

## SAN JUAN UNIFIED SCHOOL DISTRICT

### Communications With Those Charged With Governance

*Submitted by*

**Gilbert Associates, Inc.**

We have audited the financial statements of the Measure J and N Building Fund of the San Juan Unified School District (the District) for the year ended June 30, 2015. Professional standards require that we provide you with information related to our audits. We are providing the District's Independent Citizens' Bond Oversight Committee (COC) and the Board of Education (Board) with information regarding the scope and results of the audits to assist the COC and the Board in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the COC, the Board and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties. The following pages summarize these required communications.



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# MANAGEMENT AND AUDITOR RESPONSIBILITIES

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**Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS), *Government Auditing Standards*, issued by the Comptroller General of the United States.**

The financial statements are the responsibility of management. As stated in our engagement contract, our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audits of the financial statements do not relieve you or management of your responsibilities.

As part of our audits, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Measure J and N Building Fund of the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits.

We issued unmodified opinions on the financial statements of the Measure J and N Building Fund of the District for the year ended June 30, 2015.

The financial statements of the Measure J and N Building Fund of the District present only the Measure J and N Building Fund and do not purport to, and do not present fairly the financial position of the District as of June 30, 2015, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions were not modified with respect to this matter.

# QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

<p><b>Significant Accounting Policies</b></p> <p>Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement contract, we advised management about the appropriateness of accounting policies and their application.</p>	<p>The significant accounting policies used by the Measure J and N Building Fund of the District are described in Note 2 to the financial statements.</p> <p>We noted no transactions entered into by the Measure J and N Building Fund of the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.</p>
<p><b>Management Judgments and Accounting Estimates</b></p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.</p> <p>Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.</p>	<p>We noted no estimates or disclosures that we consider particularly sensitive.</p>

# INTERACTIONS WITH MANAGEMENT

<b>Planned Scope and Timing of the Audit</b>	We performed the audits according to the planned scope and timing previously communicated in our engagement contract.
<b>Management Consultations with Other Independent Accountants</b>  In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.	To our knowledge, there were no such consultations with other accountants.
<b>Disagreements with Management</b>  For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report.	We are pleased to report that no such disagreements arose during the course of our audits.
<b>Management Representations</b>	We requested certain representations from management in a letter to us.
<b>Difficulties Encountered in Performing the Audit</b>	We encountered no significant difficulties in dealing with management in performing and completing our audits. Management and staff were well prepared and very cooperative.

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## OTHER MATTERS

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<b>Other Audit Findings or Issues</b>	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
<b>Corrected and Uncorrected Misstatements</b>  Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.	No significant adjustments were identified during our audit.

## **INDEPENDENT ACCOUNTANTS REPORT ON APPLYING AGREED-UPON PROCEDURES**

Board of Education  
San Juan Unified School District  
3738 Walnut Avenue  
Carmichael, California 95609-0477

We have performed the procedures enumerated below, which were agreed to by San Juan Unified School District Board of Education solely to assist in evaluating the following District management assertions concerning Measure "S" ballot language and San Juan Unified School District Board of Education Resolution No. 2090 for the fiscal year ended June 30, 2015:

- A. That "Measure S Bond funds are spent only on school improvements, not on District salaries or administration."
- B. That the District has continued "funding the Deferred Maintenance Program at a level of no less than \$2 million annually."
- C. That the District has funded "housekeeping and maintenance and operations budgets as necessary to properly maintain all District facilities."

District management is responsible for evaluating the assertions. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board of Education. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **PROCEDURES AND FINDINGS**

- A. We obtained the Measure S Building Fund detailed general ledger for the fiscal year ended June 30, 2015. We applied the following procedures to this report:
  - 1. Recomputed subtotals and totals of the report. No exceptions noted.
  - 2. Reviewed the detailed general ledger for unallowable expenditures. No exceptions noted.
- B. The District's Deferred Maintenance Program was funded at an amount of \$2 million for the 2014-2015 fiscal year, which meets the requirement of at least \$2 million annually. This includes \$800,000 from the General Fund Restricted Routine Maintenance Account and a transfer from the Measure J Bond Fund of \$1,200,000. We agreed these totals to the District's audited financial statements for the year ended June 30, 2015. No exceptions noted.

