

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS
COUNTY OF SACRAMENTO
SACRAMENTO, CALIFORNIA
PERFORMANCE AUDIT WITH
INDEPENDENT AUDITOR'S REPORT

**MEASURE J GENERAL OBLIGATION BONDS
NATOMAS UNIFIED SCHOOL DISTRICT
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James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board
Natomas Unified School District
Sacramento, California

Report on Performance

We have completed a performance audit of Measure J General Obligation Bonds of Natomas Unified School District (the "District"), for the year ended June 30, 2019 and have issued our report thereon dated November 25, 2019.

Management's Responsibility

The design, implementation, and maintenance of internal controls relevant to the financial process and compliance with the requirements of state laws and regulations is the responsibility of District's management.

Auditor's Responsibility

Our responsibility is to determine that the District complied with the Measure J General Obligation Bonds in accordance with Appendix A of the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Appendix A of the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. 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 objects. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results of the procedures performed indicate that the District complied with the requirements identified in Appendix A of the K-12 Local Education Agencies and State Compliance Reporting for the Measure J General Obligation Bond funds for the year ended June 30, 2019.

Objectives

The objectives of our performance audit was to determine that the Natomas Unified School District expended Measure J General Obligation Bond funds for the year ended June 30, 2019 only for purposes approved by voters and only for specific projects adopted by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C.

Scope of the Audit

The scope of our performance audit covered the fiscal year ended June 30, 2019. The expenditures included all account and project codes associated with the bond projects. Expenditures before July 1, 2018 and after June 30, 2019 were not reviewed as they were not within the scope of our audit.

Methodology

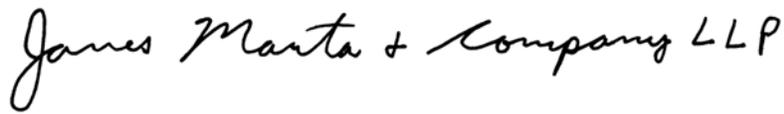
1. We obtained the general ledger for the fiscal year ended June 30, 2019.
2. We selected expenditures to ensure compliance with Proposition 39 and Measure J General Obligation Bond Funding.
3. We verified the mathematical accuracy of the expenditures included in the Measure J Building Fund detailed general ledger for the fiscal year ended June 30, 2019.
4. We verified that the funds were generally expended for the construction, renovation, furnishing and equipping of school facilities constituting authorized bond projects.
5. Solely to assist us in planning and completing our performance audit, we obtained an understanding of the internal controls of the District.
6. We selected a sample of bond expenditures and performed the following:
 - a. Reviewed the invoices, contracts, warrant copies and other supporting documents to verify the funds were spent in accordance with list of projects defined in the full Measure J bond text.
 - b. For any expenditures that were subject to the bid process, we reviewed supporting documentation to verify that all applicable bid process requirements were satisfied.
 - c. We verified that any change orders for the selected projects were approved by the Board of Trustees.
7. We verified that funds used to pay the salaries of district employees were allowable per opinion 04-110 issued November 9, 2004 by the State of California Attorney General.

Conclusion

Based on the procedures performed, we found that the Natomas Unified School District has properly accounted for the expenditures of Measure J General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

Purpose of this Report

The purpose of this report is solely to describe the scope of our performance audit and the results of that testing. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance. This report is intended solely for the information and use of management and Governing Board of Natomas Unified School District, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 25, 2019

SUPPLEMENTARY INFORMATION

**NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS**

FULL BOND TEXT

By approval of this proposition by at least 55% of the registered voters voting on the proposition, the District shall be authorized to issue and sell bonds of up to \$129,000,000 in aggregate principal amount to provide financing for the specific school facilities projects listed in the Bond Project List attached hereto as Exhibit A, subject to all of the accountability safeguards specified below. Bonds will be issued in one or more series.

ACCOUNTABILITY SAFEGUARDS

The provisions in this section are specifically included in this proposition in order that the voters and taxpayers of the District may be assured that their money will be spent to address the specific facilities needs of the District, in compliance with the requirements of Article XIII A, section 1 (b)(3) of the State Constitution, and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified at section 15264 *et seq.* of the California Education Code).

Evaluation of Needs. The Board has updated its Facilities Master Plan in order to evaluate and address all of the facilities needs of the District, and to determine which projects to finance from a local bond at this time. The Board hereby certifies that it has evaluated safety, class size reduction and information technology and other needs in developing the Bond Project List contained in Exhibit A.

Independent Citizens' Oversight Committee. The Board shall establish an independent Citizens' Oversight Committee (section 15278 *et seq.* of the California Education Code), to ensure bond proceeds are expended only for the school facilities projects listed in Exhibit A. The committee shall be established within 60 days of the date when the results of the election appear in the minutes of the Board.

Annual Performance Audits. The Board shall cause an annual, independent performance audit to be conducted to ensure that the bond proceeds have been expended only on the school facilities projects listed in Exhibit A.

Annual Financial Audits. The Board shall cause an annual, independent financial audit of the bond proceeds to be conducted until all of those proceeds have been spent for the school facilities projects listed in Exhibit A.

