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INDEPENDENT AUDITOR'S REPORT

To the Board of Education and the
Citizens' Bond Oversight Committee
Milpitas Unified School District

Report on the Financial Statements

We have audited the accompanying financial statements of Milpitas Unified School District (the "District") Measure E General Obligation Bonds (the "Bonds") activity included in the Building Fund of the District, as of and for the year ended June 30, 2019, 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 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.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Milpitas Unified School District Measure E General Obligation Bonds activity as of June 30, 2019, and the changes in financial position thereof 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 activity and balances of the Measure E General Obligation Bonds activity only, and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2019 on our consideration of the District’s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Measure E General Obligation Bonds activity. 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 for the Measure E General Obligation Bond activity. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Milpitas Unified School District’s internal control over financial reporting and compliance for the Measure E General Obligation Bond activity.

Crowe LLP

Sacramento, California
December 12, 2019
MILPITAS UNIFIED SCHOOL DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$ -</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities and fund balance</td>
<td>$ -</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
### MILPITAS UNIFIED SCHOOL DISTRICT
### MEASURE E GENERAL OBLIGATION BONDS
### STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
### For the Year Ended June 30, 2019

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$ 32,540</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
</tr>
<tr>
<td>Materials and other operating expenditures</td>
<td>32,540</td>
</tr>
<tr>
<td>Deficiency of revenues under expenditures</td>
<td>-</td>
</tr>
<tr>
<td><strong>Fund balance, July 1, 2018</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Fund balance, June 30, 2019</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Milpitas Unified School District (the “District”) conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with policies and procedures of the California Department of Education’s California School Accounting Manual. The activities of Measure E Bonds are recorded in the District’s Building Fund. The accounting policies of the Building Fund conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

Financial Reporting Entity: The financial statements include the activity and balances of the Measure E General Obligation Bonds, only. The activities of the Measure E General Obligation Bonds are recorded in the District’s Building Fund (Fund 21). These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses 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.

Cash and Cash Equivalents: For the purpose of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Santa Clara County Treasury are considered cash equivalents.

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. At June 30, 2019 there was no remaining fund balance.

Accounting Estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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.

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. All encumbrances are liquidated as of June 30.
NOTE 2 – PURPOSE OF BOND ISSUANCE

Bond Authorization: The Milpitas Unified School District, Santa Clara County, California Election of 2012 General Obligation Bonds, Measure E were authorized at an election of the registered voters of the Milpitas Unified School District held on June 5, 2012 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $95,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the constructing, modernizing, renovating, installing, updating, replacing and repairing school facilities, infrastructure and grounds of certain District property and facilities. The Bonds are general obligations of the District, payable solely from ad valorem property taxes.

Purpose of Bonds: The proceeds of the Bond may be used:

“To continue providing high quality education for local students by repairing and upgrading classrooms and science labs, updating learning technology, replacing leaky roofs, providing classrooms for growing student enrollment, upgrading fire/earthquake safety, maximizing energy efficiency, improving disabled access, and repairing, constructing, acquiring or equipping classrooms, sites and facilities, shall Milpitas Unified School District issue $95,000,000 in bonds at legal rates, with citizen oversight, annual audits, no funds for administrator salaries and all funds staying in local schools?”

Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

NOTE 3 – GENERAL OBLIGATION BOND ISSUANCES

The bonds are general obligations of the District. The Board of Supervisors of Santa Clara County are obligated to levy ad valorem taxes for the payment, without limitation as to amount, upon all property within the county subject to taxation by the District for the payment of principal of and interest on the Bonds when due. The bonds are included in the audited financial statements of the District. As of June 30, 2019, the District has fully issued the Measure E bonding authority.

On August 21, 2012, the District issued Election of 2012, Series A General Obligation Bonds in the total amount of $55,000,000. The bonds were issued as Current Interest Bonds and mature through February 1, 2038, with interest yields ranging from 1.5 to 5.0 percent.

On August 7, 2014, the District issued Election of 2012, Series B General Obligation Bonds in the total amount of $40,000,000. The bonds were issued as Current Interest Bonds and mature through February 1, 2038, with interest yields ranging from 1.0 to 5.0 percent.
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

To the Board of Education and the
Citizens’ Bond Oversight Committee
Milpitas Unified School District

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 Milpitas Unified School District (the “District”) Measure E General Obligation Bonds (the "Bonds") activity included in the Building Fund of the District (the “Building Fund”) as of and for the year ended June 30, 2019, and the related notes to the financial statements and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

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

(Continued)
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Milpitas Unified School District Measure E General Obligation Bonds activity included in the Building Fund of the District's financial statements are free of material misstatement, we performed tests of the District's 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

This purpose of this report is intended solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, 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 Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP
Sacramento, California
December 12, 2019
No matters were reported.
No matters were reported.