

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**MEASURE H GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

June 30, 2023

DRAFT

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

MEASURE H GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2023

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
BACKGROUND INFORMATION:	
LEGISLATIVE HISTORY	2
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT MEASURE H GENERAL OBLIGATION BONDS	2
PERFORMANCE AUDIT:	
OBJECTIVES	5
SCOPE	5
METHODOLOGY	5
CONCLUSION	5
ATTACHMENT A – SCHEDULE OF SPECIFIC EXPENDITURES TESTED	6

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 H General Obligation Bond funds for the year ended June 30, 2023.

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 objectives.

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 H 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 the audit procedures that are appropriate for the purpose of providing a conclusion on 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, but not for the purpose of expressing an opinion on the effectiveness of internal control. 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 H General Obligation Bond funds for the year ended June 30, 2023 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.

Sacramento, California
Report Date

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
June 30, 2023

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 H GENERAL OBLIGATION BONDS

On March 3, 2020 the electorate of Sacramento City Unified School District approved the \$750 million "Measure H" 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 upgrade student classrooms, labs, libraries, and learning technology for quality instruction in math, science, arts and engineering; provide modern career training centers; update schools to meet current academic/safety standards; and acquire/repair/construct/equip school facilities shall Sacramento City Unified School District issue \$750 million in bonds at legal rates, levying 5¢ per \$100 assess value (\$35 million annually) while bonds are outstanding, with citizen oversight/audits and all funds locally controlled."

BOND PROJECT LIST

Projects to support Science, Technology, Engineering, Arts and Math (STEAM) and Career Technical Education ("CTE") Programs

- Classrooms, labs, collaboration spaces, and maker spaces;
- Infrastructure and equipment for labs/classrooms;
- Equipment and infrastructure, including but not limited to equipment and infrastructure to support future-ready learning;
- Outdoor learning spaces and gardens;
- Fine and performing arts spaces;
- Classroom furniture and equipment, including, but not limited to future ready furniture and equipment;

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
June 30, 2023

BOND PROJECT LIST (Continued)

- Classroom/laboratory spaces and equipment for: culinary arts, woodshop, auto shop, construction trades, drafting, electronics, robotics, technology, biomedical, criminal justice, sustainable agriculture, and other CTE pathways.

Academic and Safety Equal Access Projects

- New classrooms, grounds and support facilities at older school sites;
- Exterior improvements including, but not limited to, painting, landscaping, and signage.

Projects to Enhance Technology

- Technology equipment and infrastructure including, but not limited to, computer systems and software, networking, cabling, and wireless;
- Electrical systems and infrastructure, including, but not limited to, generators, outdoor lighting, electrical wiring, and electrical panels;
- Future ready technology including, but not limited to, virtual classrooms, etc.

Projects to Improve Student and School Site Safety and Security

- Security systems, including, but not limited to, door locks, controlled access systems, fencing, gates, signage, lighting, fire alarms, intrusion alarms, communication systems and security cameras;
- Drop off and pick up areas, school site parking, walkways, alternative transportation infrastructure;
- Asphalt, concrete, sidewalks and pathways.

Projects to Support Physical Education and Athletic Programs

- Gymnasias, stadiums, team rooms, lockers tooms, weight rooms, fields, tracks, courts, pools, play structures, playgrounds, fencing, backstops, lighting, bleachers, restrooms, concessions, scoreboards, equipment necessary to preserve athletic facilities, and any other facilities used to in connection with physical education or athletics.

Projects to Improve Schools and Classrooms

- Classrooms, labs, restrooms, portable classrooms (including acquisition) structural repairs and improvements;
- Building components including, but not limited to, roofs, flooring, windows, doors, walls, siding, structural systems, electrical systems, interior and exterior paint, asbestos mitigation and facades;
- Plumbing, including but not limited to: water and sewage drainage, valves, back flow prevention, hydration stations, laterals, storm drains, water mains, sinks, water heaters, neutralization tanks, shower heads and other fixtures, etc.;
- Americans with Disabilities Act ("ADA") and other required or recommended code compliance improvements;
- HVAC systems including but not limited to, boilers, gas lines, control systems, automation systems, air quality monitors, chilled water coils, controls valves, etc.;
- Electrical systems and components;

