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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
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 #4 ("SFID #4"), Measure P 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 objectives.

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 P 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.

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 P 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
 Sacramento, California
 January 6, 2016
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 P GENERAL OBLIGATION BONDS

On November 6, 2012, the electorate of Folsom Cordova Unified School District School Facilities Improvement District # 4 approved the $68 million Measure P 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 academic instruction in core subjects like math, science and writing, shall Facilities Improvement District No. 4 of the Folsom Cordova Unified School District issue $68,000,000 in bonds at legal rates, to construct, acquire, repair classrooms, sites, facilities and equipment, upgrade instructional technology, student safety and security systems, upgrade, repair and equip classrooms, with citizen oversight, annual public audits, with all funds spent only in Rancho Cordova and no administrators' salaries?"

In January 2014, the District issued 2012 General Obligation Bonds, Series A in an aggregate principal amount of $25,000,000 maturing through October 2038, with interest rates from 4.00% to 5.00%.

The financial activity related to the Measure P General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 23. The Financial Activity Reports for District 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, 2015.
OBJECTIVES

The objective of our performance audit was to determine that the District expended SFID #4, Measure P 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 us a list of all SFID #4, Measure P General Obligation Bond project expenditures for the year ended June 30, 2015 (the "List"). An approximate total of 338 transactions were identified, representing $23,159,314 in expenditures from July 1, 2014 through June 30, 2015.

METHODOLOGY

We performed the following procedures to the List of SFID #4, Measure P 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.
- 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, 2015, presented as the Building Fund.
- Documented District procedures for organizing and supporting the Citizen's Bond Oversight Committee.
- Obtained and read copies of Citizen's Bond Oversight Committee meeting minutes.
- Selected a sample of expenditures totaling $18,975,999. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 73% 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 P 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.