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INDEPENDENT AUDITOR’S REPORT

Board of Education
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, 2016.

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 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, 2016 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 the audit procedures that are appropriate for the purpose of providing a conclusion on the District's compliance with the requirements of the published election materials specifying the intended use of Measure M General Obligation Bond proceeds, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our procedures indicated that, in all significant respects, Folsom Cordova Unified School District expended Measure M General Obligation Bond funds for the year ended June 30, 2016 only for the specific projects developed by the District's Board of Education 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
January 13, 2017
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?"

All bond expenditures are subject to review by a Citizens' Oversight Committee which reports to the public.

The financial activity related to the Measure M General Obligation Bonds is recorded in Fund 27 (Building Fund) in the District's audited financial statements. Funds 22, 23, 24 and 27 are combined to comprise Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2016.

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%. Repayment of the bonds is made from the ad valorem taxes to be levied annually upon all property subject to taxation by the District.

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%. Repayment of the bonds is made from the ad valorem taxes to be levied annually upon all property subject to taxation by the District.
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, 2016 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 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, 2016 (the "List"). A total of $348,193 in expenditures from July 1, 2015 through June 30, 2016 were identified.

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, 2016:

- 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, 2016, presented as the Building Fund.
- Selected a sample of expenditures totaling $152,826. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 44% 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 procedures indicated that, in all significant respects, Folsom Cordova Unified School District expended Measure M General Obligation Bond funds for the year ended June 30, 2016 only for the specific projects developed by the District's Board of Education 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.