

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Sacramento, California

MEASURE I GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2013

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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 year ended June 30, 2013.

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 3 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, 2013 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
February 4, 2014

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE I 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 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.

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 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, 2013.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
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, 2013 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, 2013 (the "List"). A total of \$6,109,674 in expenditures from July 1, 2012 through June 30, 2013 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, 2013:

- 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, 2013, presented as the Building Fund.
- Selected a sample of 26 expenditures totaling \$4,052,927 from Measure I. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verified 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, 2013 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 I GENERAL OBLIGATION BONDS
SCHEDULE OF SPECIFIC EXPENDITURES TESTED

	<u>Vendor</u>	<u>Date</u>	<u>Amount</u>
1	Seward L Schred	7/6/2012	377,951
2	Seward L Schred	7/24/2012	811,807
3	CAPCO (Capital Architect)	7/25/2012	954
4	Roebbelen Contracting Inc.	7/31/2012	292,947
5	Roebbelen Contracting Inc.	7/31/2012	195,870
6	JM Sealcoat & Paving	8/7/2012	37,600
7	Wallace Kuhl and Associates.	8/14/2012	1,172
8	Seward L Schred	8/20/2012	566,570
9	JM Sealcoat & Paving	8/24/2012	30,400
10	Roebbelen Contracting Inc.	8/31/2012	575,454
11	Roebbelen Contracting Inc.	8/31/2012	96,796
12	Landmark Moderization	9/15/2012	314,225
13	Seward L Schred	9/18/2012	123,291
14	Roebbelen Contracting Inc.	9/30/2012	23,262
15	Roebbelen Contracting Inc.	9/30/2012	602
16	Seward L Schred	11/21/2012	111,384
17	Seward L Schred	11/21/2012	206,668
18	Seward L Schred	11/21/2012	215,055
19	AMS.NET Inc	11/29/2012	10,338
20	Wallace Kuhl and Associates	2/8/2013	1,220
21	Seward L Schred	2/19/2013	43,993

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
SCHEDULE OF SPECIFIC EXPENDITURES TESTED

	<u>Vendor</u>	<u>Date</u>	<u>Amount</u>
22	City of Sacramento	2/26/2013	774
23	City of Sacramento	2/27/2013	420
24	Saenz Landscape Construction	3/5/2013	5,286
25	Saenz Landscape Construction	3/11/2013	6,416
26	City of Sacramento Utilities	6/18/2013	<u>2,472</u>
			<u><u>\$4,052,927</u></u>