



Putting
Children
First

Bond Oversight Committee

Wednesday, August 7, 2019

5:30 to 7:30 p.m.

SCUSD Maintenance Yard

425 1st Avenue

Sacramento, CA

95818

Minutes

1.0 Welcome/Call to Order 5:38

2.0 Call to Order/Members Present/Absent

Carol Davydova, Michael Watanabe, Terrence Gladney, Jim Price, Brian Hill, Terra Bennett Brown, Michael Watanabe, Colleen Megowan-Romanowicz, Alex Visaya, Jr

Absent: Lesley Taylor

Staff Present: Cathy Allen, Amari Watkins, Crystal Hoff

3.0 Approval of Agenda/Discussion of Tonight's Meeting

Motion by: Colleen Megowan-Romanowicz

Second by: Terra Bennet Brown

The agenda was approved as presented.

4.0 Approval of Minutes

May 1, 2019 – Regular Meeting

Motion by: Terrence Gladney

Second by: Carol Davydova

The minutes were approved as presented.

Abstained: Alex Visaya Jr.

BOC members would like to take notes at each meeting. There will be a volunteer identified at each meeting.

5.0 2017/2018 Financial Statements and Performance Audits

Tim Canupp from Crowe presented to the committee the 2017/2018 Financial Statements and Performance Audits.

Measure Q Financial Statement Report. The audits are fairly similar from measure to measure. The audit was conducted under the generally accepted accounting standards in the United States and the government auditing standards. The standards are designed so that we can gain reasonable assurance about whether the financial statements are free of material mistakes. Reasonable assurance means that sampling techniques are used. Sample transactions are reviewed.

The opinion of the audit came in at an unqualified opinion for the financial statements which is the highest level of opinion that can be obtained. Emphasis of matter is the same this year as it was last year. Very common for bond financial statement reports. The financial statements of the bond do not reflect the financial position of the District.

Total assets: Approximately \$128m. Fund balance after the subtraction of liability is approximately \$124.8m.

Revenue: \$2.1m.

Total expenditures: Approximately \$30m with a \$6.3m transfer to Measure R for construction expenditures for the Central Kitchen. Other projects were recoded from Measure R to Measure Q. Recoding some of the projects will help with the completion of the Central Kitchen project. These projects were completed so it was just a budget transfer from Measure R to Q. This is not uncommon.

Internal Controls: Crowe is responsible for understanding them but not testing them. This is not a requirement of the audit. Internal controls are practiced within the District as checks and balances year round.

There are two systems that serve as digital internal controls. eBuilder is for the facilities review and approval and ESCAPE, the accounting software for the financial reviews and approvals.

How are the workflows built in? Just IT? Or by department? Crystal Hoff is the admin for eBuilder and there is also a flowchart. There are different levels of approvals depending on the dollar amount. Approval levels are not based on an individual but instead on roles in the District.

What happens if the auditor sees that a control is not effective? If a control is clearly designed incorrectly, if it is just a deficiency, it can be reported to management. If more serious, it is reported to a government oversight.

SCUSD does have internal controls audited in the District's financial audit and the bond program falls into this.

There were no findings for Measure Q this year or last year.

Measure Q Performance Audit. Describes bond and ballot language and projects. There is nothing new or unfamiliar. Twenty-one and a half million out of the \$30.6m in expenditures, about 58%, were tested. Based on the testing SCUSD spent bond funds on projects correctly. Appropriate procedures were followed.

Question: Why would incomplete projects not be included in the District's fixed assets? Seems like a mistake. Incomplete projects are included in construction in progress. There are completed projects and then a pool of projects waiting to get to that point.

Are there salaries included in this audit? Yes. The bond can pay for salaries of staff that are not administrators (not teachers, principals). They must be directly related to the oversight of the bond program. There are monthly reports to keep track of the hours spent on bond related projects/issues. They are called Personnel Activity Reports (PARs). We are then able to adjust accordingly where staff is funded from.

How long has Crowe been conducting the audit for the District? For as long as it has been required for the bond. Previously known as Perry Smith. The firm does not need to change but there is a partner rotation. State requires partner rotation every 5 years.

Measure R Financial Statement. It has the same "unqualified opinion" as Measure Q, which is the highest level opinion that can be expressed. There is \$14.6m in cash investments with a net fund balance of approximately \$13m.

At this point the group realized that the wrong reports were provided, 2017 for both the financial statement and the performance audit. Staff will email the correct reports (Measure R Financial Statement and Measure R Performance Audit) to the committee this week. However, it was reported that Measure R was a clean audit. No findings and no prior year findings.

6.0 Facilities Master Plan Update

SCUSD conducted an RFQ (Request for Qualifications). Three different companies were interviewed. The contract was awarded to DLR Group. The District is conducting a FCA (Facilities Condition Assessment). The District will be compiling an extensive amount of data. SCUSD uses data to establish priorities and identify projects. SCUSD will also be studying enrollment projections, capacities, should SCUSD close more schools and repurpose them, etc. We have asked DLR to analyze sites based on criteria that will be developed. SCUSD will reach out to community members to help develop the criteria, in hopes this will all lead up to a 2020 bond. SCUSD needs to develop a plan to share with the community. It is anticipated the study will be complete spring of 2020.

DLR contracts out to an additional firm – EMG to conduct the FCAs.

Will we be surveying parents? Yes. Not all but many.

Before a school is closed down, criteria need to be established. Who weighs in on the criteria? As far as the FCA, we would develop a stakeholder group by Trustee area. Then ultimately the Board.

TG: We need have an honest conversation and to look at the small high schools. Example: We have a school that cost \$20m to build and it only houses 500 students. The District has several small high schools specifically designed and built to hold a maximum of 500 students.

Educational specifications are a critical piece to this master plan. How does a school know what it needs until it knows what it wants to teach. We will be involving our curriculum department.

It will be a 5 to 10 year plan. Updating will occur at the 5 year mark.

The cost of the plan is approximately \$1.8m plus. Paid by the bond. Does SCUSD need to hire out? It is very labor intensive and too many skills and expertise are needed. We want a document that can be updated by staff.

Can the BOC support this with the community? Yes.

SCUSDs first ZNE facility will be the 4,580 sq. ft. farm building next to Leataata Floyd.

TBB: Invite Mayor's staff to one of our meetings?

7.0 Bond Fund Update/Projects/Staff Update

Two reports presented: Export from the construction management software, eBuilder and the other is Bond Program Report. The committee went through the active projects list and will be given a list of closed projects by the next meeting.

8.0 Questions/Statements to the Board from the Bond Oversight Committee

This item serves as the opportunity for the committee to record questions and comments to the Board so they are easily accessible when looking back through the minutes. This item focuses on subjects that are beyond the agendas.

Members now consistently attend the Facilities Committee meetings.

BOC members would like a role in the building of the FMP. Could they attend the stakeholder's meetings? Yes.

What will be the BOCs role in determining the priorities for the next bond?

The Committee discussed core values and equity considerations within the District.

9.0 Future Business-Next Meeting-Date/Location

- *November 6, 2019*

Adjourn: 7:15 p.m.

Motion by: Jim Price

Second by: Colleen Megowan-Romanowicz