

FRESNO UNIFIED SCHOOL DISTRICT

COUNTY OF FRESNO

FRESNO, CALIFORNIA

MEASURE K GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011

AND

INDEPENDENT AUDITOR'S REPORT



PERRY-SMITH

THE POWER OF CONFIDENCE

**FRESNO UNIFIED SCHOOL DISTRICT
MEASURE K GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

For the Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have conducted a performance audit of the Fresno Unified School District (the "District") Measure K General Obligation Bond funds for the year ended June 30, 2011.

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 conclusions based on our audit objectives.

The objective of our performance audit was to determine if Fresno Unified School District expended Measure K General Obligation Bond funds for the year ended June 30, 2011 in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution:

"A requirement that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed."

Solely to assist us in planning and performing our performance audit, we made a study and evaluation 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 controls.

In our opinion, Fresno Unified School District expended Measure K General Obligation Bond funds for the year ended June 30, 2011 in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

Perry-Smith LLP

August 12, 2011

**FRESNO UNIFIED SCHOOL DISTRICT
MEASURE K GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION**

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, 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% of the electorate.

FRESNO UNIFIED SCHOOL DISTRICT MEASURE K GENERAL OBLIGATION BONDS

On March 6, 2001, the electorate of the Fresno Unified School District approved the issuance of up to \$199,000,000 in general obligation bonds with greater than 55% of the votes in favor. The abbreviated text of the ballot language was as follows:

"Shall the Fresno Unified School District:

- reduce overcrowding by building new classrooms/schools,
- make the District eligible for State matching funds,
- acquire school technology and hardware,
- repair plumbing, heating and air conditioning systems,
- renovate and modernize deteriorating classrooms,
- build library/media centers,
- upgrade classroom electrical wiring for computers,
- repair, rehabilitate, construct and acquire educational facilities and related property;

and issue \$199 million of bonds for the above purposes, at interest rates within the legal limit?

As required by the California Constitution, the proceeds from the sale of the bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, and not for any other purpose, including not for teacher and administrator salaries and other school operating expenses."

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

In July 2001, the District issued Measure K General Obligation Bonds, Series A, in the amount of \$10,000,000. In April 2002, the District issued Measure K General Obligation Bonds, Series B, in the amount of \$19,000,000. In February 2003, the District issued Measure K General Obligation Bonds, Series C, in the amount of \$19,000,000. In August 2005, the District issued Measure K General Obligation Bonds, Series D, in the amount of \$31,000,000. In July 2006, the District issued Measure K General Obligation Bonds, Series E, in the amount of \$35,000,000. In December 2009, the District issued Measure K General Obligation Bonds, Series F, in the amount of \$29,429,022. The stated purposes of each of the issuances were for the acquisition and construction of new schools and facilities and to improve and repair existing schools.

**FRESNO UNIFIED SCHOOL DISTRICT
MEASURE K GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
(Continued)**

**FRESNO UNIFIED SCHOOL DISTRICT MEASURE K GENERAL OBLIGATION BONDS
(Continued)**

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.*

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

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure K General Obligation Bond funds for the year ended June 30, 2011 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 K General Obligation Bond project expenditures for the year ended June 30, 2011 (the "List"). An approximate total of 10,000 transactions were identified, representing \$43,834,694 in expenditures from July 1, 2010 through June 30, 2011.

METHODOLOGY

We performed the following procedures to the List of Measure K General Obligation Bond project expenditures for the year ended June 30, 2011:

- Verified the mathematical accuracy of the List.
- Selected a sample of 100 expenditures totaling \$17,601,174. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 1.0% of the number of expenditures and 40.2% 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, including the furnishing and equipping of school facilities, and that funds were not spent for administrative salaries or other expenses.

CONCLUSIONS

Fresno Unified School District expended Measure K General Obligation Bond funds for the year ended June 30, 2011 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.