- C. On June 24 2014, the 2014-15 Budget was adopted by the Board of Education. Included in the 2014-15 Budget is the School District Criteria and Standards Review. The standard for criterion 7 is to “confirm that the annual contribution for facilities maintenance funding is not less than the amount required pursuant to Education Code Section 17070.75, if applicable, and that the district is providing adequately to preserve the functionality of its facilities for their normal life in accordance.” The District met this standard and fulfilled the requirement for budgeting for the Restricted Routine Maintenance Account. For the year ended June 30, 2015, the District fulfilled the requirement by transferring \$8,644,636 from the General Fund Unrestricted accounts to General Fund Restricted Routine Maintenance Account. No exceptions noted.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**March 9, 2016**

**SAN JUAN UNIFIED SCHOOL  
DISTRICT PROPOSITION 39  
AND MEASURE J GENERAL  
OBLIGATION BONDS**

**CARMICHAEL, CALIFORNIA**

**PERFORMANCE AUDIT**

**YEAR ENDED JUNE 30, 2015**



**SAN JUAN UNIFIED SCHOOL DISTRICT PROPOSITION 39  
AND MEASURE J GENERAL OBLIGATION BONDS**

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JUNE 30, 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

**Board of Education and Independent Citizens' Bond  
Oversight Committee for Measure J  
San Juan Unified School District  
Carmichael, California**

We have conducted a performance audit of the San Juan Unified School District (the District) Measure J General Obligation Bonds for the year ended June 30, 2015.

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 that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 2 of this report which includes determining compliance with the performance requirements for the Proposition 39 and Measure J 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 the 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 the 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 controls.

The results of our tests indicated that, in all significant respects, the San Juan Unified School District expended Measure J General Obligation Bond funds for the year ended June 30, 2015 only for the specific projects developed by the District's Board of Trustees 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.

*gilbert associates, inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**March 9, 2016**

# **SAN JUAN UNIFIED SCHOOL DISTRICT PROPOSITION 39 AND MEASURE J GENERAL OBLIGATION BONDS**

## **PERFORMANCE AUDIT JUNE 30, 2015**

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### **OBJECTIVES**

The objectives of our performance audit were to document that the San Juan Unified School District (the District) expended Measure J General Obligation Bonds (the Bonds) funds for the year ended June 30, 2015 only for purposes approved by voters and only for 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; note any incongruities or system weaknesses; and provide recommendations for improvement.

### **SCOPE OF THE AUDIT**

The scope of our performance audit covered the fiscal year ended June 30, 2015. Expenditures incurred after the issuance of the Bonds and prior to July 1, 2014, were covered in a previous examination. The expenditures included all account and project codes associated with the Bond projects. Expenditures incurred subsequent to June 30, 2015 were not reviewed or included within the scope of our audit.

### **BACKGROUND INFORMATION**

On November 5, 2002, the electorate of the District approved the \$350 million Measure J general obligation bonds with greater than 55% of the votes in favor.

On July 31, 2003, the District issued General Obligation Bonds (Series 2003 and 2003B Bonds) in the amount of \$46,000,000 to build, acquire, construct and furnish school facilities. The bonds mature in 2028. The bonds were issued at interest rates ranging from 1.00% to 5.80%. With the issuance of the 2012 General Obligation Refunding Bonds in March 2012, \$24,705,000 of Series 2003 Bonds were refunded.

On August 12, 2004, the District issued General Obligation Bonds (Series 2004A Bonds) consisting of current interest bonds totaling \$67,205,000 and capital appreciation bonds totaling \$1,794,931 to build, acquire, construct and furnish school facilities. The interest rates vary on the current interest bonds from 2.00% to 5.00% and mature through 2027. The capital appreciation bonds carry interest rates of 5.52% and 5.53% and mature in August 2028 and 2030. With the issuance of the 2012 General Obligation Refunding Bonds, Series C in September 2012, \$37,000,000 of Series 2004A Bonds were refunded.

On August 5, 2007, the District issued General Obligation Bonds (Series 2007 Bonds) in the amount of \$70,000,000 to build, acquire, construct and furnish school facilities. These bonds mature during 2016, and were issued at interest rates ranging from 4.25% to 5.00%. With the issuance of the 2014 General Obligation Refunding Bonds in May 2014, \$47,060,000 of Series 2007 Bonds were refunded.

