



Performance Audit
Building Fund (Measure J)
June 30, 2023

Natomas Unified School District

Independent Auditor's Report on Performance 1

 Purpose..... 1

 Authority 3

 Objectives of the Audit..... 3

 Scope of the Audit 3

 Methodology 4

 Audit Results..... 5

Findings, Recommendations, and Views of Responsible Officials 6



Independent Auditor's Report on Performance

To the Governing Board and
Citizens Oversight Committee
Natomas Unified School District
Sacramento, California

We were engaged to conduct a performance audit of the Building Fund (Measure J) of the Natomas Unified School District (the District) for the year ended June 30, 2023.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Audit Authority/Purpose

The general obligation bonds associated with Measure J were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The District received authorization from an election held on November 4, 2014, to issue bonds of the District in an aggregate principal amount not to exceed \$129,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District.

In October 2020, the District issued General Obligation Bonds, Election of 2014, Series 2020 in the amount of \$20,500,000. The Series 2020 Bonds were authorized to be issued by a resolution adopted by the Board of Education of the District on August 26, 2020.

Purpose

The general obligation bond funds of the District would be used to protect quality education in Natomas, increasing student safety and security, improving accessibility for disabled students, upgrading classrooms for 21st century learning and college/career readiness with technology, furniture, and equipment, repairing and constructing school and support facilities, upgrading basic infrastructure/utilities and acquiring new school sites, shall Natomas Unified School District issue up to \$129 million of bonds at legal interest rates, with citizen oversight, annual independent audits and no money for administrators' salaries or pensions.

Per the Measure J ballot measure the bond project list includes:

- 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.
- 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

Authority

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 the District, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, 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. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The 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 District to appoint a citizen's oversight committee.
4. Requires the 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 of the proceeds have been expended.
5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

Objectives of the Audit

Our audit was limited to the objectives listed below which includes determining the compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District compliance with those requirements.

1. 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 J.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measure J and not for District general administration or operations.

Scope of the Audit

The scope of our performance audit covered the period of July 1, 2022 to June 30, 2023. The population 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 proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2023, were not reviewed or included within the scope of our audit or in this report.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2023, for the Building Fund (Measure J). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure J as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
 - a. We considered all expenditures recorded in all object codes.
 - b. We considered all expenditures recorded in all projects that were funded from July 1, 2022 through June 30, 2023 from Measure J bond proceeds.
 - c. We selected a sample of expenditures based on the sampling tables noted in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.
3. Our sample included transactions totaling \$1,834,810. This represents 49% of the total expenditures of \$3,715,552.
4. We reviewed the actual invoices and other supporting documentation to determine that:
 - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
 - b. Expenditures were supported by proper bid documentation, as applicable.
 - c. Expenditures were expended in accordance with voter-approved bond project list.
 - d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.
5. We determined that the District has met the compliance requirement of Measure J if the following conditions were met:
 - a. Supporting documents for expenditures were aligned with the voter-approved bond project list.

- b. Supporting documents for expenditures were not used for salaries of school administrators or other operating expenses of the District.

The results of our tests indicated that the District expended Building Fund (Measure J) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Audit Results

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Building Fund (Measure J) and that such expenditures were made for authorized Bond projects. Further, it was noted funds held in the Building Fund (Measure J) and expended by the District were used for salaries only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

This report is intended solely for the information and use of the District, Governing Board, and Citizens Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
November 29, 2023

None reported.