

**CARUTHERS UNIFIED SCHOOL DISTRICT**

**CARUTHERS, CALIFORNIA**

**PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS**

**JUNE 30, 2015**

**AUDIT REPORT  
AND  
PERFORMANCE AUDIT REPORT**

**PREPARED BY**

**LINGER, PETERSON, SHRUM & CO.  
CERTIFIED PUBLIC ACCOUNTANTS**

## **INTRODUCTORY SECTION**

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
TABLE OF CONTENTS  
JUNE 30, 2015**

	<u><b>Page</b></u>
 <b>FINANCIAL SECTION</b>	
Independent Auditors' Report (Financial Statement)	1-2
Balance Sheet--Building Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance--Building Fund	4
Notes to the Financial Statements	5-10
 <b>OTHER INDEPENDENT AUDITORS' REPORT</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11-12
 <b>PERFORMANCE AUDIT</b>	
Independent Auditors' Report (Performance)	13
Executive Summary	14
Background Information	14
Citizens' Bond Oversight Committee	15
Objectives	15

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
TABLE OF CONTENTS  
JUNE 30, 2015**

	<u><b>Page</b></u>
Scope of the Audit	15-16
Procedures Performed	16
Conclusion	17
 <b>FINDINGS AND RECOMMENDATIONS SECTION</b>	
Schedule of Findings and Responses	18
Summary Schedule of Prior Findings	19



## **FINANCIAL SECTION**

Gary A. Shrum  
Kendra L. Keiscome  
Marilyn K. Adams

Robert L. Linger (1932 - 2013)  
Jim L. Peterson (Retired)



## **INDEPENDENT AUDITOR'S REPORT** **(FINANCIAL STATEMENT)**

Board of Trustees  
Caruthers Unified School District  
Caruthers, California:

We have audited the accompanying financial statements of the Building Fund of the Caruthers Unified School District, as they pertain to Proposition 39, Election of 2012, Series A & B General Obligation Bonds, as of and for the year ended June 30, 2015, 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.

### ***Auditors' 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. 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 auditors' 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 auditors consider 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.

Santa Maria Building • 575 E. Locust Ave., • Suite 308 • Fresno, Ca 93720-2928  
(559) 438-8740 • FAX 438-8746

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

***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund of the Caruthers Unified School District, as it pertains to Proposition 39, Election of 2012, Series A General Obligation Bonds, as of June 30, 2014, 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 1A, the financial statements present only the activity of the Building Fund of the Caruthers Unified School District, as it pertains to Proposition 39, Election of 2012, Series A & B General Obligation Bonds, as of June 30, 2015, and are not intended to present fairly the financial position and the results of operations of the Caruthers Unified School District in conformity with accounting principles generally accepted in the United States of America.

*Linger, Peterson, Shrum & Co.*

December 21, 2015

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
BALANCE SHEET--BUILDING FUND  
JUNE 30, 2015**

**Assets**

Cash in County Treasury	\$ 5,994,545	
Accounts receivable	<u>23,593</u>	
Total Assets		\$ 6,018,138

**Liabilities**

Accounts payable	740,640	
Due to General Fund	<u>250</u>	
Total Liabilities		<u>740,890</u>

<b>Fund Balance (Assigned)</b>		<u><u>\$ 5,277,248</u></u>
--------------------------------	--	----------------------------

See Notes to the Financial Statements.

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE--BUILDING FUND  
YEAR ENDED JUNE 30, 2015**

**Revenues**

Interest	\$	86,981
----------	----	--------

**Expenditures**

Bond issue costs	\$	198,626
Services and other operating expenditures		47,034
Capital outlay		<u>4,633,863</u>

Total Expenditures		<u>4,879,523</u>
--------------------	--	------------------

**Deficiency of Revenues**

Over Expenditures		(4,792,542)
-------------------	--	-------------

**Other Financing Sources (Uses)**

Interfund transfer to Bond Interest and Redemption Fund		(506,387)
Other financing sources		
Proceeds from sale of bonds		7,997,621
Bond premiums		<u>705,013</u>

Total Other Financing Sources (Uses)		<u>8,196,247</u>
--------------------------------------	--	------------------

**Excess of Revenues and**

**Other Financing Sources Over**

Expenditures and Other Financing Uses		3,403,705
---------------------------------------	--	-----------

Fund Balance (Assigned), July 1, 2014		<u>1,873,543</u>
---------------------------------------	--	------------------

Fund Balance (Assigned), June 30, 2015	\$	<u><u>5,277,248</u></u>
--	----	-------------------------

See Notes to the Financial Statements.

