

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

COUNTY OF SACRAMENTO

SACRAMENTO, CALIFORNIA

MEASURE I GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT

FOR THE PERIOD FROM JULY 1, 2009

THROUGH AND INCLUDING JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**MEASURE I GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

For the Period from July 1, 2009 through and Including June 30, 2010

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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 I General Obligation Bond funds for the period from July 1, 2009 through and including June 30, 2010.

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 conclusions based on our audit objectives.

The objective of our performance audit was to determine if Sacramento City Unified School District expended Measure I General Obligation Bond funds for the period from July 1, 2009 through and including June 30, 2010 in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution:

"A requirement that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed."

Solely to assist us in planning and performing our performance audit, we made a study and evaluation 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 controls.

In our opinion, Sacramento City Unified School District expended Measure I General Obligation Bond funds for the period from July 1, 2009 through and including June 30, 2010 in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

Perry-Smith LLP

December 13, 2010

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?"

The financial activity related to the Series 2002 Measure I General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 22. The Financial Activity Reports for District Funds 21 and 22 are combined to comprise Fund 21 (Building Fund) in the District's audited financial statements for each of the years ended June 30, 2003, 2004, 2005, 2006, 2007, 2008 and 2009.

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.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BACKGROUND INFORMATION
(Continued)**

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

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.

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.

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 period of July 1, 2009 through and including June 30, 2010 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 period from July 1, 2009 through and including June 30, 2010 (the "List"). We selected 79.3% of projects charged to Measure I for testing of compliance with Proposition 39. A total of \$21,198,099 in expenditures from July 1, 2009 through and including June 30, 2010 were identified as Measure I bond expenditures.

METHODOLOGY

We performed the following procedures related to Measure I General Obligation Bond project expenditures for the period from July 1, 2009 through and including June 30, 2010:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- 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 List.
- Agreed the List to total bond expenditures as reported by the District in the District's audited financial statements for the period from July 1, 2009 through and including June 30, 2010, presented as the Building Fund.
- Selected a sample of 40 expenditures totaling \$16,823,619 (Attachment A). The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 79.3% of the total expenditure value of bond funds for the period from July 1, 2009 through and including June 30, 2010. Verified that the expenditures were for the approved projects and were to construct, upgrade, and improve classrooms and school facilities, renovate restrooms and plumbing, upgrade electrical systems, improve student access to computers and technology, replace heating and air conditioning systems or to make health and safety improvements.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
(Continued)**

CONCLUSIONS

Sacramento City Unified School District expended Measure I General Obligation Bond funds for the period of July 1, 2009 through and including June 30, 2010 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.

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

	Vendor	Date	Amount
1	REGENT DEVELOPMENT INC	08/12/09	\$ 2,373,437
2	REGENT DEVELOPMENT INC	08/12/09	263,715
3	ROEBBELEN CONTRACTING INC	08/19/09	500,217
4	MASCON INC/SCUSD	09/04/09	1,958,638
5	REGENT DEVELOPMENT INC	09/16/09	2,188,183
6	REGENT DEVELOPMENT INC	09/16/09	243,132
7	HETZLER CONSTRUCTION CO	10/15/09	67,027
8	REGENT DEVELOPMENT INC	10/15/09	2,063,617
9	REGENT DEVELOPMENT INC	10/15/09	229,291
10	ROEBBELEN CONTRACTING INC	10/15/09	592,792
11	ROEBBELEN CONTRACTING INC	10/15/09	127,621
12	PCM3 CONSTRUCTION MANAGEMENT	10/15/09	24,908
13	ROEBBELEN CONTRACTING INC	10/22/09	691,553
14	REGENT DEVELOPMENT INC	11/19/09	673,428
15	REGENT DEVELOPMENT INC	11/19/09	480,672
16	REGENT DEVELOPMENT INC	11/19/09	128,233
17	HMR ARCHITECTS	11/19/09	23,463
18	DECOTECH SYSTEMS INC	12/17/09	383,277
19	LANDMARK MODERNIZATION CONTRACTORS	12/17/09	64,957
20	ROEBBELEN CONTRACTING INC	12/17/09	595,894
21	DECOTECH SYSTEMS INC	12/17/09	24,589
22	REGENT DEVELOPMENT INC	01/15/10	314,259
23	ROEBBELEN CONTRACTING INC	01/22/10	844,844
24	WARREN LAND SURVEYING, INC.	01/22/10	23,500
25	PCM3 CONSTRUCTION MANAGEMENT	02/04/10	29,432
26	ROEBBELEN CONTRACTING INC	02/04/10	650,957
27	SACRAMENTO EDUCATIONAL CABLE CONSORTIUM	02/12/10	50,305
28	STAGECRAFT INDUSTRIES, INC.	02/18/10	24,271
29	ROEBBELEN CONTRACTING INC	03/04/10	360,259
30	BEALS ALLIANCE INC	03/11/10	85,974
31	DC ARCHITECTS	03/30/10	22,100
32	LANDMARK MODERNIZATION CONTRACTORS	03/30/10	23,370
33	DECOTECH SYSTEMS INC	04/08/10	23,560
34	DISABILITY ACCESS CONSULTANTS	05/13/10	160,680
35	STAFFORD KING WIESE ARCHIT INC	06/25/10	49,591
36	BEALS ALLIANCE INC	06/30/10	173,102
37	TURNER CONSTRUCTION COMPANY	06/30/10	79,300
38	WLC ARCHITECTS INC	06/30/10	29,011
39	BEALS ALLIANCE INC	06/30/10	155,575
40	WLC ARCHITECTS INC	06/30/10	24,886
	Total		\$ 16,823,619