure B) were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.
SPRECKELS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE B)

JUNE 30, 2014

CONCLUSION

The results of our tests indicated that, in all significant respects, the Spreckels Union School District has properly accounted for the expenditures held in the Building Fund (Measure B) and that such expenditures were made for authorized bond projects.
None reported.
SPRECKELS UNION SCHOOL DISTRICT
BUILDING FUND (MEASURE B)

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.