

**FRESNO UNIFIED SCHOOL DISTRICT**  
Fresno, California

**MEASURE Q GENERAL OBLIGATION BONDS**  
**PERFORMANCE AUDIT**  
June 30, 2014

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## REPORT OF INDEPENDENT AUDITORS

Board of Education and  
Independent Citizens' Bond Oversight  
Committee for Measure Q  
Fresno Unified School District  
Fresno, California

We have conducted a performance audit of the Fresno Unified School District (the "District") School Measure Q General Obligation Bond funds for the year ended June 30, 2014.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure Q 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 Fresno Unified School District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of Fresno Unified School 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 the internal control.

The results of our tests indicated that, in all significant respects, Fresno Unified School District expended Measure Q General Obligation Bond funds for the year ended June 30, 2014 only for the specific projects developed by the District's Board of Education 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.



Crowe Horwath LLP

Sacramento, California  
August 22, 2014

FRESNO UNIFIED SCHOOL DISTRICT  
MEASURE Q GENERAL OBLIGATION BONDS  
BACKGROUND INFORMATION

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## LEGISLATIVE HISTORY

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, "for the construction, reconstruction, 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", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

## FRESNO UNIFIED SCHOOL DISTRICT MEASURE Q GENERAL OBLIGATION BONDS

On November 2, 2010, the electorate of the Fresno Unified School District approved the issuance of up to \$280,000,000 in general obligation bonds with greater than 55% of the votes in favor. The abbreviated text of the ballot language was as follows:

"To offset state budget cuts, attract quality teachers, and repair classrooms by:

- Upgrading vocational education classrooms/science labs/technology/libraries;
- Improving security/fire safety/restrooms/plumbing/ventilation systems;
- Increasing handicapped access;
- Securing state matching funds;
- Preventing dropouts by improving alternative schools;
- Acquiring, constructing, repairing campuses/facilities/equipment;

Shall Fresno Unified School District issue \$280 million in bonds requiring audits, citizens' oversight, no money for administrators' salaries, no money for Sacramento and no tax rate increase?"

The project list identified in the ballot language was specified in greater detail by the District's Board of Education.

In October 2011, the District issued Measure Q General Obligation Bonds, Series A, in the amount of \$29,561,373 and Series B, in the amount of \$50,434,849.

All bond expenditures are subject to review by a Citizens Oversight Committee which reports to the public, as provided in Education Code Section 15278 *et seq.*

The financial activity related to the Measure Q General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 35.

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FRESNO UNIFIED SCHOOL DISTRICT  
MEASURE Q GENERAL OBLIGATION BONDS  
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

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## **OBJECTIVES**

The objective of our performance audit was to determine that the District expended Measure Q General Obligation Bond funds for the year ended June 30, 2014 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Education, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

## **SCOPE**

The District provided to us a list of all Measure Q General Obligation Bond project expenditures for the year ended June 30, 2014 (the "List"). An approximate total of 5,908 transactions were identified, representing \$43,433,112 in expenditures from July 1, 2013 through June 30, 2014.

## **METHODOLOGY**

We performed the following procedures to the List of Measure Q General Obligation Bond project expenditures for the year ended June 30, 2014:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Documented District procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- Performed tests to determine that the District controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Verified the mathematical accuracy of the List.
- Selected a sample of 100 expenditures totaling \$18,578,543. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 2% of the number of expenditures and 43% of the total expenditure value. Verified that the expenditures were for the approved projects and were to construct, upgrade, and improve classrooms and school facilities, renovate restrooms and plumbing, upgrade electrical systems, improve student access to computers and technology, replace heating and air conditioning systems or to make health and safety improvements.

## **CONCLUSION**

The results of our tests indicated that, in all significant respects, Fresno Unified School District expended Measure Q General Obligation Bond funds for the year ended June 30, 2014 only for the specific projects developed by the District's Board of Education 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.

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