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

On November 6, 2012, the Caruthers Unified School District (the “District”) voters authorized issuance of General Obligation Bonds, in an aggregate principal amount not to exceed \$12,000,000, to be used for the construction, acquisition, furnishing and equipping of District facilities.

The Bond proceeds and uses are accounted for in the District’s Building Fund. The statements presented are for the Building Fund, as it pertains to the Election of 2012, Series A & B General Obligation Bonds, and are not intended to be a complete presentation of the District’s financial position or results of operations.

**B. Accounting Policies**

The Caruthers Unified School District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual*. The accounting policies of the District 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).

**C. Basis of Accounting**

Basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The Caruthers Unified School District accounts for Bond proceeds and expenditures using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; 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.



**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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. All encumbrances are liquidated as of June 30, 2015.

**E. 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 during the reporting period. Actual results could differ from those estimates.

**2. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Cash in County Treasury	\$5,994,545
-------------------------	-------------

**A. Cash in County Treasury**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury as part of a common investment pool (\$5,994,545 as of June 30, 2015). The fair market value of this investment pool as of that date, as provided by the pool sponsor, was \$5,994,545. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds. The county is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**B. Investments**

**1. Investments Authorized by the California Government Code and the District's Investment Policy**

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Percentage in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	100%	100%
Local Agency Investment Fund (LAIF)	N/A	None	None

**2. Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The schedule below identifies the investment types that are authorized for investments held by bond trustees. The schedule also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.



**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Percentage in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

**3. Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity.

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
County Investment Pool	\$ 5,994,545	\$ 5,994,545	\$ -	\$ -	\$ -

**4. Disclosures Relating to Credit Risk**

Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, and the actual rating as of year end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		
				AAA	AA	Not Rated
County Investment Pool	\$ 5,994,545	N/A	\$ -	\$ -	\$ -	\$ 5,994,545

**3. INTERFUND TRANSACTIONS**

**Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

The interfund transfer from the Building Fund to the Bond Interest and Redemption Fund in the amount of \$506,387 was to transfer a portion of the bond premium which was to be used for debt service.

**4. COMMITMENTS AND CONTINGENCIES**

**A. General Obligation Bonds**

A general election was held on November 6, 2012, at which more than 55% of the persons voting on the Proposition voted to authorize the issuance of \$12,000,000 of General Obligation Bonds of the District to finance real property and improvements to be used in the public education operations of the District. Bonds in the amount of \$4,000,000 were issued on February 27, 2013 and bonds in the amount of \$7,997,621 were issued on October 31, 2014, leaving a remaining commitment of \$2,379.

**B. Arbitrage**

As part of tax laws surrounding Tax-Exempt Bonds, investment earnings, with certain adjustments, on unexpended Bond proceeds are limited to the interest rate paid on the Bond debt. Arbitrage (i.e. excess investment earnings) is required to be rebated to the federal government every five years for as long as the Bonds are outstanding. At June 30, 2015, no arbitrage liability was deemed necessary.

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**5. CITIZENS' BOND OVERSIGHT COMMITTEE**

The Citizens' Bond Oversight Committee (the "Committee") was established to satisfy the accountability requirements of Proposition 39. The Committee shall confine itself specifically to Bond proceeds generated under the ballot measure. To carry out its stated purposes, the Committee shall: a) Inform the public regarding Bond issues; b) Review expenditures to ensure that Bond proceeds are expended only for the purposes set forth in the ballot measure, and that no Bond proceeds are used for any teacher or administrative salaries or other operating expenses of the District; c) Present to the Board, in public session, an annual written report. The report shall indicate whether the District is in compliance with the applicable requirements, and shall include a summary of the Committee's proceedings and activities for the preceding year.