On July 23, 2010, the District issued General Obligation Bonds (Series 2010 Bonds) in the amount of \$55,000,000 to build, acquire, construct and furnish school facilities. These bonds mature during succeeding years through August 2034, and were issued at interest rates ranging from 2.25% to 5.00%.

On June 10, 2011, the District issued General Obligation Bonds (Series 2011 Bonds) in the amount of \$10,600,000 to build, acquire, construct and furnish school facilities. These bonds mature during succeeding years through June 2026, and were issued at interest rates ranging from 0.80% to 5.50%.

# **SAN JUAN UNIFIED SCHOOL DISTRICT PROPOSITION 39 AND MEASURE J GENERAL OBLIGATION BONDS**

## **PERFORMANCE AUDIT JUNE 30, 2015**

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On March 22, 2012, the District issued General Obligation Refunding Series B Bonds (2012B Refunding Bonds) in the amount of \$23,190,000 to refund the District's Series 2003 bonds. The bonds mature during succeeding years through August 2028. The bonds were issued at interest rates ranging from 2.00 to 5.00%.

On September 13, 2012, the District issued General Obligation Refunding Series C Bonds (2012C Refunding Bonds) in the amount of \$36,480,000 to refund a portion of the District's Series 2004 bonds. The bonds mature during succeeding years through August 2027. The bonds were issued at interest rates ranging from 2.00 to 5.00%.

On January 13, 2013, the District issued General Obligation Bonds (Series 2013 Bonds) in the amount of \$50,000,000 to build, acquire, construct and furnish school facilities. The bonds mature during succeeding years through August 2038. The bonds were issued at interest rates ranging from 3.00% to 5.00%.

On May 1, 2014, the District issued General Obligation Bonds (Series May 2014 Bonds) in the amount of \$44,265,000 to refund a portion of the District's outstanding Series 2007 Bonds. The bonds mature during succeeding years through August 2030. The bonds were issued at interest rates ranging from 2.00% to 5.00%.

On July 1, 2014, the District issued General Obligation Bonds (Series July 2014 Bonds) in the amount of \$25,925,000 to build, acquire, construct and furnish school facilities. The bonds mature during succeeding years through August 2032. The bonds were issued at interest rates ranging from 2.00% to 5.00%.

As of June 30, 2015, total outstanding debt related to Measure J is \$231,319,932.

The financial activity related to the Measure J General Obligation Bonds is recorded in sub-Fund 23 (Measure J Building Fund) of Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2015.

### **PROCEDURES PERFORMED**

We obtained the Measure J Building Fund detailed general ledger for the fiscal year ended June 30, 2015. We obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measure J General Obligation Bond funding. We performed the following procedures:

- We verified the mathematical accuracy of the expenditures included in the Measure J Building Fund detailed general ledger for the fiscal year ended June 30, 2015.
- We reconciled the total expenditures as reported in the detailed general ledger of the Measure J Building Fund for the year ended June 30, 2015 to the District's audited financial statements for the year ended June 30, 2015.
- We reconciled the transfer of \$1,200,000 during the fiscal year ended June 30, 2015 from the Measure J Building Fund to the District's Deferred Maintenance Fund.

# **SAN JUAN UNIFIED SCHOOL DISTRICT PROPOSITION 39 AND MEASURE J GENERAL OBLIGATION BONDS**

## **PERFORMANCE AUDIT JUNE 30, 2015**

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- Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of the District to determine if internal controls are adequate to help ensure the District's compliance with the requirements of Proposition 39.
- We determined that the Independent Citizens' Bond Oversight Committee is fulfilling its duties as required by Education Code 15278 and as outlined in their Committee Bylaws.
- We selected a sample of 39 expenditures in the fiscal year ended June 30, 2015. The sample was selected to provide a representation across construction projects, vendors and expenditure amounts. For each selection, we performed the following procedures:
  1. Reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
  2. Verified the expenditure was for construction, rehabilitation, or replacement of school facilities, including furnishing and equipping of District facilities, deferred maintenance upgrades or the acquisition or lease of real property facilities and verified that funding was not used for salaries of school administrators or other operating expenditures of the District.

