

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

CARMICHAEL, CALIFORNIA

PERFORMANCE AUDIT

YEAR ENDED JUNE 30, 2019

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

**TABLE OF CONTENTS
JUNE 30, 2019**

	<u>PAGE</u>
Independent Auditor's Report	1
Objectives	2
Scope of the Audit	2
Background Information	2
Procedures Performed	4
Schedule of Activities	5
Conclusion	6
Management Comments and Recommendations	6

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, 2019.

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, 2019 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 CPAs

**GILBERT CPAs
Sacramento, California**

January 10, 2020

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

PERFORMANCE AUDIT JUNE 30, 2019

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, 2019 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, 2019. Expenditures incurred after the issuance of the Bonds and prior to July 1, 2018, 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, 2019 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) 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%. With the issuance of the 2017 General Obligation Refunding Bond in March 2017, outstanding bonds mature during succeeding years through August 2020.

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

PERFORMANCE AUDIT JUNE 30, 2019

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%.

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 2004A 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%.

On March 1, 2017, the District issued General Obligation Bonds (Series 2017 Bonds) in the amount of \$23,475,000 to finance specific construction, acquisition and modernization projects. The bonds mature during succeeding years through August 2022. The bonds were issued at an interest rate ranging from 2.00% to 3.00%.

On March 1, 2017, the District issued General Obligation Refunding Series 2017 Bonds (2017 Refunding Bonds) in the amount of \$37,890,000 to refund a portion of the District's Series 2010 Bonds. The bonds mature during succeeding years through August 2026. The bonds were issued at interest rates ranging from 2.000% to 3.375%.

As of June 30, 2019, total outstanding debt related to Measure J is \$206,994,932.

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, 2019.

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

PERFORMANCE AUDIT JUNE 30, 2019

PROCEDURES PERFORMED

We obtained the Measure J Building Fund detailed general ledger for the fiscal year ended June 30, 2019. 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, 2019.
- We reconciled the total expenditures as reported in the detailed general ledger of the Measure J Building Fund for the year ended June 30, 2019 to the District's audited financial statements for the year ended June 30, 2019.
- 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 26 expenditures in the fiscal year ended June 30, 2019. 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 expenditures of \$12,982,424 for the year ended June 30, 2019, for the Measure J projects listed in the following Schedule of Activities.

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

**PERFORMANCE AUDIT
JUNE 30, 2019**

SCHEDULE OF ACTIVITIES

Description	June 30, 2019 Activities
Sources:	
Beginning Balance	\$ 36,168,342
Interest	834,084
Other Authorized Interfund Transfers In	4,210,342
Other revenue	535,110
Total Sources	41,747,878
 Uses:	
District wide Tech Service VOIP	3,402,665
Carriage HVAC	1,527,840
Ottomon HVAC	1,325,952
Twin Lakes HVAC	1,323,042
Multi Site Student Safety	1,168,369
Rio Americano Infrastructure	828,583
Casa Robles HVAC	669,350
Bella Vista Paving	665,985
Bella Vista HVAC	571,513
Program Program	396,056
Cowan Portable	304,659
Debt service Program	206,908
Encina MOD gym	92,426
Ottomon Low Voltage	89,653
Gold River MOD	85,056
Pershing Portable	78,060
Del Campo MOD	76,413
Del Campo Plan HVAC	44,474
Thomas Edison (Davies) Low Voltage	42,786
El Camino Plan HVAC	28,140
District wide Tech Service	24,881
Del Dayo Portable	23,226
Pershing Portable	2,848
Fair Oaks MOD	1,974
Thomas Kelly Portable	776
Sierra Oaks Portable	731
Carriage Low Voltage	58
Total Uses	12,982,424
Ending Balance	\$ 28,765,454

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

**PERFORMANCE AUDIT
JUNE 30, 2019**

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.