

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE Q GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2021

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Sacramento City Unified School District

Report on the Financial Statements

We have audited the accompanying financial statements of Sacramento City Unified School District (the "District") Measure Q General Obligation Bonds (the "Bonds") activity included in the Building Fund of the District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sacramento City Unified School District (the "District") Measure Q General Obligation Bonds activity as of June 30, 2021, and the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present the financial activity and balances of the Measure Q General Obligation Bonds activity only, and do not purport to, and do not, present fairly the financial position of Sacramento City Unified School District, as of June 30, 2021 the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for Measure Q General Obligation Bonds activity. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance for Measure Q General Obligation Bonds activity. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance for the Measure Q General Obligation Bonds activity.


Crowe LLP

Sacramento, California
February 8, 2022

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE Q GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2021

ASSETS

Cash and investments (Note 3)	\$ 27,832,930
Receivables	42,852
Due From District (Note 4)	<u>3,653,633</u>
Total assets	<u>\$ 31,529,415</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ <u>2,178,800</u>
Fund balance – restricted (Note 5)	<u>29,350,615</u>
Total liabilities and fund balance	<u>\$ 31,529,415</u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE Q GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
For the Year Ended June 30, 2021

Revenues:	
Interest income	\$ 3,434,869
Other sources	<u>3,434</u>
Total revenues	<u>3,438,303</u>
Expenditures:	
Current:	
Classified salaries	388,330
Employee benefits	223,660
Materials and supplies	5,920
Contract services and operating expenditures	513,391
Capital outlay	<u>26,447,271</u>
Total expenditures	<u>27,578,572</u>
Deficiency of revenues under expenditures	(24,140,269)
Other financing sources:	
Transfers in	<u>5,995,579</u>
Change in fund balance	(18,144,690)
Fund balance, July 1, 2020	<u>47,495,305</u>
Fund balance, June 30, 2021	<u>\$ 29,350,615</u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE Q GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies Sacramento City Unified School District (the "District") conform to accounting principles generally accepted in the United States of America applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The activities of the Measure Q General Obligation Bonds are recorded along with other activities in the District's Building Fund. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include the activity and balances of the Bonds only. The activities of the Bonds are recorded in the District's Building Fund. These financial statements are not intended to present the financial position or results of operations of Sacramento City Unified School District as a whole.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all government funds. By State law, the District's Board of Education must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Education satisfied these requirements.

The District's Board of Education and Superintendent revise the budgets during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds. There were no transfers in the fiscal year.

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Building Fund in accordance with the Bond Project List for Measure Q General Obligation Bonds.

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE Q GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Accounting Estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – GENERAL OBLIGATION BONDS

Bond Authorization: On November 6, 2012, the electorate of Sacramento City Unified School District approved the \$346 million "Measure Q" General Obligation Bonds with greater than 55% of the qualified votes in favor.

Purpose of Bonds: The proceeds of the Bonds is to better prepare students for college and careers by upgrading classrooms, science labs, computer systems and technology; renovating heating and ventilation system; reducing costs through energy efficiency; improving student safety and security systems; repairing roofs, floors, walkways, bathrooms, electrical, plumbing and sewer systems.

Further Specifications

No Administrator Salaries

Proceeds from the sale of bonds authorized by this proposition shall be used only 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 and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

Bond Issuances: On June 27, 2013, the District issued 2013 General Obligation Bonds, Series A and 2013 General Obligation Bonds, Series B, totaling \$30,000,000 and \$40,000,000, respectively. The Bond proceeds are intended for the purposes of the two bond measures passed by voters on November 6, 2012, Measure Q and Measure R.

On May 14, 2015, the District issued 2015 General Obligation Bonds, Series C-1 and 2015 General Obligation Bonds, Series C-2, totaling \$66,260,000 and \$23,740,000, respectively. The Bond proceeds are intended for the purposes of the bond measure passed by voters on November 6, 2012, Measure Q.

On May 24, 2016, the District issued 2016 General Obligation Bonds Series D, totaling \$14,000,000. The Bond proceeds are intended for the purposes of the bond measure passed by voters on November 6, 2012, Measure Q.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE Q GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – GENERAL OBLIGATION BONDS (Continued)

On May 25, 2017, the District issued 2017 General Obligation Bonds Series E, totaling \$112,000,000. The Bond proceeds are intended for the purposes of the bond measure passed by voters on November 6, 2012, Measure Q.

On July 1, 2018, the District issued 2018 General Obligation Bonds Series F, totaling \$10,000,000. The Bond proceeds are intended for the purposes of the bond measure passed by voters on November 6, 2012, Measure Q.

The bonds are general obligations of the District, and Sacramento County is obligated to levy ad valorem taxes for the payment of and interest on, the principal of the bonds. The Bond Interest and Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the payment of interest and redemption of principal of the bonds issued by the District.

NOTE 3 – CASH AND INVESTMENTS

Pooled Funds:	
Cash in County Treasury	\$ 11,372,781
Cash in hand and with banks	342,535
Cash with Fiscal Agent	<u>16,117,614</u>
 Total Cash and Investments	 <u>\$ 27,832,930</u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Sacramento County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amount based upon the District's pro-rata share of the fair value by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for capital projects and repayment of General Obligation Bonds. The District holds their funds with the Sacramento County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2021, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2021, the District had no concentration of credit risk.

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE Q GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 – INTERFUND ACTIVITY

Interfund activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds

Interfund Receivables/Payables: Interfund receivable and payable balances are a result of balances owed to the Measure Q Fund to other funds to reimburse those funds for prior year bond related expenditures. At June 30, 2021 interfund receivable totaled \$3,653,633 due from the District’s General Fund.

Transfers: Interfund transfers consists of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Transfers for the 2020 -2021 fiscal year were as follows:

Transfer from the General Fund to the Building Fund (Measure Q) to reimburse the bond fund for Chromebook purchases.	\$ 4,076,287
Transfer from the County School Facilities Fund to the Building Fund (Measure Q) to reimburse the bond funds with State construction bond reimbursement funds for modernization projects.	<u>1,919,292</u>
Total	<u>\$ 5,995,579</u>

NOTE 5 – FUND BALANCE CLASSIFICATION

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of the Measure Q General Obligation Bonds is restricted, as described below.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. Fund balance is restricted for capital projects of the Building Fund in accordance with the Bond Project List for Measure Q General Obligation Bonds.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Education
Sacramento City Unified School District
Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of Sacramento City Unified School District (the "District") Measure Q General Obligation Bonds (the "Bonds") activity included in the Building Fund of the District, as of and for the year ended June 30, 2021, and related notes to the financial statements and have issued our report thereon dated February 8, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sacramento City Unified School District internal control over Measure Q General Obligation Bond activity financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sacramento City Unified School District's internal control. Accordingly, we do not express an opinion of the effectiveness of Sacramento City Unified District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sacramento City Unified School District Measure Q General Obligation Bond activity included in the Building Fund of the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Sacramento, California
February 8, 2022

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE Q GENERAL OBLIGATION BONDS
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2021

No matters were reported.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE Q GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2021

2020-001 SIGNIFICANT DEFICIENCY – CASH IN COUNTY TREASURY RECONCILIATIONS (30000)

Condition: Cash in County Treasury reconciliations were not being prepared, reviewed and approved on a monthly basis throughout the fiscal year.

Recommendation: We recommend that the District prepare, review and approved Cash in County Treasury reconciliations on a monthly basis.

Current Status: Implemented.

District Explanation if Not Implemented: Not applicable.