

MCFARLAND UNIFIED SCHOOL DISTRICT
MCFARLAND, CALIFORNIA

MEASURE M – GENERAL OBLIGATION BONDS – BUILDING FUND
PERFORMANCE AUDIT

FOR THE YEAR ENDING JUNE 30, 2018

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MCFARLAND UNIFIED SCHOOL DISTRICT
MEASURE M – GENERAL OBLIGATION BONDS – BUILDING FUND
PERFORMANCE AUDIT
FOR THE YEAR ENDING JUNE 30, 2018

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Independent Auditor's Report

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

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

We have conducted a performance audit of the Measure M – General Obligation Bonds – Building Fund of McFarland Unified School District for the year ended June 30, 2018.

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 three of this report which includes determining the District's compliance with the performance requirements for the Measure M – General Obligation Bonds – Building Fund under the applicable provision of Section 1(b)(3)(C) of Article XIII A of the California Constitution 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, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on internal control.

Basis for Qualified Opinion on Performance

As discussed in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-01, the results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting prescribed in Title 5, California Code of Regulations, Section 19810.

Opinion on Performance

Except for Finding 2018-01, as noted in Basis for Qualified Opinion on Performance, in our opinion, the District expended Measure M – General Obligation Bonds – Building Fund for the year ended June 30, 2018, 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for Measure M – General Obligation Bonds – Building Fund of McFarland Unified School District noted above, which are required to be reported in accordance with the State's audit guide, 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting prescribed in Title 5, California Code of Regulations, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-01.

Respectfully submitted,

Scott Erwin CPA

Scott Erwin CPA Inc.

July 2, 2019

MCFARLAND UNIFIED SCHOOL DISTRICT
MEASURE M – GENERAL OBLIGATION BONDS – BUILDING FUND
PERFORMANCE AUDIT
FOR THE YEAR ENDING JUNE 30, 2018

BACKGROUND INFORMATION

In November 2000, the voters of the State of California 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. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code Sections 15278-15282:

1. A requirement that the school district establish and appoint members to an independent citizens’ oversight committee.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all the proceeds have been expended.
4. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

MCFARLAND UNIFIED SCHOOL - MEASURE M - GENERAL OBLIGATION BONDS

In 2012, a general obligation bond proposition (Measure M) of the McFarland Unified School District was approved by the voters of the District. Measure M 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 Trustees of the District has established a Citizen’s Bond Oversight Committee and appointed its initial members. The principal purpose of the Citizen’s 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 Citizen’s Bond Oversight Committee is required to issue at least one report annually as to its activities and findings.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the District's Building Fund as they pertain to Proposition 39, Measure M – General Obligation Bonds – Building Fund.
- Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure M in 2012;
- 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 Citizen's 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, 2017 to June 30, 2018. The sample of 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, 2018 were not reviewed or included within the scope of our audit.

PROCEDURES PERFORMED

We obtained the general ledger prepared by the District for the period July 1, 2017 to June 30, 2018 for the Measure M – 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 Measure M 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 Measure M General Obligation Bonds – Building Fund election documents;
- Selected a sample of expenditures for the period July 1, 2017 to June 30, 2018 and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects;

- Verified that funds from the Measure M General Obligation Bonds - Building Fund were expended for purposes stated in the bond measure:
To improve student safety and campus security, replace deteriorated roofs, heating/cooling systems, upgrade classrooms, labs, and computer systems to keep pace with instructional technology, and provide students access to the education, facilities, science, and technology they need to succeed in high school, college and careers.
- Verified that funds expended from the Measure M 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 the results of the tests indicated, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Measure M General Obligation Bonds - Building Fund and that such expenditures were made for authorized bond projects. Further, it was noted that none of the funds held in Measure M General Obligation Bonds - Building Fund were expended for salaries of school administrators or other operating expenditures.

We further reviewed and tested the District's compliance with requirement for the Citizens' Bond Oversight Committee membership and meeting procedures. We found the district was not in compliance with these requirements. See Finding 2018-01.

MCFARLAND UNIFIED SCHOOL DISTRICT
MEASURE M - GENERAL OBLIGATION BONDS – BUILDING FUND
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

FINDING 2018 – 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 2017-18 school year.

Effect

The School District and the Committee are not in compliance with California Constitution requirements for appointing and maintaining a Citizens’ Bond Oversight Committee.

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. No committee has been seated since 2014-15.

Questioned Costs

None

Recommendation

A Citizen’s Bond Oversight Committee should be established and appointed to review bond construction expenses.

District’s Response

The Citizen’s Bond Oversight Committee did not meet in 2017-18 due to a lack of member participation.

MCFARLAND UNIFIED SCHOOL DISTRICT
MEASURE M - GENERAL OBLIGATION BONDS – BUILDING FUND
PERFORMANCE AUDIT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

FINDING 2017 – 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 2016-17 school year.

Effect

The School District and the Committee are not in compliance with California Constitution requirements for appointing and maintaining a Citizens’ Bond Oversight Committee.

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. No committee has been seated since 2014-15.

Questioned Costs

None

Recommendation

A Citizen’s Bond Oversight Committee should be established and appointed to review bond construction expenses.

District’s Response

The Citizen’s Bond Oversight Committee did not meet in 2016-17 due to a lack of member participation.

STATUS – NOT IMPLEMENTED – SEE CURRENT YEAR FINDING 2018-01