

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

CARMICHAEL, CALIFORNIA

PERFORMANCE AUDIT

YEAR ENDED JUNE 30, 2018

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

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INDEPENDENT AUDITOR'S REPORT

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

We have conducted a performance audit of the San Juan Unified School District (the District) Measure P General Obligation Bonds for the year ended June 30, 2018.

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 P 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 P General Obligation Bond funds for the year ended June 30, 2018 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

December 17, 2018

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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 P General Obligation Bonds (the Bonds) funds for the year ended June 30, 2018 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, 2018. Expenditures incurred after the issuance of the Bonds and prior to July 1, 2017, 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, 2018 were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

On November 8, 2016, the electorate of the San Juan Unified School District approved the \$750 million Measure P general obligation bonds with greater than 55% of the votes in favor.

On March 7, 2017, the District issued General Obligation Bonds Election of 2016 (Series 2017 Bonds) in the amount of \$39,920,000 to finance specific construction, acquisition and modernization projects. These bonds mature during succeeding years through August 2019, and were issued at interest rates ranging from 2.00% to 2.50%.

As of June 30, 2018, total outstanding debt related to Measure P is \$39,920,000.

The financial activity related to the Measure P General Obligation Bonds is recorded in sub-Fund 26 (Measure P Building Fund) of Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2018.

PROCEDURES PERFORMED

We obtained the Measure P Building Fund detailed general ledger for the fiscal year ended June 30, 2018. We obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measure P General Obligation Bond funding. We performed the following procedures:

- We verified the mathematical accuracy of the expenditures included in the Measure P Building Fund detailed general ledger for the fiscal year ended June 30, 2018.

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- We reconciled the total expenditures as reported in the detailed general ledger of the Measure P Building Fund for the year ended June 30, 2018 to the District's audited financial statements for the year ended June 30, 2018.
- 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 25 expenditures in the fiscal year ended June 30, 2018. 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.

The District incurred total expenditures of \$7,294,627 through June 30, 2018, for the Measure P projects listed in the following Schedule of Activities.

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SCHEDULE OF ACTIVITIES

| <u>Description</u> | <u>Prior Activities</u> | <u>June 30, 2018 Activities</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|-------------------------------------|----------------------|
| Sources: | | | |
| Issuance Fund 26 P | \$ 39,920,000 | | \$ 39,920,000 |
| Interest Revenue | 82,354 | \$ 552,813 | 635,167 |
| Premium Revenue | 945,472 | | 945,472 |
| Other Authorized Transfers In | | 1,796,672 | 1,796,672 |
| All Other Financing Sources | | 5,383 | 5,383 |
| Total Sources | <u>40,947,826</u> | <u>2,354,868</u> | <u>43,302,694</u> |
| Uses: | | | |
| Debt Services | | 794,285 | 794,285 |
| Measure P Program | 378,489 | 103,463 | 481,952 |
| Del Paso Manor Full Site Renovation | 58,575 | 2,794,849 | 2,853,424 |
| Bella Vista Outdoor Learning | | 1,299,367 | 1,299,367 |
| Rio Americano Outdoor Learning | | 1,292,582 | 1,292,582 |
| Bella Vista Energy (Solar Project) | | 472,019 | 472,019 |
| Winterstein MOD | | 100,998 | 100,998 |
| Total Uses | <u>437,064</u> | <u>6,857,563</u> | <u>7,294,627</u> |
| Ending Balance | <u>\$ 40,510,762</u> | <u>\$ (4,502,695)</u> | <u>\$ 36,008,067</u> |

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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 P 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.