### **CONCLUSION**

Based upon the procedures performed, we found that, for the items tested, the San Juan Unified School District has properly accounted for the expenditures of the Measure J General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

### **MANAGEMENT COMMENTS AND RECOMMENDATIONS**

None.

**SAN JUAN UNIFIED SCHOOL  
DISTRICT  
MEASURE J BUILDING FUND  
CARMICHAEL, CALIFORNIA  
FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED JUNE 30, 2015**

**SAN JUAN UNIFIED SCHOOL DISTRICT  
MEASURE J BUILDING FUND**

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## INDEPENDENT AUDITOR'S REPORT

**Independent Bond Citizens' Oversight Committee  
and Board of Education  
San Juan Unified School District  
Carmichael, California**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Measure J Building Fund of the San Juan Unified School District (the District) as of and for the year ended June 30, 2015, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks 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 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 policies 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.



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure J Building Fund of the District, as of June 30, 2015, 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 only the Measure J Building Fund and do not purport to, and do not present fairly the financial position of the District as of June 30, 2015, or the changes in its financial position for the year then ended in conformity 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 March 9, 2016, 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. 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 internal control over financial reporting or on compliance. 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.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
Sacramento, California

**March 9, 2016**

## **FINANCIAL STATEMENTS**

**SAN JUAN UNIFIED SCHOOL DISTRICT  
MEASURE J BUILDING FUND**

**BALANCE SHEET  
JUNE 30, 2015**

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**ASSETS:**

Restricted cash and cash equivalents	\$ 49,053,975
Accounts receivable	<u>28,993</u>
Total assets	<u>\$ 49,082,968</u>

**LIABILITIES AND FUND BALANCE:**

Accounts payable	\$ 169,129
Due to other District funds	<u>9,100</u>
Total liabilities	178,229
Fund balance - restricted	<u>48,904,739</u>
Total liabilities and fund balance	<u>\$ 49,082,968</u>

**SAN JUAN UNIFIED SCHOOL DISTRICT  
MEASURE J BUILDING FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
YEAR ENDED JUNE 30, 2015**

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**REVENUES:**

Federal sources	\$ 3,339,067
Other local revenues	<u>135,018</u>
Total revenues	<u>3,474,085</u>

**EXPENDITURES:**

Classified salaries	450,220
Employee benefits	160,246
Books and supplies	488,069
Contract services and other operating expenditures	4,813,032
Capital outlay	21,641,475
Debt service - interest	<u>1,158,451</u>
Total expenditures	<u>28,711,493</u>

Deficiency of revenues under expenditures (25,237,408)

**OTHER FINANCING SOURCES (USES)**

Transfers in from other District funds	1,158,000
Transfers out to other District funds	(1,200,000)
Proceeds from issuance of bonds	25,925,000
Premium on issuance of bonds	<u>2,531,601</u>
Total other financing sources (uses)	<u>28,414,601</u>

Change in fund balance 3,177,193

**RESTRICTED FUND BALANCE - BEGINNING OF YEAR** 45,727,546

**RESTRICTED FUND BALANCE - END OF YEAR** \$ 48,904,739

# SAN JUAN UNIFIED SCHOOL DISTRICT

## MEASURE J BUILDING FUND

### NOTES TO FINANCIAL STATEMENTS

#### JUNE 30, 2015

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#### 1. ORGANIZATION AND NATURE OF ACTIVITIES

The San Juan Unified School District (the District) was established in 1960 and serves a 75-square mile area covering the communities of Arden-Arcade, Carmichael, Citrus Heights, Fair Oaks, Gold River and Orangevale. The District currently operates 66 schools and provides early learning, kindergarten through 12<sup>th</sup> grade and adult program education to approximately 46,000 students.

These financial statements present only the Measure J General Obligation Bonds Building Fund, which is recorded in sub-Fund 23 (Measure J Building Fund) of Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2015. These financial statements do not include financial data for the remainder of the District's funds and component unit, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

On November 5, 2002, the electorate of the District approved the \$350 million Measure J general obligation bonds with greater than 55% of the votes in favor.

