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Date: August 24, 2010

To: Audit and Finance Committee

From: Jennifer Ruttman, City Auditor 

Subject: Audit of Proceeds from 2008 Bond Authorization

cc: Jack Friedline, Deputy City Manager
Bryan Raines, Deputy City Manager
Alex Deshuk, Manager of Technology & Innovation
Beth Huning, City Engineer
Chuck Odom, Budget Director
Doug Yeskey, Controller

Pursuant to the Council-approved audit plan, we have completed an audit of proceeds from the 2008 bond authorization. Please find the final report attached. No departmental response was required because there were no findings or recommendations generated.

We would like to thank the staffs of Engineering, Accounting Services and Budget & Research for their cooperation, professionalism and assistance throughout the audit process. If you have any questions please feel free to contact me at x3767 or Jason Taylor at x3635.

AUDIT REPORT

CITY AUDITOR

Report Date: August 24, 2010
Department: Financial Services
Subject: Audit of Proceeds from 2008 Bond Authorization

OBJECTIVE

The objective of this audit was to verify that proceeds from bonds with attached secondary property taxes were expended only for the intended voter-approved purposes.

SCOPE & METHODOLOGY

To accomplish our objective, we:

- Reviewed various documents related to the 2008 general obligation (G.O.) bonds, including the election publicity pamphlet/ballot language and the Official Statements.
- Reviewed accounting records and supporting documentation.
- Questioned staff members from Engineering, Accounting Services, and Budget & Research.

BACKGROUND

In November 2008, voters authorized the City to issue \$169.2 million in G.O. bonds, including \$58.3 million for public safety capital projects and \$110.9 million for street capital projects. These bonds are to be repaid by a secondary property tax.

The City has completed two sales of these bonds (May 2009 and June 2010), for a total of approximately \$68.4 million, and plans to sell the remaining 2008-authorized bonds in fiscal years 2011 through 2013. As of July 31, 2010, about \$46.4 million of these funds have been spent as follows:

- **Public safety**—\$38.1 million sold, \$21.1 million spent. Example projects include police and fire station construction and improvements; police aircraft replacement; microwave radio system replacement; police mobile data system replacement; fire apparatus replacement and related equipment.
- **Streets**—\$30.3 million sold, \$25.3 million spent. Example projects include various road widening/improvements, such as at Gilbert Road and University Drive intersection, and the expansion of the City's Intelligent Transportation System.

CONCLUSION

In our opinion, for the period of July 2008 through May 2010, the proceeds from the 2008-authorized General Obligation bonds have been expended only for the intended voter-approved purposes.