BOND PROJECT LIST

The Bond Project List attached to this resolution as Exhibit A shall be considered a part of the ballot proposition, and shall be reproduced in any official document required to contain the full statement of the bond proposition. The Bond Project List, which is an integral part of this proposition, lists the specific projects the District proposes to finance with proceeds of the Bonds. Listed repairs, rehabilitation projects and upgrades will be completed as needed. Each project is assumed to include its share of costs of the election and bond issuance, architectural, engineering, and similar planning costs, construction management, and a customary contingency for unforeseen design and construction costs. The final cost of each project will be determined as plans are finalized, construction bids are awarded, and projects are completed. In addition, certain construction funds expected from non-bond sources, including State grant funds for eligible projects, have not yet been secured. Therefore the Board cannot guarantee that the bonds will provide sufficient funds to allow completion of all listed projects.

**NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS**

FULL BOND TEXT

FURTHER SPECIFICATIONS

No Administrator Salaries. Proceeds from the sale of bonds By approval of this proposition by at least 55% of the authorized by this proposition shall be used only 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, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

Single Purpose. All of the purposes enumerated in this proposition shall be united and voted upon as one single proposition, pursuant to section 15100 of the California Education Code, and all the purposes shall constitute the specific single purpose of the bonds, and proceeds of the bonds shall be spent only for such purpose, pursuant to section 53410 of the California Government Code.

**EXHIBIT A
NATOMAS UNIFIED SCHOOL DISTRICT
BOND PROJECT LIST**

Safety and Security, including fire protection systems, security systems, emergency communication systems, lighting, school entry and access areas, locks, parking and transportation areas, fencing, and earthquake retrofitting.

Improving Accessibility for Students with Disabilities, to help ensure that all schools are accessible.

21st Century Learning Classroom Improvements, including building and space layout configuration, furniture, technology, and equipment, but specifically excluding laptops and tablets, to allow for student collaboration, teamwork, and expanded learning methods.

Repair and Upgrade Classrooms, Labs, and Schools, including roofs, walls, windows, doors, floors, and ceilings.

Classroom, Lab, and School Construction for enhancing education including college preparatory education, career and technical education, science, technology, engineering, arts, and math education.

Basic Infrastructure and Utilities, including electrical systems and wiring for computer technology and internet access, plumbing and restrooms, sewer, gas, electrical, water, storm drainage, HVAC systems, and energy efficiency systems.

Landscape and Hardscape Improvements and Repairs, including irrigation systems, fields, playgrounds, courtyards, quads, trees, and shade structures.

Student and Staff Support Facilities, including libraries, student union, student services, and administration facilities.

District/City of Sacramento Joint Use Aquatics Facility adjacent to Inderkum High School.

**NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS**

FULL BOND TEXT

Acquisition of New School Sites.

The following sites are planned to receive some of the improvements described above:

- American Lakes Elementary School
- Bannon Creek Elementary School
- Discovery High School
- H. Allen Hight Elementary School
- Heron School
- Inderkum High School
- Jefferson Elementary School
- Leroy Greene Academy
- Natomas Charter School (including STAR Academy)
- Natomas Gateways Middle School
- Natomas High School
- Natomas Middle School
- Natomas Pacific Pathways Prep
- Natomas Pacific Pathways Prep Middle School
- Natomas Park Elementary School
- Natomas USD Education Center
- Two Rivers Elementary School
- Westlake Charter Middle School (including future K-8 site)
- Westlake Charter School (including future K-8 site)
- Witter Ranch Elementary School
- Other District owned school sites

Each project is assumed to include its share of costs of the bond issuance, architectural, engineering, and similar planning costs, furniture, equipment, construction management, and a customary contingency for design and construction costs. Projects may also include the preparation of facility planning, facility studies, assessment reviews, facility master plan preparation and updates, environmental studies (including environmental investigation, remediation and monitoring), design and construction documentation, and temporary housing of dislocated District activities caused by bond projects. Necessary site preparation/restoration and landscaping may occur in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation, utility lines, trees and landscaping, redirecting fire access, and acquiring any necessary easements, licenses, or rights of way to the property.

For any project involving modernization or renovation of a building or the major portion of a building, the District shall be authorized to proceed with new replacement construction if the Board of Trustees determines that replacement and new construction is economically more practical. The budget for each project is an estimate and may be affected by factors beyond the District's control. The final cost of each project will be determined as plans are finalized, construction bids are awarded and projects are completed. Based on the final costs of each project, certain of the projects described above may be delayed or may not be performed.

**NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS**

FULL BOND TEXT

Bond proceeds shall be expended only for the specific purposes identified herein. Proceeds of the bonds may be used to pay or reimburse the District for the cost of District staff when performing work on or necessary and incidental to the bond projects, but not for other administrator or teacher salaries. The District shall create an account into which proceeds of the bonds shall be deposited and comply with the reporting requirements of Government Code § 53410.

In order to maximize the effectiveness of the bond proceeds in meeting the need for public school facilities, charter schools receiving allocations of bond proceeds shall have the greatest amount of flexibility possible to lease, purchase, develop, and finance charter school facilities so as long as consistent with State laws applicable to charter school facilities projects and Board approval.