- On July 31, 2003, the District issued General Obligation Bonds (Series 2003) in the amount of \$46,000,000 to build, acquire, construct and furnish school facilities. The bonds mature in 2028. The bonds were issued at interest rates ranging from 1.00% to 5.80%. With the issuance of the 2012 General Obligation Refunding Bonds in March 2012, \$24,705,000 of Series 2003 Bonds were refunded.
- On August 12, 2004, the District issued General Obligation Bonds (Series 2004A Bonds) consisting of current interest bonds totaling \$67,205,000 and capital appreciation bonds totaling \$1,794,931 to build, acquire, construct and furnish school facilities. The interest rates vary on the current interest bonds from 2.00% to 5.00% and mature through 2027. The capital appreciation bonds carry interest rates of 5.52% and 5.53% and mature in August 2028 and 2030. With the issuance of the 2012 General Obligation Refunding Bonds, Series C in September 2012, \$37,000,000 of Series 2004A Bonds were refunded.
- On August 5, 2007, the District issued General Obligation Bonds (Series 2007 Bonds) in the amount of \$70,000,000 to build, acquire, construct and furnish school facilities. These bonds mature during 2016, and were issued at interest rates ranging from 4.25% to 5.00%. With the issuance of the 2014 General Obligation Refunding Bonds in May 2014, \$47,060,000 of Series 2007 Bonds were refunded.
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**SAN JUAN UNIFIED SCHOOL DISTRICT  
MEASURE J BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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- On March 22, 2012, the District issued General Obligation Refunding Series B Bonds (2012B Refunding Bonds) in the amount of \$23,190,000 to refund the District's Series 2003 bonds. The bonds mature during succeeding years through August 2028. The bonds were issued at interest rates ranging from 2.00 to 5.00%.
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As of June 30, 2015, total outstanding debt related to Measure J is \$231,319,932.

The Board of Supervisors of Sacramento County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except for certain property which is taxable at limited rates), for payment of interest and principal of the Bonds when due. The District has established separate debt service funds to account for the collection and remittance of bond principal and interest payments. Additional information on the bonds' payment schedules can be found in the District's financial statements.

**SAN JUAN UNIFIED SCHOOL DISTRICT  
MEASURE J BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation** – The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. 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) and the American Institute of Certified Public Accountants (AICPA).

**Measurement focus and basis of accounting** – Measurement focus indicates the type of resources being measured, while the basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The Measure J Building Fund is a governmental fund, and has been presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available, and are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liability is incurred.

**Cash and cash equivalents** – For the purpose of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less.

**Restricted cash and cash equivalents** – Cash that is externally restricted to purchase or construct capital or other assets is classified as a restricted asset in the balance sheets.

**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 Measure J Building Fund in accordance with the project list for the 2002 General Obligation Bonds.

**Estimates used in financial reporting** – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**SAN JUAN UNIFIED SCHOOL DISTRICT  
MEASURE J BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**3. RESTRICTED CASH AND EQUIVALENTS**

Cash and equivalents as of June 30, 2015, consist of the following:

Cash and equivalents with County Treasury	\$ 10,521,959
Cash and equivalents with fiscal agents	<u>38,532,016</u>
Total cash and equivalents	<u>\$ 49,053,975</u>

**Cash and equivalents in County Treasury** – The Measure J Building Fund maintains cash in the Sacramento County Treasury (the Treasury). The Treasury pools funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the Treasury investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. and is restricted by Government Code Section 53635, pursuant to Section 53601.

**Cash and equivalents with fiscal agent** – Cash and equivalents with fiscal agent are held by the Treasury and represent bond proceeds restricted for capital projects.

**Derivative investments** – The Measure J Building Fund did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the Treasury was not available.

**Interest rate risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2015, weighted average maturity of the investments contained in the Treasury is approximately 262 days.

**Credit risk** – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

**Custodial credit risk** – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).



**SAN JUAN UNIFIED SCHOOL DISTRICT  
MEASURE J BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

**4. TRANSFERS TO/FROM OTHER DISTRICT FUNDS**

Transfers to and from other District Funds are operating transfers from a fund receiving revenue to a fund through which the resources are being expended. Transfers to and from other District Funds were as follows for the year ended June 30, 2015:

Transfers out to other District Funds:

The Measure J Building Fund transferred \$1,200,000 to the District's General Fund for a deferred maintenance transfer. The District's General Fund subsequently transferred \$2,000,000 to the District's Deferred Maintenance Fund.