**6. SUBSEQUENT EVENTS**

The District's management evaluated its June 30, 2015 financial statements for subsequent events through December 21, 2015, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

\* \* \*

**OTHER INDEPENDENT AUDITORS'  
REPORT**



Gary A. Shrum  
Kendra L. Keiscome  
Marilyn K. Adams

Robert L. Linger (1932 - 2013)  
Jim L. Peterson (Retired)



Licensed by the California Board of Accountancy

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL**  
**OVER FINANCIAL REPORTING AND ON COMPLIANCE**  
**AND OTHER MATTERS BASED ON AN AUDIT OF**  
**FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE**  
**WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Caruthers Unified School District  
Caruthers, 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 Building Fund of the Caruthers Unified School District (the District), as they pertain to Proposition 39, Election of 2012, Series A & B General Obligation Bonds, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control), as it pertains to Proposition 39, Election of 2012, Series A & B General Obligation Bonds, 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 District's internal control as it pertains to Proposition 39, Election of 2012, Series A & B General Obligation Bonds. Accordingly, we do not express an opinion on the effectiveness of District's internal control as it pertains to Proposition 39, Election of 2012, Series A & B General Obligation Bonds.

*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 District's Building Fund financial statements, as it pertains to Proposition 39, Election of 2012, Series A & B General Obligation Bonds, 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

Santa Maria Building • 575 E. Locust Ave., • Suite 308 • Fresno, Ca 93720-2928  
(559) 438-8740 • FAX 438-8746

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 the District's Building Fund financial statements, as they pertain to Proposition 39, Election of 2012, Series A & B General Obligation Bonds, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's Building Fund internal control or on its compliance as they pertain to Proposition 39, Election of 2012, Series A & B General Obligation Bonds. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control and compliance of the District's Building Fund as they pertain to Proposition 39, Election of 2012, Series A & B General Obligation Bonds. Accordingly, this communication is not suitable for any other purpose.

*Linger, Peterson, Ahum & Co.*

December 21, 2015

## **PERFORMANCE AUDIT**



Gary A. Shrum  
Kendra L. Keiscome  
Marilyn K. Adams

Robert L. Linger (1932 - 2013)  
Jim L. Peterson (Retired)



**INDEPENDENT AUDITORS' REPORT**  
**(PERFORMANCE)**

Board of Trustees and  
Citizens' Bond Oversight Committee  
Caruthers Unified School District  
Caruthers, California:

We have conducted a performance audit of the Building Fund of the Caruthers Unified School District (the "District"), as it pertains to the Proposition 39, Election of 2012, Series A & B General Obligation Bonds, for the year ended June 30, 2015.

We conducted our performance audit in accordance with 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.

Our audit was limited to the objectives listed on Page 15 of this report which includes determining the District's compliance with the performance requirements for the Election of 2012, Series A & B General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance 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)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended the Election of 2012, Series A & B General Obligation Bond funds for the year ended June 30, 2015 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

*Linger, Peterson, Shrum & Co.*

December 21, 2015

Santa Maria Building • 575 E. Locust Ave., • Suite 308 • Fresno, Ca 93720-2928  
(559) 438-8740 • FAX 438-8746



**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
YEAR ENDED JUNE 30, 2015**

**EXECUTIVE SUMMARY**

On November 6, 2012, the District voters authorized \$12,000,000 in General Obligation Bonds to be used to finance the construction, acquisition, furnishing and equipping of District facilities, and to pay certain costs of issuance associated therewith.

**BACKGROUND INFORMATION**

The Election of 2012, Series A Bonds, in the principal amount of \$4,000,000, are General Obligation Bonds issued under provisions of Title 1, Division 1, Part 10, Chapter 1 of the State of California Education Code, commencing with Section 15100, and pursuant to a resolution adopted by the Board of Trustees of the District on January 28, 2013. For this issuance of \$4,000,000 in General Obligation Bonds, all are Current Interest Bonds.

The Election of 2012, Series B Bonds, in the principal amount of \$7,997,621, are General Obligation Bonds issued under provisions of Title 1, Division 1, Part 10, Chapter 1 of the State of California Education Code, commencing with Section 15100, and pursuant to a resolution adopted by the Board of Trustees of the District on September 22, 2014. For this issuance of \$7,997,621 in General Obligation Bonds, \$7,285,000 are Current Interest Bonds and \$712,621 are Capital Appreciation Bonds.

The Bonds are the first and second series of an authorization of \$12,000,000 approved by District voters on November 6, 2012 (Measure C). After the issuance of Proposition 39, Election of 2012, Series A & B, General Obligation Bonds, the District will have \$2,379 in authorized but unissued Bonds under the 2012 authorization.

