

ELK GROVE UNIFIED SCHOOL DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2023

ELK GROVE UNIFIED SCHOOL DISTRICT
Elk Grove, California

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Elk Grove Unified School District
Elk Grove, California

We have conducted a performance audit of the Elk Grove Unified School District (the "District") Measure M 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 4 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure M 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 Elk Grove 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 Elk Grove 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, Elk Grove Unified School District expended Measure M 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.



Crowe LLP

Sacramento, California
January 8, 2024

ELK GROVE UNIFIED SCHOOL DISTRICT
MEASURE M 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.

ELK GROVE UNIFIED SCHOOL DISTRICT MEASURE M GENERAL OBLIGATION BONDS

On November 8, 2016, the electorate of Elk Grove Unified School District approved the \$476,000,000 Measure M General Obligation Bonds, with greater than 55% of the votes in favor. The summarized text of the ballot language was as follows:

"To repair and modernize classrooms, fix deteriorating roofs, plumbing, and HVAC systems, improve student safety and campus security, construct and upgrade additional classrooms, labs, career technical education facilities and instructional technology to support student achievement in math, science, arts and skilled trades and keep up with growth and relieve overcrowding."

All bond expenditures are subject to review by a Citizens' Oversight Committee which reports to the public, as provided in Education Code Section 15278 *et seq.*

The financial activity related to the Measure M General Obligation Bonds is recorded in the Building Fund in the District's audited financial statements.

On May 12, 2017, the District issued General Obligation Bonds, Election of 2016, Series 2017, in the amount of \$82,100,000. Repayment of the bonds is made from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through August 1, 2046.

On February 5, 2019, the District issued General Obligation Bonds, Election of 2016, Series 2019, in the amount of \$121,000,000. Repayment of the bonds is made from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through August 1, 2048.

On April 6, 2021, the District issued General Obligation Bonds, Election of 2016, Series 2021, in the amount of \$140,500,000. Repayment of the bonds is made from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Bonds bear interest at rates ranging from 2.0% to 5.0% and are scheduled to mature through August 1, 2045.

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ELK GROVE UNIFIED SCHOOL DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

On June 14, 2023 the District issued General Obligation Bonds, Election of 2016, Series 2023, in the amount of \$132,400,000. Repayment of the bonds is made from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Bonds bear interest at rates ranging from 4.0% to 6.0% and are scheduled to mature through August 1, 2045.

ELK GROVE UNIFIED SCHOOL DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSION
June 30, 2023

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure M 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 Education, 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 M General Obligation Bond project expenditures for the year ended June 30, 2023 (the "List"). A total of \$51,345,992 in expenditures and \$9,157 in transfers from July 1, 2022 through June 30, 2023 were identified.

METHODOLOGY

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

- Verified the mathematical accuracy of the List.
- Reconciled the list to total bond expenditures and transfers as reported by the District in the District's audited financial statements for the year ended June 30, 2023, presented as the Building Fund.
- Selected a sample of 56 payroll and non-payroll expenditures and one transfer totaling \$15,757,752 and \$3,607, respectively. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verified that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.

CONCLUSION

The results of our procedures indicated that, in all significant respects, Elk Grove Unified School District expended Measure M General Obligation Bond funds for the year ended June 30, 2023 only for the specific projects developed by the District's Board of Education 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.