Transfers in from other District Funds:

The District's General Fund transferred \$4,000 to the Measure J Building Fund for landscape and irrigation project for Carriage Elementary School.

The District's Deferred Maintenance Fund transferred \$154,000 to the Measure J Building Fund for restroom repair project at Arlington Heights Elementary School.

The District's Capital Facilities Fund transferred \$1,000,000 to the Measure J Building Fund for Del Dayo Elementary School new construction project.

**5. COMMITMENTS AND CONTINGENCIES**

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Measure J Building Fund.

As of June 30, 2015, the Measure J Building Fund has approximately \$10.8 million in outstanding commitments on ongoing construction contracts.

## **OTHER REPORT**

**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***

**Independent Auditor's Report**

**Independent Bond Citizens' Oversight Committee  
and Board of Education  
San Juan Unified School District  
Carmichael, 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 J Building Fund of the San Juan Unified School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Measure J Building Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**March 9, 2016**

**SAN JUAN UNIFIED SCHOOL  
DISTRICT PROPOSITION 39  
AND MEASURE N GENERAL  
OBLIGATION BONDS**

**CARMICHAEL, CALIFORNIA**

**PERFORMANCE AUDIT**

**YEAR ENDED JUNE 30, 2015**

**SAN JUAN UNIFIED SCHOOL DISTRICT PROPOSITION 39  
AND MEASURE N GENERAL OBLIGATION BONDS**

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## **INDEPENDENT AUDITOR'S REPORT**

**Board of Education and Independent Citizens' Bond  
Oversight Committee for Measure N  
San Juan Unified School District  
Carmichael, California**

We have conducted a performance audit of the San Juan Unified School District (the District) Measure N General Obligation Bonds for the year ended June 30, 2015.

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 that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 2 of this report which includes determining compliance with the performance requirements for the Proposition 39 and Measure N 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 the 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 the 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 controls.

The results of our tests indicated that, in all significant respects, the San Juan Unified School District expended Measure N General Obligation Bond funds for the year ended June 30, 2015 only for the specific projects developed by the District's Board of Trustees 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.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**March 6, 2016**

# **SAN JUAN UNIFIED SCHOOL DISTRICT PROPOSITION 39 AND MEASURE N GENERAL OBLIGATION BONDS**

## **PERFORMANCE AUDIT JUNE 30, 2015**

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### **OBJECTIVES**

The objectives of our performance audit were to document that the San Juan Unified School District (the District) expended Measure N General Obligation Bonds (the Bonds) funds for the year ended June 30, 2015 only for purposes approved by voters and only for 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; note any incongruities or system weaknesses; and provide recommendations for improvements.

### **SCOPE OF THE AUDIT**

The scope of our performance audit covered the fiscal year ended June 30, 2015. Expenditures incurred after the issuance of the Bonds and prior to July 1, 2014, were covered in a previous examination. The expenditures included all account and project codes associated with the Bond projects. Expenditures incurred subsequent to June 30, 2015 were not reviewed or included within the scope of our audit.

### **BACKGROUND INFORMATION**

On November 6, 2012, the electorate of the San Juan Unified School District approved the \$350 million Measure N general obligation bonds with greater than 55% of the votes in favor.

On January 13, 2013, the District issued General Obligation Bonds Election of 2012, Series A (Series A Bonds) in the amount of \$20,000,000 to build, acquire, construct and furnish school facilities. The bonds mature during succeeding years through August 2015. The bonds were issued at an interest rate of 1.00%.

On July 1, 2014, the District issued General Obligation Bonds Election of 2012, Series B (Series B Bonds) in the amount of \$80,000,000 to build, acquire, construct and furnish school facilities. The bonds mature during succeeding years through August 2027. The bonds were issued at interest rates ranging from 1.00% to 4.00%.

As of June 30, 2015, total outstanding debt related to Measure N is \$85,400,000.

The financial activity related to the Measure N General Obligation Bonds is recorded in sub-Fund 24 (Measure N Building Fund) of Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2015.



