

DELHI UNIFIED SCHOOL DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2015

DELHI UNIFIED SCHOOL DISTRICT
Delhi, California

MEASURE E GENERAL OBLIGATION BONDS
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Delhi Unified School District
Delhi, California

We have conducted a performance audit of the Delhi Unified School District (the "District") Measure E General Obligation Bond funds 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

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 E 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 Delhi 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 Delhi 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.

The results of our tests indicated that, in all significant respects, Delhi Unified School District expended Measure E General Obligation Bond funds for the year ended June 30, 2015 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, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 12, 2015

DELHI UNIFIED SCHOOL DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
June 30, 2015

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.

DELHI UNIFIED SCHOOL DISTRICT MEASURE E GENERAL OBLIGATION BONDS

On November 6, 2012, the electorate of the Delhi Unified School District approved the \$8,000,000 Measure E general obligation bonds with greater than 55% of the votes in favor. The Bond funds are to be used to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance. The summarized text of the ballot language was as follows:

"To modernize, construct and renovate outdated classrooms, restrooms and school facilities; improve student access to computers and modern technology; make health and safety improvements; improve P.E. fields and facilities for school and community use; make required handicapped accessibility improvements; and improve energy efficiency; shall the Delhi Unified School District issue \$8,000,000 of bonds at legal interest rates, have an independent citizens' oversight committee and have NO money taken by the state or used for salaries?"

On April 16, 2013, the District issued General Obligation Bonds in the amount of \$2,698,445 to raise money for authorized school purposes. Repayment of the bonds is made from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Bonds mature serially in varying amounts during the succeeding years through fiscal year 2042-2043, with interest rates varying from 4.35% to 7.30%.

On April 2, 2014, the District issued Bond Anticipation Notes in the amount of \$2,999,464 to raise money for authorized school purposes. Repayment of the bonds is made from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Bonds mature in full on April 1, 2019, with an interest rate of 2.82%.

DELHI UNIFIED SCHOOL DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2015

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure E General Obligation Bond funds for the year ended June 30, 2015 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, 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 E General Obligation Bond project expenditures for the year ended June 30, 2015 (the "List"). A total of 47 transactions were identified, representing \$2,936,566 in expenditures from July 1, 2014 through June 30, 2015.

METHODOLOGY

We performed the following procedures to the List of Measure E General Obligation Bond project expenditures for the year ended June 30, 2015:

- 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 test 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.
- Agreed the List to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2015, presented as the Building Fund.
- Selected a sample of 10 expenditures totaling \$1,915,270. The sample represented 21% of the number of expenditures and 65% of the total expenditure value. Verified that the expenditure was for the approved projects and were to modernize, construct and renovate outdated classrooms, restrooms and school facilities; improve student access to computers and modern technology; make health and safety improvements; improve P.E. fields and facilities for school and community use; make required handicapped accessibility improvements; and improve energy efficiency.

CONCLUSIONS

The results of our tests indicated that, in all significant respects, Delhi Unified School District expended Measure E General Obligation Bond funds for the year ended June 30, 2015 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, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.