

**PETALUMA CITY SCHOOLS
SONOMA COUNTY
PETALUMA, CALIFORNIA**

MEASURES E & C - BUILDING FUNDS

PERFORMANCE AUDIT

JUNE 30, 2017

**PETALUMA CITY SCHOOLS
MEASURES E & C - BUILDING FUNDS
PERFORMANCE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on Performance	1
Background	2
Objectives of the Audit	2
Scope of the Audit	3
Procedures Performed	3
Conclusion	3
Schedule of Findings and Recommendations	4
Schedule of Prior Audit Findings	5

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Board of Education and
Citizens' Oversight Committee
Petaluma City Schools
Petaluma, California

We have conducted a performance audit of Petaluma City Schools' Measures E & C - Building Funds for the year ended June 30, 2017.

We conducted this performance audit in accordance with standards applicable to performance audits contained in *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 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 within this report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39, as incorporated in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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, as incorporated in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that, in all significant respects, the proceeds from the sales of the Measures E & C, General Obligation Bonds, Election of 2014, which were deposited into the Measures E & C - Building Funds, were only expended on projects approved by the voters, in accordance with Proposition 39, as incorporated in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 19, 2018

PETALUMA CITY SCHOOLS
MEASURES E & C - BUILDING FUNDS
PERFORMANCE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Background

In a general election held on November 7, 2000, California voters approved Proposition 39, which provides that the governing board of a school district may pursue the authorization and issuance of bonds by a 55% vote of the electorate. As a result of the passage of Proposition 39, language was added to the Education Code addressing the requirement to establish a Citizens' Oversight Committee to monitor and audit bond proceeds to ensure they are spent only on school and classroom improvements and not for any other purpose.

Proposition 39 contains two specific reporting requirements that are applicable to the District's general obligation bond program. The first requirement is for school district boards to provide for an annual, independent financial audit of the proceeds from the sale of the bonds until all of the funds have been expended for school facilities projects. The second requirement is for school district boards to provide for an annual, independent performance audit to ensure that the bond funds have been expended only on the specific projects listed in the ballot measure.

Financial audits provide reasonable assurance about whether the financial statements of an entity present fairly the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Performance audits are an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of an organization, program, or activity, in order to provide information to improve public accountability and facilitate decision making by parties with responsibility to oversee or initiate corrective action.

The Board of Education of Petaluma City Elementary School District voted to place a 55% school facilities bond (Measure E) on the June 2014 ballot. On June 3, 2014, the Measure E Bonds, Election of 2014, were authorized at an election of the registered voters of the District, at which more than 55% of the persons voting elected to authorize the issuance and sale of bonds with a principal amount not to exceed \$21 million.

The Board of Education of Petaluma Joint Union High School District voted to place a 55% school facilities bond (Measure C) on the June 2014 ballot. On June 3, 2014, the Measure C Bonds, Election of 2014, were authorized at an election of the registered voters of the District, at which more than 55% of the persons voting elected to authorize the issuance and sale of bonds with a principal amount not to exceed \$68 million.

Objectives of the Audit

The objectives of the performance were to determine with reasonable assurance that:

- The expenditures charged to the Measures E & C - Building Funds are properly recorded and supported.
- The expenditures charged to the Measures E & C - Building Funds have been made in accordance with the bond project list approved by the voters of the District through the approval of Measures E & C.
- Any discrepancies or weaknesses in internal control are identified and recommendations for improvement are provided.

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MEASURES E & C - BUILDING FUNDS
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Objectives of the Audit (Concluded)

- The District's Board of Education and Citizen's Oversight Committee are provided with performance and financial audit reports as required by the California Constitution and Proposition 39.

Scope of the Audit

The scope of the performance audit was limited to testing a representative sample of financial transactions recorded in the Measures E & C - Building Funds during the period of July 1, 2016 through June 30, 2017, in conjunction with our testing of the District's compliance with the requirements of Proposition 39, as incorporated in Article XIII A, Section 1(b)(3)(C) of the California Constitution. (The sample selected for our testing included 81% of the total expenditures charged to the Measure E and Measure C Building Funds, during the fiscal year covered by our audit.)

Procedures Performed

We obtained the Measures E & C - Building Funds general ledger and financial activity reports prepared by the District for the fiscal year ended June 30, 2017. For the items tested, within the fiscal year audited, we obtained the actual invoices and other supporting documentation to ensure compliance with the requirements of Proposition 39 and Measures E & C with regards to the approved bond projects lists.

To meet our objectives, audit tests were performed, including, but not limited to, the following procedures:

- Reviewed bond sale transactions and determined that bond proceeds were deposited into the appropriate District funds and/or bond trustee accounts, as applicable.
- Reviewed the approved project listing included in the Measures "E" & "C" 2014 election documents.
- Reviewed expenditures charged against the bond proceeds to confirm that the funds were used only for the purposes of the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, and/or the acquisition or lease of real property for school facilities.
- Reviewed expenditures charged against the bond proceeds to confirm that the funds were not used to pay for teacher or administrative salaries, or any other school operating expenditures.
- Reviewed expenditures charged against the bond proceeds to confirm that the bond funds were spent only on projects identified in the ballot measure text.
- Reviewed a sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.

Conclusion

The results of our tests indicated that, in all significant respects, Petaluma City Schools has complied with the requirements of Proposition 39, as incorporated in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PETALUMA CITY SCHOOLS
MEASURES E & C - BUILDING FUNDS
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

There are no matters to report for the fiscal year ended June 30, 2017.

**PETALUMA CITY SCHOOLS
MEASURES E & C - BUILDING FUNDS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

There were no matters reported for the prior fiscal year.

