

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
Rancho Cordova, California

SCHOOL FACILITIES IMPROVEMENT DISTRICT #3
MEASURE M GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Bond Oversight Committee
Folsom Cordova Unified School District
Rancho Cordova, California

We have conducted a performance audit of the Folsom Cordova Unified School District (the "District") School Facilities Improvement District #3 ("SFID #3"), Measure M 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 included determining that the District expended Measure M General Obligation Bond funds for the year ended June 30, 2014 only for the purposes approved by the voters, in accordance with the requirements of the published election materials specifying the intended use of Measure M General Obligation Bond proceeds. Management is responsible for Folsom Cordova 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 Folsom Cordova Unified School District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of the published election materials specifying the intended use of Measure M General Obligation Bond proceeds. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that, in all significant respects, Folsom Cordova Unified School District expended Measure M General Obligation Bond funds for the year ended June 30, 2014 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of the published election materials specifying the intended use of Measure M General Obligation Bond proceeds.



Crowe Horwath LLP

Sacramento, California
December 22, 2014

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #3
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, "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.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT SCHOOL FACILITIES IMPROVEMENT DISTRICT #3, MEASURE M GENERAL OBLIGATION BONDS

On March 27, 2007, the electorate of Folsom Cordova Unified School District School Facilities Improvement District # 3 approved the \$750 million Measure M General Obligation Bonds, with greater than two-thirds or more of the votes in favor. The summarized text of the ballot language was as follows:

"To qualify for state funding and developer fees, construct elementary, middle, and high schools, libraries, computer labs, support facilities, acquire land, and purchase equipment and computer technology, shall the School Facilities Improvement District No. 3 of the Folsom Cordova Unified School District issue \$750 million in bonds at legal interest rates and appoint a citizens' oversight committee to monitor expenditures?"

In October 2007, the District issued current interest and capital appreciation General Obligation Bonds in an aggregate principal amount of \$24,998,630, maturing through October 2032, with interest rates from 4% to 5%.

In October 2009, the District issued current interest and capital appreciation General Obligation Bonds in an aggregate principal amount of \$19,135,226, maturing through October 2035, with interest rates from 2% to 6.5%.

The financial activity related to the Measure M General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 27 and 29. The Financial Activity Reports for District Funds 21, 23, 24, 27 28, and 29 are combined to comprise Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2014.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #3
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

OBJECTIVES

The objective of our performance audit was to determine that the District expended SFID #3, Measure M 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 Trustees, in accordance with the requirements of the published election materials specifying the intended use of Measure M General Obligation Bond proceeds.

SCOPE

The District provided to us a list of all SFID #3, Measure M General Obligation Bond project expenditures for the year ended June 30, 2014 (the "List"). An approximate total of 55 transactions were identified, representing \$167,714 in expenditures from July 1, 2013 through June 30, 2014.

METHODOLOGY

We performed the following procedures to the List of SFID #3, Measure M General Obligation Bond project expenditures for the year ended June 30, 2014:

- Verified the mathematical accuracy of the List.
- Reconciled the List to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2014, presented as the Building Fund.
- 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.
- Selected a sample of expenditures totaling \$67,643. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 40% of the total expenditure value. Verified that the expenditures were for the approved projects and were to construct elementary, middle, and high schools, libraries, computer labs, support facilities, acquire land, and purchase equipment and computer technology.

CONCLUSION

The results of our tests indicated that, in all significant respects, Folsom Cordova Unified School District expended Measure M General Obligation Bond funds for the year ended June 30, 2014 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of the published election materials specifying the intended use of Measure M General Obligation Bond proceeds.