The District received authorization for the issuance and sale of not more than \$12,000,000 of General Obligation Bonds at an election held on November 6, 2012, by an affirmative vote of 66.95% of the votes cast. A 55% vote in favor was required. The Proposition 39, Election of 2012, Series A & B General Obligation Bonds represent the first and second series to be issued under the 2012 authorization.

Net proceeds of Proposition 39, Election of 2012, Series A & B General Obligation Bonds are authorized to be used for the acquisition, construction, furnishing and equipping of District facilities, and to pay certain costs of issuance associated therewith. Net proceeds of Proposition 39, Election of 2012, Series A & B General Obligation Bonds are authorized to be used to prepare for future growth and provide facilities that best serve the students and community, as specified in the projects list.

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
YEAR ENDED JUNE 30, 2015**

**CITIZENS' BOND OVERSIGHT COMMITTEE**

The Citizens' Bond Oversight Committee was established to satisfy the accountability requirements of Proposition 39. The Committee shall confine itself specifically to Bond proceeds generated under the ballot measure. The Committee consists of a minimum of seven (7) members appointed by the Board of Trustees from a list of candidates submitting written applications. The members can serve for a term of two (2) years without compensation, and for no more than two (2) consecutive terms. The members were chosen based on criteria established by Proposition 39. The Committee is required to meet at least once a year. The stated general purposes of the Committee are to: 1) Inform the public; 2) Review expenditures; 3) Present to the Board an annual written report.

**OBJECTIVES**

The objectives of our Performance Audit were to:

Determine the expenditures charged to the District's Building Fund as they pertain to Proposition 39, Election of 2012, Series A & B General Obligation Bonds.

Determine whether expenditures charged to the Building Fund as they pertain to Proposition 39, Election of 2012, Series A & B General Obligation Bonds, have been made in accordance with the Bond project list approved by the voters through approval of Measure C in November, 2012.

Note any incongruities, system weakness, or non-compliance with specific Education Code Sections related to Bond oversight, and provide recommendations for improvement.

Provide the District Board and the Citizens' Bond Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

**SCOPE OF THE AUDIT**

The scope of this performance audit covered the fiscal period from July 1, 2014 through June 30, 2015. 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



**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
YEAR ENDED JUNE 30, 2015**

proceeds of the Bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2015, 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, 2014 through June 30, 2015 for the Building Fund – Measure C (2012). Within the period audited, we obtained actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure C (2012) with regards to the approved Bond projects list. We performed the following procedures:

Reviewed the projects listed to be funded with General Obligation Bond proceeds as set out in the Measure C (2012) election documents.

Selected a sample of expenditures for the period July 1, 2014 through June 30, 2015, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized Bond projects. Our sample included transactions totaling \$1,572,372, which represented 32.22% of total expenditures of \$4,879,523.

We verified that funds from the Building Fund – Measure C (2012) were used for the acquisition, construction, furnishing and equipping of District facilities constituting the authorized Bond projects. In addition, we verified that funds held in the Building Fund – Measure C (2012) were not used for salaries unless those salaries were only for work that would not exist but for the existence of the construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

Note any incongruities, system weakness, or non-compliance with specific Education Code Sections related to Bond oversight, and provide recommendations for improvement.

Provide the District Board and the Citizens' Bond Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
YEAR ENDED JUNE 30, 2015**

**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 C (2012) and that such expenditures were made for authorized Bond projects. Further, it was noted that none of the funds held in the Building Fund – Measure C (2012) were used for salaries.

\* \* \*

## **FINDINGS AND RECOMMENDATIONS SECTION**

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A & B  
GENERAL OBLIGATION BONDS  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of Auditors' Report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

**Performance Audit**

Type of Auditors' Report issued:	Unmodified
Any audit findings disclosed?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

There were no Financial Statement findings or responses.

**SECTION III - PERFORMANCE FINDINGS AND RESPONSES**

There were no Performance findings or responses.

\* \* \*

**CARUTHERS UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
ELECTION OF 2012, SERIES A  
GENERAL OBLIGATION BONDS  
SUMMARY SCHEDULE OF PRIOR FINDINGS  
YEAR ENDED JUNE 30, 2015**

There were no prior year findings or responses.

\* \* \*