

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Sacramento, California

MEASURE R GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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 R General Obligation Bond funds for the year ended June 30, 2014.

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.

Our audit was limited to the objectives listed on page 5 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure R 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 R General Obligation Bond funds for the year ended June 30, 2014 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

Sacramento, California
December 11, 2014

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE R GENERAL OBLIGATION BONDS
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 R GENERAL OBLIGATION BONDS

On November 6, 2012, the electorate of Sacramento City Unified School District approved the \$68 million "Measure R" 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 improve the health and safety of children, repair playgrounds and playfields to meet modern safety standards, improve physical education facilities and bathrooms, improve irrigation systems and water drainage to reduce water consumption, remove asbestos, lead paint and other unsafe conditions and to upgrade kitchen facilities to improve nutrition and nutritional education for \$68 million of bonds, with independent Citizen's Oversight and no money for administrator salaries."

BOND PROJECT LIST

Health & Safety Improvements

Improve the overall health and safety experience for students in the School District at the schools specified below through code, life safety and maintenance improvements at outdoor activity areas and fields, gymnasiums and multi-use facilities, including, but not limited to, the following:

- Modernize and upgrade playgrounds, playfields and equipment;
- Improve security and safety, including updating lighting and communications systems, fencing, gates and classroom door locks;
- Repair or replace sidewalks, concrete, and asphalt surfaces, including restriping of playgrounds;
- Renovate, rehabilitate or replace bleachers, athletic fields and add landscaping, including trees for shading;
- Upgrade, repair and rehabilitate bathrooms, floors, walls, ceilings, leaky roofs, gutters, and doors;
- Update, repair and renovate heating, ventilation and air conditioning equipment;
- Improve energy efficiency;

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE R GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

BOND PROJECT LIST (Continued)

Health & Safety Improvements (Continued)

- Repair and upgrade drinking fountains and leaky fixtures, irrigation and storm water drainage systems; and
- Improve disabled accessibility to meet current health, safety and instructional standards.

Approved sites: Approved at all District sites.

Student Health & Nutrition

Improve the overall health and nutritional experience for students in the School District, construct central kitchen facilities that will serve more students, improve efficiency, increase Revenues, provide better meals with standardized and healthier menus and improved services, convert kitchens at all elementary schools to support a nutritional food service program, in which projects, including, but not limited to the following:

- Construct Centralized Nutrition Center to serve student population;
- Upgrade elementary and K-8 school site kitchens.

Furnishings & Equipment

Project Costs for furnishings and equipment for some or all of the within-identified School District campuses may include, but are not limited to, some or all of the following: security, safety and communication systems and equipment; window and floor coverings (including tiles and carpeting); kitchen equipment; improvements and furnishings; and/or other electronic equipment and systems.

Each project listed is assumed to include its share of costs of the election and bond issuance and other construction-related costs, such as construction management, architectural, engineering, inspection and other planning costs, legal, accounting and similar fees, independent annual financial and performance audits, a customary construction contingency, and other costs incidental to and necessary for completion of the listed projects (whether work is performed by the District or by third parties), including:

Remove, dispose of, and otherwise remediate hazardous materials, including asbestos, lead, etc., where necessary.

Address unforeseen conditions revealed by construction/modernization (including plumbing or gas line breaks, dry rot, seismic, structural, etc.).

Site preparation/restoration in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, demolition of existing structures, removing, replacing, or installing irrigation and drainage, utility lines (such as gas lines, water lines, electrical lines, sewer lines, and communication lines), trees and landscaping, relocating fire access roads, traffic lights and mitigation, and acquiring any necessary easements, licenses, or rights of way to the property.

Rental or construction of storage facilities and other space on an interim basis, as needed to accommodate construction materials, equipment, and personnel, and interim classrooms (including relocatables) for students and school functions or other storage for classroom materials displaced during construction.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE R GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

BOND PROJECT LIST (Continued)

Furnishings & Equipment (Continued)

Acquisition of any of the facilities on the Bond Project List through temporary lease or lease purchase arrangements, or execute purchase option under a lease for any of these authorized facilities.

Furnishing and equipping of existing and newly constructed, modernized or rehabilitated classrooms and facilities on an ongoing basis, including to replace worn, broken, or out-of-date furniture and equipment for all classrooms, athletic facilities and other facilities, as needed.

For any project involving renovation, modernization, remodeling or rehabilitation of a building or the major portion of a building, the District may proceed with new replacement construction instead (including any necessary demolition), if the Board of Education determines that replacement and new construction is more practical than rehabilitation and renovation, considering the building's age, condition, expected remaining life, comparative cost, and other relevant factors.

The Bond Project List shall be considered a part of the ballot proposition, and shall be reproduced in any official document required to contain the full statement of the bond proposition.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE R GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSION

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure R General Obligation Bond funds for the year ended June 30, 2014 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 R General Obligation Bond projects and specific expenditures for the year ended June 30, 2014 (the "List"). A total of \$7,259,498 in expenditures from July 1, 2013 through June 30, 2014 were identified.

METHODOLOGY

We performed the following procedures to the List of Measure R General Obligation Bond project expenditures for the year ended June 30, 2014:

- Interviewed 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.
- Documented District procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- Performed 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.
- Verified the mathematical accuracy of the expenditures list.
- Reconciled the list to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2014, presented as the Building Fund.
- Selected a sample of 14 expenditures totaling \$3,918,668 from Measure R. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verified that the sampled 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 R General Obligation Bond funds for the year ended June 30, 2014 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
MEASURE R GENERAL OBLIGATION BONDS
SCHEDULE OF SPECIFIC EXPENDITURES TESTED

	<u>Vendor</u>	<u>Date</u>	<u>Amount</u>
1	LANDMARK MODERNIZATION CONTRACTORS	4/3/2014	\$ 1,129,359
2	SEWARD L SCHREDER CONST INC	6/12/2014	732,647
3	LANDMARK MODERNIZATION CONTRACTORS	6/11/2014	536,714
4	LANDMARK MODERNIZATION CONTRACTORS	2/12/2014	490,676
5	LANDMARK MODERNIZATION CONTRACTORS	2/27/2014	490,676
6	HMC ARCHITECTS	3/6/2014	137,418
7	CLARK & SULLIVAN BUILDERS, INC	6/30/2014	134,385
8	HMR ARCHITECTS	1/30/2014	105,281
9	TURNER CONSTRUCTION COMPANY	6/30/2014	58,236
10	VALLEY PRECISION GRADING INC	3/3/2014	49,200
11	E-BUILDER, INC.	4/10/2014	48,340
12	Payroll expense - Catherine L Allen	5/31/2014	2,545
13	Payroll expense - James Dobson	5/30/2014	2,033
14	Payroll expense - Elena Hankard	12/20/2013	1,158
			\$ 3,918,668