

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
Folsom, California

SCHOOL FACILITIES IMPROVEMENT DISTRICT #4
MEASURE N GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT

June 30, 2011

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #4
MEASURE N GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT

For the Year Ended June 30, 2011

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REPORT OF INDEPENDENT AUDITORS

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

We have conducted a performance audit of the Folsom Cordova Unified School District (the "District") School Facilities Improvement District #4 ("SFID #4"), Measure N 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 findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 5 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure N 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 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 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, Folsom Cordova Unified School District expended Measure N General Obligation Bond funds for the year ended June 30, 2011 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

Sacramento, California
February 28, 2012

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #4
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 #4, MEASURE N GENERAL OBLIGATION BONDS

On November 7, 2006, the electorate of Folsom Cordova Unified School District School Facilities Improvement District # 4 approved the \$125 million Measure N General Obligation Bonds, with greater than 55% of the votes in favor. The summarized text of the ballot language was as follows:

"To improve the quality of education and insure students gain the skills needed to succeed, shall School Facilities Improvement District No. 4 of Folsom Cordova Unified School District upgrade, construct, repair and equip classrooms, computer labs, science, vocational and support areas by issuing \$125,000,000 in bonds at legal interest rates, conduct annual audits, and form a citizens oversight committee?"

The Board of Education of the Folsom Cordova Unified School District evaluated the District's urgent and critical facility needs in Rancho Cordova based on recommendations from the Bond Oversight Committee, including safety issues, class size and computer technology in developing the scope of projects to be funded.

Improvements needed to keep pace with newer schools include, but are not limited to:

Safety and Security

- Install exterior lighting, fencing, security equipment, and new windows.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #4
BACKGROUND INFORMATION
(Continued)**

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT SCHOOL FACILITIES IMPROVEMENT
DISTRICT #4, MEASURE N GENERAL OBLIGATION BONDS (Continued)**

Educational Improvements

- Upgrade technology including computers, LCD projectors, and computer labs, upgrade science labs and specialty rooms, replace old portables, and update libraries and physical education areas.

Communications

- Install parent communication and notification systems, upgrade phone systems and digital signage.

Landscape and Building Systems

- Renovate playfields, landscape and irrigation systems, repair asphalt and air conditioning/heating systems, replace unsightly railroad cars with storage buildings, and install energy efficient systems.

Student Health, Recreation, and After School Programs

- Upgrade after school youth and the high school career centers, and replace old, unsafe playground and physical education equipment.

Furniture and Equipment

- Replace old, broken desks and chairs, replace classroom and other equipment.
- The projects to be financed by the Improvement District include modernization of existing schools, the construction and repair of elementary, middle and high school classrooms, and support facilities, the acquisition of various types of equipment and computer technology, and all architectural, engineering and related construction, planning and environmental expenses. Listed building, repair, and modernization projects and upgrades will be completed as prioritized by the Board of Education. Each project is assumed to include its share of furniture, equipment, architectural, engineering, and similar planning costs, construction management, and a customary contingency for unforeseen design and construction costs. The budget for each project is an estimate and may be affected by factors beyond the District's control. The final cost of each project will be determined as plans are finalized, construction bids are awarded, and projects are completed.

In October 2007, the District issued current interest and capital appreciation General Obligation Bonds in an aggregate principal amount of \$39,995,205, maturing through October 2032, with interest rates from 4% to 5%.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #4
BACKGROUND INFORMATION
(Continued)**

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT SCHOOL FACILITIES IMPROVEMENT
DISTRICT #4, MEASURE N GENERAL OBLIGATION BONDS (Continued)**

In October 2009, the District issued current interest and capital appreciation General Obligation Bonds in an aggregate principal amount of \$25,003,626, maturing through October 2032, with interest rates from 2% to 6.5%.

The financial activity related to the Measure N General Obligation Bonds is recorded in the District's Financial Activity Report for Funds 24 and 28. The Financial Activity Reports for District Funds 21, 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, 2011.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #4
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS**

OBJECTIVES

The objective of our performance audit was to determine that the District expended SFID #4, Measure N 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 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 SFID #4, Measure N General Obligation Bond project expenditures for the year ended June 30, 2011 (the "List"). An approximate total of 980 transactions were identified, representing \$20,737,842 in expenditures from July 1, 2010 through June 30, 2011.

METHODOLOGY

We performed the following procedures to the List of SFID #4, Measure N General Obligation Bond project expenditures for the year ended June 30, 2011:

- 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.
- 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, 2011, presented as the Building Fund.
- Selected a sample of 50 expenditures totaling \$12,272,638. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 5.1% of the number of expenditures and 59.2% of the total expenditure value. Verified that the expenditures were for the approved projects and were to upgrade, construct, repair and equip classrooms, computer labs, science, vocational and support areas.

CONCLUSIONS

The results of our tests indicated that, in all significant respects, Folsom Cordova Unified School District expended Measure N General Obligation Bond funds for the year ended June 30, 2011 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.