# **SAN JUAN UNIFIED SCHOOL DISTRICT PROPOSITION 39 AND MEASURE N GENERAL OBLIGATION BONDS**

## **PERFORMANCE AUDIT JUNE 30, 2015**

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### **PROCEDURES PERFORMED**

We obtained the Measure N Building Fund detailed general ledger for the fiscal year ended June 30, 2015. We obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measure N General Obligation Bond funding. We performed the following procedures:

- We verified the mathematical accuracy of the expenditures included in the Measure N Building Fund detailed general ledger for the fiscal year ended June 30, 2015.
- We reconciled the total expenditures as reported in the detailed general ledger of the Measure N Building Fund for the year ended June 30, 2015 to the District's audited financial statements for the year ended June 30, 2015.
- Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of the District to determine if internal controls are adequate to help ensure the District's compliance with the requirements of Proposition 39.
- We determined that the Independent Citizens' Bond Oversight Committee is fulfilling its duties as required by Education Code 15278 and as outlined in their Committee Bylaws.
- We selected a sample of 28 expenditures in the fiscal year ended June 30, 2015. The sample was selected to provide a representation across construction projects, vendors and expenditure amounts. For each selection, we performed the following procedures:
  1. Reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
  2. Verified the expenditure was for construction, rehabilitation, or replacement of school facilities, including furnishing and equipping of District facilities, deferred maintenance upgrades or the acquisition or lease of real property facilities and verified that funding was not used for salaries of school administrators or other operating expenditures of the District.

### **CONCLUSION**

Based upon the procedures performed, we found that, for the items tested, the San Juan Unified School District has properly accounted for the expenditures of the Measure N General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

### **MANAGEMENT COMMENTS AND RECOMMENDATIONS**

None.

**SAN JUAN UNIFIED SCHOOL  
DISTRICT  
MEASURE N BUILDING FUND  
CARMICHAEL, CALIFORNIA  
FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED JUNE 30, 2015**

**SAN JUAN UNIFIED SCHOOL DISTRICT  
MEASURE N BUILDING FUND**

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## **INDEPENDENT AUDITOR'S REPORT**

**Independent Bond Citizens' Oversight Committee  
and Board of Education  
San Juan Unified School District  
Carmichael, California**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Measure N Building Fund of the San Juan Unified School District (the District) as of and for the year ended June 30, 2015, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks 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 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 policies 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure N Building Fund of the District, as of June 30, 2015, 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 only the Measure N Building Fund and do not purport to, and do not present fairly the financial position of the District as of June 30, 2015, or the changes in its financial position for the year then ended in conformity 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 March 9, 2016, 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. 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 internal control over financial reporting or on compliance. 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.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
Sacramento, California

**March 9, 2016**

## **FINANCIAL STATEMENTS**

**SAN JUAN UNIFIED SCHOOL DISTRICT  
MEASURE N BUILDING FUND**

**BALANCE SHEET  
JUNE 30, 2015**

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**ASSETS:**

Restricted cash and cash equivalents	\$ 84,993,454
Accounts receivable	13,443
Due from other District funds	<u>9,100</u>
 Total assets	 <u><u>\$ 85,015,997</u></u>

**LIABILITIES AND FUND BALANCE:**

Accounts payable	\$ 235,074
 Fund balance - restricted	 <u>84,780,923</u>
 Total liabilities and fund balance	 <u><u>\$ 85,015,997</u></u>

**SAN JUAN UNIFIED SCHOOL DISTRICT  
MEASURE N BUILDING FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
YEAR ENDED JUNE 30, 2015**

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**REVENUES:**

Other local revenues \$ 81,723

**EXPENDITURES:**

Classified salaries 229,564

Employee benefits 94,628

Books and supplies 1,879,501

Contract services and other operating expenditures 3,206,215

Capital outlay 5,343,236

Debt service - interest 1,323,648

Total expenditures 12,076,792

Deficiency of revenues under expenditures (11,995,069)

