

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**Sacramento, California**

**MEASURE I GENERAL OBLIGATION BONDS**  
**PERFORMANCE AUDIT**

June 30, 2011

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**MEASURE I GENERAL OBLIGATION BONDS  
PERFORMANCE AUDIT**

**For the Year Ended June 30, 2011**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Report of Independent Auditors	1
Background:	
Legislative History	2
Sacramento City Unified School District Measure I General Obligation Bonds	2-3
Performance Audit:	
Objectives	4
Scope	4
Methodology	4
Conclusions	4
Attachment A – Schedule of Specific Expenditures Tested	

## REPORT OF INDEPENDENT AUDITORS

Board of Education  
Sacramento City Unified School District  
Sacramento, California

We have conducted a performance audit of the Sacramento City Unified School District (the "District") Measure I General Obligation Bond funds for the year ended June 30, 2011.

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 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 on page 4 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure I 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 Sacramento City Unified 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 Sacramento City Unified 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, Sacramento City Unified School District expended Measure I General Obligation Bond funds for the year ended June 30, 2011 only for the specific projects developed by the District's Governing Board 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*

Crowe Horwath LLP

Sacramento, California  
January 27, 2012

## **SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BACKGROUND INFORMATION**

### **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.

### **SACRAMENTO CITY UNIFIED SCHOOL DISTRICT MEASURE I GENERAL OBLIGATION BONDS**

On November 5, 2002, the electorate of Sacramento City Unified School District approved the \$225 million "Measure I" General Obligation Bonds with greater than 55% of the qualified votes in favor. A summary of the text of the ballot language was as follows:

*"To alleviate overcrowding, renovate, repair, replace; acquire, and construct school buildings, meet fire/health/safety standards, provide wiring for computers, and provide needed mechanical improvements, shall the Sacramento City Unified School District issue \$225,000,000 in bonds at the lowest interest rates possible and appoint a citizens' oversight committee and an independent auditor to assure that funds are spent only on school and classroom improvements and for no other purpose?"*

On March 1, 2003, the District issued Series 2002 Measure I General Obligation Bonds, Series A in the amount of \$80,000,000 to construct, repair and expand local schools. The Bonds accrue interest up to a maximum of 5.0% per annum from the date of issuance and are payable on February 1 and August 1 of each year until maturity.

On July 1, 2005, the District issued Series 2002 Measure I General Obligation Bonds, Series 2005 in the amount of \$80,000,000 to construct, repair and expand local schools. The Bonds accrue interest up to a maximum of 5.0% per annum from the date of issuance and are payable on February 1 and August 1 of each year until maturity.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT  
BACKGROUND INFORMATION**

(Continued)

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT MEASURE I GENERAL OBLIGATION  
BONDS (Continued)**

On October 25, 2007, the District issued Series 2002 Measure I General Obligation Bonds, Series 2007 in the amount of \$64,997,966 to construct, repair and expand local schools. The Bonds accrue interest up to a maximum of 5.0% per annum from the date of issuance and are payable on February 1 and August 1 of each year until maturity.

The financial activity related to the Series 2002 Measure I General Obligation Bonds is recorded in the District's Financial Activity Reports for Fund 21 and 22, which are combined to comprise Fund 21 (Building Fund) in the District's audited financial statements for year ended June 30, 2011.

# **SACRAMENTO CITY UNIFIED SCHOOL DISTRICT OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS**

## **OBJECTIVES**

The objective of our performance audit was to determine that the District expended Measure I General Obligation Bond funds for the year ended June 30, 2011 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, 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 I General Obligation Bond projects and specific expenditures for the year ended June 30, 2011 (the "List"). A total of \$6,987,589 in expenditures from July 1, 2010 through June 30, 2011 were identified.

## **METHODOLOGY**

We performed the following procedures to the List of Measure I General Obligation Bond project expenditures for the year ended June 30, 2011:

- Interview District management related to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Document District procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- Perform test 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.
- Verify the mathematical accuracy of the expenditures list.
- Reconcile the list to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2011, presented as the Building Fund.
- Select a sample of 35 expenditures totaling \$6,546,230 from Measure I. The sample should be selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verify that the expenditures were for authorized projects developed by the District's Governing Board.

## **CONCLUSION**

The results of our tests indicated that, in all significant respects, Sacramento City Unified School District expended Measure I General Obligation Bond funds for the year ended June 30, 2011 only for the specific projects developed by the District's Board of Education and approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF SPECIFIC EXPENDITURES TESTED**

	<u>Vendor</u>	<u>Date</u>	<u>Amount</u>
1	CITY OF SACRAMENTO DEVELOPMENT ENGINEERING	07/08/10	\$ 14,553
2	BEALS ALLIANCE INC	09/20/10	94,747
3	ARNTZ BUILDERS INC	10/07/10	113,009
4	ARNTZ BUILDERS INC	10/07/10	53,195
5	STAFFORD KING WIESE ARCHIT INC	11/05/10	40,639
6	VAN PELT CONSTRUCTION SERVICES	11/05/10	34,490
7	DEPT. OF GENERAL SERVICES	11/05/10	8,845
8	DECOTECH SYSTEMS	11/12/10	113,971
9	BEALS ALLIANCE INC	11/18/10	94,981
10	BEALS ALLIANCE INC	11/18/10	55,094
11	APPLE COMPUTER INC	12/02/10	83,885
12	LANDMARK CONSTRUCTION	01/13/11	47,580
13	DECOTECH SYSTEMS	01/20/11	127,652
14	DECOTECH SYSTEMS	01/20/11	110,723
15	BEALS ALLIANCE INC	02/17/11	78,201
16	ROEBBELEN CONTRACTING INC	02/17/11	55,580
17	BEALS ALLIANCE INC	02/17/11	38,523
18	CERVANTES INSPECTION SERVICES	02/17/11	4,143
19	OC JONES AND SONS INC	05/12/11	707,910
20	OC JONES AND SONS INC	05/12/11	309,202
21	DAVID ENGINEERING CONSTRUCTION	05/19/11	155,952
22	ALLIED ENVIRONMENTAL	05/24/11	23,126
23	OC JONES AND SONS INC	06/01/11	1,365,065
24	LANDMARK CONSTRUCTION	06/01/11	465,904
25	ENTEK CONSULTING GROUP, INC.	06/01/11	7,003
26	WALLACE KUHL AND ASSOC INC	06/23/11	18,822
27	LANDMARK CONSTRUCTION	06/29/11	51,767
28	OC JONES AND SONS INC	06/30/11	994,404
29	OC JONES AND SONS INC	06/30/11	936,985
30	LANDMARK CONSTRUCTION	06/30/11	89,611
31	LANDMARK CONSTRUCTION	06/30/11	87,985
32	SECC	06/30/11	56,011
33	TURNER CONSTRUCTION COMPANY	06/30/11	53,680
34	BEALS ALLIANCE INC	06/30/11	43,957
35	COMMUNITY ARCHITECTURE	06/30/11	9,035
	<b>Total</b>		<u>\$ 6,546,230</u>