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
June 30, 2023

BOND PROJECT LIST (Continued)

- Landscape and water conservation improvements including but not limited to: tree mitigation, walkways, walkway covers, ramps, soil stabilization, soil mitigation, fencing, drainage, new or upgraded irrigation systems, paving and concrete, etc.;
- New school and classroom construction;
- Acquisition of real property;
- Energy efficiency projects, including, but not limited to: renewable energy generation, energy management systems, electrical vehicle charging stations, energy efficient lighting systems, energy efficient windows, window shares, etc.;
- Installation of shade structures;
- Installation of plants, trees, and urban forests;
- Improvements and upgrades to non-instructional facilities such as: school site kitchens to support the District's central kitchen, multi-purpose buildings, administration, counseling areas, student services areas, restrooms, etc.

Projects Involving Renovation, Rehabilitation or Repair

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

The Board shall set aside at least one percent (1%) of the proceeds of the Bonds to improve access to preschool education by increasing capacity, including modernizing existing preschool classrooms, and/or constructing new preschool facilities.

Bond Issuances: On July 21, 2022, the District issued 2022 General Obligation Bonds, Series A totaling \$225,000,000. The Bond proceeds are intended for the purposes of the bond measure passed by voters on March 3, 2020, Measure H.

(Continued)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2023

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure H General Obligation Bond funds for the year ended June 30, 2023 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 H General Obligation Bond projects and specific expenditures for the year ended June 30, 2023 (the "List"). A total of \$20,067,926 in expenditures to Measure H from July 1, 2022 through June 30, 2023 were identified.

METHODOLOGY

We performed the following procedures to the List of Measure H General Obligation Bond project expenditures for the year ended June 30, 2023:

- Verified the mathematical accuracy of the List.
- Reconciled the List to total bond expenditures as reported by the District to the District's audited Measure H General Obligation Bonds financial statements for the year ended June 30, 2023.
- Selected a sample of non-payroll expenditures totaling \$7,717,157 and payroll related expenditures totaling \$80,903. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 39% of the total expenditure value. Verified that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects. We also verified that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CONCLUSION

The results of our procedures indicated that, in all significant respects, Sacramento City Unified School District expended Measure H General Obligation Bond funds for the year ended June 30, 2023 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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 MEASURE H GENERAL OBLIGATION BONDS
 SCHEDULE OF SPECIFIC EXPENDITURES TESTED
 June 30, 2023

<u>Vendor</u>	<u>Date</u>	<u>Amount</u>
1. Kitchell Cem Inc	12/15/22	\$ 43,250.00
2. Warren Consulting Engineers	10/13/22	49,700.00
3. Otto Construction	03/29/23	52,308.09
4. Lionakis	03/29/23	58,500.00
5. Lionakis	01/26/23	68,607.50
6. HMC Architects Inc	10/27/22	185,000.00
7. HMC Architects Inc	12/08/22	123,400.00
8. CA Dept of General Services Division of State Architect	11/09/22	231,250.00
9. Nacht & Lewis Architects Inc	03/17/23	127,500.00
10. CA Dept of General Services Division Of Architect	02/09/23	397,500.00
11. Lionakis	01/26/23	68,607.50
12. Nacht & Lewis Architects Inc	02/09/23	63,750.00
13. Kitchell Cem Inc	03/29/23	60,260.00
14. Kitchell Cem Inc	10/27/22	31,280.00
15. CA Dept of General Services Division Of State Architect	11/09/22	231,250.00
16. Various*	07/01/22	155,824.39
17. Bluum USA Inc	05/24/23	1,663,625.00
18. Otto Construction	05/24/23	1,536,686.18
19. Balfourd Beatty-Clark Sullivan A Joint Venture	06/30/23	831,398.84
20. Otto Construction	05/11/23	765,798.30
21. CA Dept of General Services Division of State Architect	04/20/23	397,500.00
22. Nacht & Lewis Architects Inc	04/13/23	138,046.00
23. Nacht & Lewis Architects Inc	05/04/23	147,900.00
24. Troxell Communications Inc	06/28/23	122,615.63
25. HMC Architects Inc	06/21/23	165,600.00
		<u>\$ 7,717,157.43</u>

