



MATSON
& ISOM

CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E
GENERAL OBLIGATION BONDS

Chico, California

PERFORMANCE AUDIT

June 30, 2014

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Proposition 39 and Measure E
General Obligation Bonds*

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Chico Unified School District
Chico, California

We have audited the Chico Unified School District's (the District), compliance with the performance requirements for Proposition 39 and Measure E General Obligation Bonds (the Bonds) applicable to the District for the fiscal year ended June 30, 2014.

Management's Responsibility

Management is responsible for the District's compliance with those requirements.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance 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 noncompliance with the performance requirements for Proposition 39 and the Bonds that could have a material effect on compliance occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our performance audit does not provide a legal determination on the District's compliance with the specific requirements.

Opinion

In our opinion, the District complied, in all material respects, with the performance requirements referred to above that are applicable to the District for the year ended June 30, 2014.

December 15, 2014
Chico, California

PERFORMANCE AUDIT

June 30, 2014

*Chico Unified School District
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OBJECTIVES

The objectives of our performance audit were to document the expenditures charged to the voter-approved Proposition 39 and Measure E General Obligation Bonds (the Bonds); determine whether expenditures for the year ended June 30, 2014, charged to the building fund have been made in accordance with project budgets and guidelines; note any incongruities or system weaknesses; and provide recommendations for improvements.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal year ended June 30, 2014. Expenditures incurred after the issuance of the Bonds, and prior to June 30, 2013, were covered in a previous performance audit. The expenditures included all object and project codes associated with the Bonds' projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources 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.

BACKGROUND INFORMATION

On November 6, 2012, \$78,000,000 in general obligations bonds were authorized by an election held within the District. A citizens' oversight committee was appointed on January 26, 2013, to comply with the *California Constitution* and the *California Education Code*. The purpose of the committee is to inform the public, at least annually, regarding the appropriate use of the Bond proceeds. On May 30, 2013, bonds in the amount of \$15,000,000 were issued at a premium of \$1,765,340. The bond proceeds are to be used to acquire, construct, repair, and modernize restrooms, classrooms, school facilities sites, files, and equipment to improve student access to computers and modern technology, repair or replace leaky roofs and plumbing systems, and upgrade heating, ventilation, and cooling systems. The District paid issuance costs totaling \$271,000 from the proceeds. *California Constitution*, Article 13A, Section 1(b)(3) requires an annual performance audit be conducted to ensure that funds have been expended only on the specific projects publicized by the District.

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PROCEDURES PERFORMED

We obtained the building fund general ledger and the project expenditure summary reports and detail prepared by the District for the year ended June 30, 2014. Within the period audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measure E General Obligation Bond funding. We performed the following procedures:

- We reviewed the District's bond project publicized list of intended projects.
- We selected a sample of expenditures for the year ended June 30, 2014, and reviewed supporting documentation to ensure that funds were properly expended on the specific projects as outlined in the publicized list and that they met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- We verified that funds were expended only for the purposes for which the bonds were issued, as specified in the official statement of bond indenture submitted by the District to the County Auditor.
- We verified that funding was not used for salaries of school administrators or other operating expenses of the District.

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The District utilized Bond funds for 13 projects. The District incurred total expenditures of \$2,124,088 through June 30, 2014, for the following projects:

	Budget	Prior Expenditures	June 30, 2014 Expenditures	Total Expenditures	Status
Measure E facilities master plan	\$ 584,890	\$ 84,718	\$ 554,023	\$ 638,741	Completed
Bond issuance costs	271,000	271,000	-	271,000	Completed
Chico Junior High and Rosedale canopy replacement	248,277	-	248,277	248,277	Completed
Chico High HVAC replacement	260,180	-	260,180	260,180	Completed
Pleasant Valley High athletic facility planning	100,000	-	20,478	20,478	In progress
Chico High athletic facility planning	100,000	-	20,478	20,478	In progress
Safety and security improvements	2,355,000	-	34,640	34,640	In progress
Energy efficiency improvements	2,600,000	-	3,391	3,391	In progress
Technology infrastructure	2,574,000	-	156,520	156,520	In progress
Marsh Junior High multipurpose building	8,457,000	-	411,229	411,229	In progress
Junior High planning	48,820	-	48,820	48,820	In progress
Marsh Junior High site drainage	521,525	-	5,637	5,637	In progress
Bidwell Junior High modernization	5,740,500	-	4,697	4,697	In progress
Total	\$ 23,861,192	\$ 355,718	\$ 1,768,370	\$ 2,124,088	

Each of the projects has been given a specific project identification number within the District's building fund. Budgets for each project are included in the financial reporting system and actual expenditures are matched against this budget.

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CONCLUSION

Based upon the procedures performed, we found that for the items tested, the District has properly accounted for the expenditures of the Proposition 39 and Measure E General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

MANAGEMENT COMMENTS AND RECOMMENDATIONS

None.