

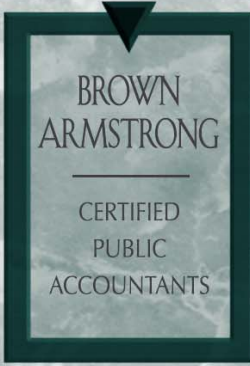
VISALIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
BUILDING FUND
MEASURE E
PERFORMANCE AUDIT

FISCAL YEAR ENDED JUNE 30, 2014

VISALIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
BUILDING FUND
MEASURE E
PERFORMANCE AUDIT
JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Background Information	2
Objectives.....	2
Scope of the Audit.....	2
Procedures Performed	3
Conclusion	3
Schedule of Findings and Responses	4



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Governing Board and
The Measure E Citizens' Bond Oversight Committee
Visalia Unified School District

We have conducted a performance audit of the Visalia Unified School District (the District) Proposition 39 Measure E General Obligation Bond funds for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for the District's compliance with the performance requirements for the Proposition 39 Measure E General Obligation Bonds under the applicable provisions of Section 1(b)(93)(C) of Article XIII A of the California Constitution and Sections 15264 – 15288 of the California Education Code as they apply to the bonds and the net proceeds thereof.

Auditor's Responsibility

Our responsibility is limited to the objectives listed on page 2 of this report, which includes determining the District's compliance with the performance requirements.

We conducted our performance audit in accordance with auditing standards generally accepted in the United States of America and the standards 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 for our conclusion based on our audit objectives.

Solely to assist us in planning and performing our audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(93)(C) of Article XIII A of the California Constitution and Sections 15264 – 15288 of the California Education Code. Accordingly we do not express any assurance on the internal control.

Opinions

The results of our tests indicate that, in all significant respects, the District expended Proposition 39 Measure E General Obligation Bond funds for the year ended June 30, 2014, only for the specific projects developed by the District's Governing Board, and approved by the voters, in accordance with the requirements of Proposition 39.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 23, 2014

**VISALIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E BOND PROGRAM
PERFORMANCE AUDIT
JUNE 30, 2014**

BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. On November 6, 2012, a general obligation bond proposition (Measure E) of the Visalia Unified School District (the District) was approved by the voters of that District. Measure E authorized the District to issue up to \$60.1 million of the general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39 and related State legislation, the Governing Board of the District established a Citizens' Bond Oversight Committee and appointed its members. The principal purpose of the Citizens' Bond Oversight Committee, as set out in State law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure E bond authorization. The Citizens' Bond Oversight Committee is required to issue at least one report annually as to its activities and findings.

On April 25, 2013, \$33,999,971 in California general obligation bonds were sold under Proposition 39 Measure E, which provides that the proceeds of the bonds will generally be used for the acquisition, construction, furnishing, and equipping of District facilities.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Building Fund – Measure E Bond Program have been expended only for authorized bond projects.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the District's Building Fund – Measure E Bond Program.
- Determine whether expenditures charged to the Building Fund – Measure E Bond Program have been made in accordance with the bond project list approved by the voters through the approval of Measure E in November 2012.
- Note incongruities, system weaknesses, or noncompliance with specific California Education Code Sections related to bond oversight and provide recommendations for improvement.
- Provide the District Trustees and the Measure E Citizens' Bond Oversight Committee with a performance audit as required under the provisions of the California Constitution and California Education Code.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2013 to June 30, 2014. The sample 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 the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2014, were not reviewed or included within the scope of our audit or in this report.

**VISALIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E BOND PROGRAM
PERFORMANCE AUDIT
JUNE 30, 2014**

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports prepared by the District for the fiscal year ended June 30, 2014, for the Building Fund – Measure E Bond Program. We also reviewed documentation, including the District’s website, for compliance with California Education Code Sections 15278 – 15282. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 Measure E with regards to the approved bond projects list. We performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bonds proceeds as set out in the Measure E election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2014, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified that the funds from the Building Fund – Measure E Bond Program were generally expended for the construction, reconstruction, acquisition, furnishing, and equipping of District facilities constituting the authorized bond projects, and we verified that funds held in the Building Fund – Measure E Bond Program were not used for salaries of school administrators or other operating expenses of the District.

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Building Fund – Measure E Bond Program and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Building Fund – Measure E Bond Program and expended by the District were not expended for salaries of school administrators or other operating expenditures.

**VISALIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E BOND PROGRAM
PERFORMANCE AUDIT
JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

2014-01

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

2013-01

Criteria:

As required by California Education Code Section 15280, minutes of the proceedings of the Citizens' Oversight Committee shall be a matter of public record and be made available on an internet website maintained by the governing board.

Condition:

We noted during our Proposition 39 compliance procedures that the Measure E Committee Oversight Board is meeting in conjunction with the District's Facility Advisory Committee. However, minutes for these meetings are not recorded and are not made publicly available.

Recommendation:

We recommend that the District's Citizens' Bond Oversight Committee maintain official meeting minutes that are approved at each subsequent Citizens' Bond Oversight Committee meeting. Minutes should note the time, place, those in attendance, and items discussed and passed. Minutes should be posted on the District's website and made publicly available.

Client Response:

We concur with the auditor's recommendation to maintain meeting minutes of the Bond Oversight Committee (BOC) meetings and to post those minutes on our website. No actions have been approved by the BOC to date.

Current Year Status

Implemented.

2013-02

Criteria:

As required by California Education Code (CEC) Section 15264, efforts should be undertaken to ensure that expenditures of bond measures are in strict conformity with the law and unauthorized expenditures should be investigated and corrected in a timely manner.

Condition:

We noted during our Proposition 39 compliance procedures that an invoice totaling \$70,088 was improperly expensed twice in fiscal year 2013. An adjustment was made in the following fiscal year to reduce the Measure E expenditures by this invoice amount; however, as of June 30, 2013, Measure E expenditures are overstated by \$70,088.

**VISALIA UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E BOND PROGRAM
PERFORMANCE AUDIT
JUNE 30, 2014**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (CONTINUED)

Recommendation:

We recommend that the District more closely review and approve Measure E invoices during the cash disbursement process to ensure invoices are entered in the District's accounting software only once. For additional assurance, we recommend that the District review a sample of larger Measure E invoices after year-end for proper payment processing and compliance with the CEC.

Client Response:

We agree with the auditor's recommendation to put into place a process for a secondary review of expenditures from Measure E funds after the close of the fiscal year.

Current Year Status

Implemented.