* Expenditure is related to issuance costs for Series 2022A.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**MEASURE H GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**

June 30, 2023

DRAFT

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

MEASURE H GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2023

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL SECTION:	
BALANCE SHEET	3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE	4
NOTES TO FINANCIAL STATEMENTS	5
OTHER REPORTS OF INDEPENDENT AUDITORS:	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	8
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS	10
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	11

INDEPENDENT AUDITOR'S REPORT

Board of Education
Sacramento City Unified School District
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Measure H General Obligation Bonds (the "Bonds") activity of Sacramento City Unified School District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Measure H General Obligation Bonds activity, of Sacramento City Unified School District, as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sacramento City Unified School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial activity and balances of the Measure H General Obligation Bonds activity and do not purport to, and do not, present fairly the financial position of Sacramento City Unified School District, as of June 30, 2023, the changes in its financial position 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

(Continued)

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sacramento City Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2023 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 the Bonds activity. The purpose of that report is solely 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 the 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 Bonds activity.

Sacramento, California
Report Date

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2023

ASSETS

Cash and investments (Note 3)	\$ 218,124,238
Receivables	<u>392,708</u>
Total assets	<u>\$ 218,516,946</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>\$ 6,068,910</u>
Fund balance – restricted (Note 5)	<u>212,448,036</u>
Total liabilities and fund balance	<u>\$ 218,516,946</u>

DRAFT

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 MEASURE H GENERAL OBLIGATION BONDS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCE
 For the Year Ended June 30, 2023

Revenues:					
	Interest income and change in fair market value		\$	4,052,171	
				<u>4,052,171</u>	
	Total revenues			<u>4,052,171</u>	
Expenditures:					
Current:					
	Classified salaries			150,615	
	Employee benefits			86,230	
	Materials and supplies			2,582,566	
	Contract services and operating expenditures			3,878,305	
	Capital outlay			<u>13,370,210</u>	
	Total expenditures			<u>20,067,926</u>	
	Deficiency of revenues under expenditures			(16,015,755)	
Other financing sources:					
	Proceeds from the sale of bonds			225,000,000	
	Premium on issuance of debt			<u>3,463,791</u>	
	Total other financing sources			<u>228,463,791</u>	
	Change in fund balance			212,448,036	
	Fund balance, July 1, 2022			<u>-</u>	
	Fund balance, June 30, 2023			<u>\$ 212,448,036</u>	

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 H 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.

Receivables: Receivables are made up primarily of interest receivable as of June 30, 2023. The District has determined that no allowance for doubtful account was required as of June 30, 2023.

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 H General Obligation Bonds.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 March 3, 2020, the electorate of Sacramento City Unified School District approved the \$750 million "Measure H" General Obligation Bonds with greater than 55% of the qualified votes in favor.

Purpose of Bonds: The proceeds of the Bonds is to upgrade student classrooms, labs, libraries, and learning technology for quality instruction in math, science, arts and engineering; provide modern career training centers; update schools to meet current academic/safety standards; and acquire/repair/construct/equip school facilities.

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 July 21, 2022, the District issued 2022 General Obligation Bonds, Series A totaling \$225,000,000. The Bond proceeds are intended for the purposes of the bond measure passed by voters on March 3, 2020, Measure H.

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.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – CASH AND INVESTMENTS

Pooled Funds:	
Cash in County Treasury	\$ 19,355,044
Cash with Fiscal Agent	<u>198,769,194</u>
Total Cash and Investments	<u>\$ 218,124,238</u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains a portion 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, 2023, 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, 2023, the District had no concentration of credit risk.

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 H 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 H 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 the 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 the Measure H General Obligation Bonds (the "Bonds") activity of Sacramento City Unified School District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's Measure H General Obligation Bonds activity financial statements, and have issued our report thereon dated **Report Date**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sacramento City Unified School District's internal control over Measure H General Obligation Bonds 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 on the effectiveness of Sacramento City Unified School 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 a 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.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sacramento City Unified School District's Measure H General Obligation Bonds activity 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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sacramento, California
Report Date

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2023

No matters were reported.

DRAFT

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
MEASURE H GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2023

No matters were reported as fiscal year 2022/23 is the first year under audit.

DRAFT