

NATOMAS UNIFIED SCHOOL DISTRICT
Sacramento, California

MEASURE D GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Independent Citizens' Bond
Oversight Committee for Measure D
Natomas Unified School District
Sacramento, California

We have conducted a performance audit of the Natomas Unified School District (the "District") Measure D General Obligation Bond funds for the year ended June 30, 2013.

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 includes determining the compliance with the performance requirements for the Proposition 39 Measure D 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 Natomas 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 Natomas 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 procedures indicated that, in all significant respects, Natomas Unified School District expended Measure D General Obligation Bond funds for the year ended June 30, 2013 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.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 13, 2013

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

LEGISLATIVE HISTORY

On June 6, 2006, the Natomas Unified School District (the "District") submitted for voter approval Measure D, a bond measure to authorize the sale of \$145.5 million in bonds to improve school facilities. This measure was submitted to voters under the terms and conditions of Proposition 39 (Article XIII of the California State Constitution), which requires a 55 percent affirmative vote for passage. Measure D passed with 62.0 percent.

NATOMAS UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, MEASURE D

The Natomas Unified School District, Sacramento County, California Election of 2006 General Obligation Bonds, Measure D were authorized at an election of the registered voters of the Natomas Unified School District held on June 6, 2006 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$145,500,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the addition and modernization of certain District facilities. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. The summarized text of the ballot language was as follows:

"To improve the quality of education by upgrading school facilities, shall Natomas Unified School District issue \$145.5 million in bonds, within legal interest rates, for purposes including:

- *New Schools – Site acquisition, construction, furnishing and equipment.*
- *Completion of Schools – Construction, furnishing and equipment.*
- *Campus infrastructure, facilities and equipment.*
- *District technology and equipment.*

The financial activity related to the Measure D General Obligation Bonds is recorded in the Building Fund (Fund 21) in the District's audited financial statements.

On August 1, 2006, the District issued series 2006 General Obligation Bonds, totaling \$60,000,000. Repayment of the Bonds is made from *ad valorem* taxes to be levied annually upon all property subject to taxation by the District. The Bonds bear interest at rates ranging from 4.25% to 5.00% and are scheduled to mature through 2031.

On August 1, 2007, the District issued series 2007 General Obligation Bonds, totaling \$54,999,999. Repayment of the Bonds is made from *ad valorem* taxes to be levied annually upon all property subject to taxation by the District. The Bonds bear interest at rates ranging from 3.90% to 5.65% and are scheduled to mature through 2032.

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure D General Obligation Bond funds for the year ended June 30, 2013 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 Measure D General Obligation Bond project expenditures for the year ended June 30, 2013 (the "List"). A total of \$4,088,540 in expenditures for the year ended June 30, 2013 were identified.

METHODOLOGY

We performed the following procedures to the List of Measure D General Obligation Bond project expenditures for the year ended June 30, 2013:

- 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 tests 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 expenditures 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, 2013, presented as the Building Fund.
- Selected a sample of 25 expenditures totaling \$1,785,630 (Attachment A) from Measure D. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample selected represented 44% of the total amount expended from the bond funds during the year ended June 30, 2013. Verified that funds were used for authorized projects as developed by the District's Board of Trustees. Verified that funds were used for new school site acquisition (construction, furnishing and equipment), completion of schools (construction, furnishing and equipment), campus infrastructure, facilities and equipment, and District technology and equipment.

CONCLUSION

The results of our procedures indicated that, in all significant respects, Natomas Unified School District expended Measure D General Obligation Bond funds for the year ended June 30, 2013 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.

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS

ATTACHMENT A

SCHEDULE OF SPECIFIC EXPENDITURES TESTED

	Vendor	Date of Warrant	Amount
1	Pacific Copy and Print	9/13/2012 \$	302
2	Willdan Financial Services	5/23/2013	250
3	Decotech Systems	8/28/2012	937
4	PCM-G	7/16/2013	36,456
5	Decotech Systems	8/16/2012	9,455
6	Hewlett-Packard	10/18/2012	38,105
7	Willdan Financial Services	10/2/2012	1,800
8	Atkinson Andelson Loya Ruud & Romo	9/18/2012	55
9	Designed Mobile Systems Industries, Inc.	8/30/2012	183,212
10	Williams + Paddon Architects + Planners, Inc.	9/18/2012	26,568
11	Wallace-Kuhl & Associates, Inc.	8/23/2012	3,331
12	SW Allen Construction, Inc.	8/28/2012	982,325
13	SW Allen Construction, Inc.	5/21/2013	101,709
14	City of Sacramento	7/31/2012	250,000
15	Decotech Systems	8/28/2012	40,282
16	A & P Floor Co.	5/21/2013	8,521
17	Swinerton Management & Consulting, Inc.	9/18/2012	11,040
18	Swinerton Management & Consulting, Inc.	6/20/2013	240
19	Zoom Imaging Solutions, Inc.	1/8/2013	10,989
20	Zoom Imaging Solutions, Inc.	1/8/2013	31,305
21	Apple, Inc.	7/11/2013	6,413
22	Apple, Inc.	7/16/2013	1,117
23	Apple, Inc.	7/11/2013	2,169
24	Designed Mobile Systems Industries, Inc.	8/27/2013	3,863
25	West Lakeside	3/8/2013	35,185
		Total \$	<u>1,785,630</u>