**OTHER FINANCING SOURCES (USES)**

Transfers in from other District funds 18,700

Proceeds from issuance of bonds 80,000,000

Premium on issuance of bonds 2,181,018

Total other financing sources 82,199,718

Change in fund balance 70,204,649

**RESTRICTED FUND BALANCE - BEGINNING OF YEAR** 14,576,274

**RESTRICTED FUND BALANCE - END OF YEAR** \$ 84,780,923



# SAN JUAN UNIFIED SCHOOL DISTRICT MEASURE N BUILDING FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 1. ORGANIZATION AND NATURE OF ACTIVITIES

The San Juan Unified School District (the District) was established in 1960 and serves a 75-square mile area covering the communities of Arden-Arcade, Carmichael, Citrus Heights, Fair Oaks, Gold River and Orangevale. The District currently operates 66 schools and provides early learning, kindergarten through 12<sup>th</sup> grade and adult program education to approximately 46,000 students.

These financial statements present only the Measure N General Obligation Bonds Building Fund, which is recorded in sub-Fund 24 (Measure N Building Fund) of Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2015. These financial statements do not include financial data for the remainder of the District's funds and component unit, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

On November 6, 2012, the electorate of the San Juan Unified School District approved the \$350 million Measure N general obligation bonds with greater than 55% of the votes in favor.

- On January 13, 2013, the District issued General Obligation Bonds Election of 2012, Series A (Series A Bonds) in the amount of \$20,000,000 to build, acquire, construct and furnish school facilities. The bonds mature during succeeding years through August 2015. The bonds were issued at an interest rate of 1.00%.
- On July 1, 2014, the District issued General Obligation Bonds Election of 2012, Series B (Series B Bonds) in the amount of \$80,000,000 to build, acquire, construct and furnish school facilities. The bonds mature during succeeding years through August 2027. The bonds were issued at interest rates ranging from 1.00% to 4.00%.

As of June 30, 2015, total outstanding debt related to Measure N is \$85,400,000.

The Board of Supervisors of Sacramento County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except for certain property which is taxable at limited rates), for payment of interest and principal of the Bonds when due. The District has established separate debt service funds to account for the collection and remittance of bond principal and interest payments. Additional information on the bonds' payment schedules can be found in the District's financial statements.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** – The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. 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) and the American Institute of Certified Public Accountants (AICPA).

**SAN JUAN UNIFIED SCHOOL DISTRICT  
MEASURE N BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Measurement focus and basis of accounting** – Measurement focus indicates the type of resources being measured, while the basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The Measure N Building Fund is a governmental fund, and has been presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available, and are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liability is incurred.

**Cash and cash equivalents** – For the purpose of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less.

**Restricted cash and cash equivalents** – Cash that is externally restricted to purchase or construct capital or other assets is classified as a restricted asset in the balance sheet.

**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 Measure N Building Fund in accordance with the project list for the 2012 General Obligation Bonds.

**Estimates used in financial reporting** – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**3. RESTRICTED CASH AND CASH EQUIVALENTS**

Cash and equivalents as of June 30, 2015, consist of the following:

Cash and equivalents with County Treasury	\$ 3,309,492
Cash and equivalents with fiscal agent	<u>81,683,962</u>
Total cash and equivalents	<u>\$ 84,993,454</u>

**Cash and equivalents in County Treasury** – The Measure N Building Fund maintains cash in the Sacramento County Treasury (the Treasury). The Treasury pools funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the Treasury investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income.

# SAN JUAN UNIFIED SCHOOL DISTRICT MEASURE N BUILDING FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. and is restricted by Government Code Section 53635, pursuant to Section 53601.

**Cash and equivalents with fiscal agent** – Cash and equivalents with fiscal agent are held by the Treasury and represent bond proceeds restricted for capital projects.

**Derivative investments** – The Measure N Building Fund did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the Treasury was not available.

**Interest rate risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2015, weighted average maturity of the investments contained in the Treasury is approximately 262 days.

**Credit risk** – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

**Custodial credit risk** – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

#### 4. COMMITMENTS AND CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Measure N Building Fund.

As of June 30, 2015, the Measure N Building Fund has approximately \$3 million in outstanding commitments on ongoing construction contracts.

## **OTHER REPORT**

**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***

**Independent Auditor's Report**

**Independent Bond Citizens' Oversight Committee  
and Board of Education  
San Juan Unified School District  
Carmichael, 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 N Building Fund of the San Juan Unified School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Measure N Building Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**March 9, 2016**