

McFARLAND UNIFIED SCHOOL DISTRICT
McFARLAND, CALIFORNIA

PROPOSITION 39
2012 ELECTION GENERAL OBLIGATION BONDS – BUILDING FUND
PERFORMANCE AUDIT

FOR THE YEAR ENDING JUNE 30, 2016

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McFARLAND UNIFIED SCHOOL DISTRICT
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Independent Auditor's Report

Board of Trustees and the
Citizens' Bond Oversight Committee
McFarland Unified School District
McFarland, California 93250

Members of the Board of Trustees and the Citizens' Bond Oversight Committee:

We have conducted a performance audit of the 2012 Election General Obligation Bonds – Building Fund of McFarland Unified School District for the year ended June 30, 2016.

We conducted our performance audit in accordance with *Governmental 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 findings and conclusions 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 two of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 2012 Election General Obligation Bonds – Building Fund under the applicable provision of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Sections 15264 and 15272 – 15286 of the California Education Code as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the 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 and Sections 15264 and 15272 – 15286 of the California Education Code. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended 2012 Election General Obligation Bonds – Building Fund for the year ended June 30, 2016, only for the specific projects developed by the District's Board of Trustees, 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 and Sections 15264 and 15272 – 15286 of the California Education Code.

Respectfully submitted,

Scott Erwin CPA

Scott Erwin CPA Inc.

February 28, 2017

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OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the McFarland Unified School District Bond Building Fund;
- Determine whether expenditures charged to the Bond Building Fund have been made in accordance with the bond project list approved by the voters;
- Determine compliance with specific Education Code Sections related to oversight of bond expenditures;
- Note any incongruities or system weaknesses, or noncompliance with specific Education Code Sections related to oversight of fund expenditures, and provide recommendation for improvement;
- Provide the District Board and the Citizens' Oversight committee with a performance audit as specified under the requirements of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2015 to June 30, 2016. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2016 were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. In 2012, a general obligation bond proposition of the McFarland Unified School District was approved by the voters of the District. The election authorized the District to issue up to \$25,000,000 of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39 and related state legislation, the Board of Education of the District has established a Citizens' Bond Oversight Committee and appointed its members. The principal purpose of the Citizens' Bond Oversight Committee, as set out in state law, is to inform the public as to the expenditures made using the proceeds of the bond issued pursuant to the bond authorization. The Citizens' Bond Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Bond Building Fund have been expended only for authorized bond projects.

PROCEDURES PERFORMED

We obtained the general ledger prepared by the District for the period July 1, 2015 to June 30, 2016 for the 2012 Election General Obligation Bonds – Building Fund. Within the period audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and the 2012 Election with regards to the approved bond projects list. We performed the following procedures:

- Reviewed the projects listed to be funded with general obligation bond proceeds as set out in the 2012 Election General Obligation Bonds – Building Fund election documents;
- Selected a sample of expenditures for the period July 1, 2015 to June 30, 2016 and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects;
- Verified that funds from the 2012 Election General Obligation Bonds - Building Fund were generally expended for the acquisition and improvement of land and to construct a new elementary school thereon, and to modernize and/or repair student support facilities, playfields and athletic facilities, as included on the Project List approved by the voters at the Election. Furthermore, we verified that funds expended from the 2012 Election General Obligation Bonds - Building Fund were not used for salaries of school administrators or other operating expenses of the District;
- Reviewed compliance with requirements for membership and meeting procedures.

In addition, the results of our tests indicated that, in all significant respects, the District complied with certain provisions of the California Education Code requirements for which the purpose of an Independent Citizens' Oversight Committee is established.

CONCLUSION

Based upon our procedures performed, we found that for the items tested, the McFarland Unified School District has properly accounted for the expenditures of the funds held in the 2012 Election General Obligation Bonds - Building Fund Program and that such expenditures were made for authorized bond projects. Furthermore, it was noted that the funds held in the 2012 Election General Obligation Bonds - Building Fund Program, and expended by the District, were not expended for salaries of school administrators or other operating expenditures.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

FINDING 2016 – 01 – CITIZEN’S BOND OVERSIGHT COMMITTEE

Criteria or Specific Requirement

A Citizen’s Bond Oversight Committee is to be established within 60 days after the date the School District’s Board enters the results of the bond election on its Board minutes and continue until the conclusion of the bond projects. The Committee will consist of at least seven members and meet at least annually. The Committee will review expenditures for proper use of taxpayers’ money and to ensure the District is in compliance with the requirements of Article XXIII A, Section 1(b)(3)(c) of the California Constitution. The Committee will issue an Annual Report to the public.

Condition

The Citizen’s Bond Oversight Committee did not meet for the 2015-16 school year.

Effect

The School District and the Committee are not in compliance with Proposition 39 requirements.

Cause

The 2014-15 Citizen’s Bond Oversight Committee was unable to meet quorum requirements. A 2015-16 Committee meeting was not scheduled or held.

Questioned Costs

None

Recommendation

A Citizen’s Bond Oversight Committee should review bond construction expenses.

District’s Response

The Citizen’s Bond Oversight Committee did not meet in 2015-16 due to a lack of member participation.

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FOR THE YEAR ENDED JUNE 30, 2016

There were no findings for the year ending June 30, 2015.