

**MENLO PARK CITY SCHOOL DISTRICT**  
**MEASURE W GENERAL OBLIGATION BONDS**  
**PERFORMANCE AUDIT**  
June 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

Board of Education and  
Citizens' Bond Oversight Committee for Measure W  
Menlo Park City School District  
Atherton, California

We have conducted a performance audit of the Menlo Park City School District Measure W Election of 2013, Series 2014 General Obligation Bond funds for the year ended June 30, 2015.

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 W Election of 2013, Series 2014 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 Menlo Park City 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 Menlo Park City 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, Menlo Park City School District expended Measure W Election of 2013, Series 2014 General Obligation Bond funds for the year ended June 30, 2015 only for the specific projects developed by the District's Board of Education 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

Sacramento, California  
January 4, 2016

MENLO PARK CITY SCHOOL DISTRICT  
MEASURE W GENERAL OBLIGATION BONDS  
BACKGROUND INFORMATION

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**LEGISLATIVE HISTORY**

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 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.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

**MENLO PARK CITY SCHOOL DISTRICT SCHOOL MEASURE W GENERAL OBLIGATION BONDS**

The Menlo Park City School District, Atherton, California Measure W Election of 2013, Series 2014 General Obligation Bonds, were authorized at an election of the registered voters of the Menlo Park City School District held on November 5, 2013 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$23,000,000 principal amount of general obligation bonds of the District. The proceeds of the Bonds are being issued to renovate and expand educational facilities. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. A summary of the text of the ballot language was as follows:

*"To support high quality education, avoid student overcrowding at our existing schools as enrollment continues to increase, renovate and expand district facilities, and re-open the O'Connor Elementary School site in Menlo Park's Willows neighborhood, all as described in the Bond Project List, shall the Menlo Park City School District issue \$23 million of bonds at legal interest rates, establish an independent citizens' oversight committee, perform annual audits, and use no bond money for teacher or administrator salaries?"*

In March 2014, the District issued Measure W Election of 2013, Series 2014 General Obligation Bonds in an aggregate principal amount of \$23,000,000. The Bonds bear interest at rates ranging from 2.0% to 5.0% and mature through January 1, 2039.

The financial activity related to the Measure W Election of 2013, Series 2014 General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 21.

MENLO PARK CITY SCHOOL DISTRICT  
MEASURE W GENERAL OBLIGATION BONDS  
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

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**OBJECTIVES**

The objective of our performance audit was to determine that the District expended Measure W Election of 2013, Series 2014 General Obligation Bond funds for the year ended June 30, 2015 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Education, 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 W Election of 2013, Series 2014 General Obligation Bond project expenditures for the year ended June 30, 2015 (the "List"). An approximate total of 272 transactions were identified, representing \$2,147,051 in expenditures from July 1, 2014 through June 30, 2015.

**METHODOLOGY**

We performed the following procedures to the List of Measure W Election of 2013, Series 2014 General Obligation Bond project expenditures for the year ended June 30, 2015:

- Interviewed District management to determine that controls over planning, bidding, contracting, expenditure of bond funds, and financial reporting have been put in place and are working as documented.
- Documented the District's 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.
- Agreed the List to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2015, presented as the Building Fund.
- Selected a sample of 26 expenditures totaling \$1,521,057 from Measure W Election of 2013, Series 2014 expenditures. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verified that the sampled expenditures were used for the construction, 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 that funds were not spent for salaries or other administrative expenses.

**CONCLUSION**

The results of our procedures indicated that, in all significant respects, Menlo Park City School District expended Measure W Election of 2013, Series 2014 General Obligation Bond funds for the year ended June 30, 2015 only for the specific projects developed by the District's Board of Education 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.

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