

**SAN JUAN UNIFIED SCHOOL
DISTRICT
MEASURE P BUILDING FUND
CARMICHAEL, CALIFORNIA
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2019**

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

**TABLE OF CONTENTS
JUNE 30, 2019**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenues, Expenditures, and Change in Fund Balance	4
Notes to Financial Statements	5
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 <i>Government Auditing Standards</i>	9



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 P Building Fund of the San Juan Unified School District (the District) as of and for the year ended June 30, 2019, 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 P Building Fund of the District, as of June 30, 2019, 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 P Building Fund and do not purport to, and do not present fairly the financial position of the District as of June 30, 2019, 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 January 10, 2020, 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 CPAs

GILBERT CPAs
Sacramento, California

January 10, 2020

FINANCIAL STATEMENTS

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

**BALANCE SHEET
JUNE 30, 2019**

ASSETS:

Restricted cash and cash equivalents	\$ 90,682,353
Accounts receivable	170,031
Due from other funds	<u>85</u>
 Total assets	 <u>\$ 90,852,469</u>

LIABILITIES AND FUND BALANCE:

Accounts payable	\$ 997,229
Fund balance - restricted	<u>89,855,240</u>
 Total liabilities and fund balance	 <u>\$ 90,852,469</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2019**

REVENUES:

Other local sources \$ 1,331,647

EXPENDITURES:

Capital outlay 26,795,617

Books and supplies 865,653

Contract services and other operating expenditures 552,608

Classified salaries 307,032

Employee benefits 151,408

Debt service - interest 51,995

Total expenditures 28,724,313

Deficiency of revenues under expenditures (27,392,666)

OTHER FINANCING SOURCES:

Transfers in from other District funds 967,839

Proceeds from issuance of bonds 80,000,000

Premium on issuance of bonds 272,000

Total other financing sources 81,239,839

Change in fund balance 53,847,173

RESTRICTED FUND BALANCE - BEGINNING OF YEAR 36,008,067

RESTRICTED FUND BALANCE - END OF YEAR \$ 89,855,240

SAN JUAN UNIFIED SCHOOL DISTRICT MEASURE P BUILDING FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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 65 schools and provides early learning, kindergarten through 12th grade, and adult program education to approximately 40,000 students.

These financial statements present only the Measure P General Obligation Bonds Building Fund, which 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, 2019. 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 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%.
- On January 22, 2019, the District issued General Obligation Bonds of Election 2016 (Series 2019 Bonds) in the amount of \$80,000,000 to finance specific construction, acquisition, and modernization projects. These bonds mature during succeeding years through August 2029 and were issued at 4.00% interest rate.

As of June 30, 2019, total outstanding debt related to Measure P is \$100,725,000.

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 P BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 P 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 P Building Fund in accordance with the project list for the 2016 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, 2019, consist of the following:

Cash and equivalents with County Treasury	\$ 10,248,063
Cash and equivalents with fiscal agent	<u>80,434,290</u>
Total cash and equivalents	<u>\$ 90,682,353</u>

Cash and equivalents in County Treasury – The Measure P 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 P BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 P 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, 2019, weighted average maturity of the investments contained in the Treasury is approximately 320 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. INTERFUND TRANSACTIONS WITH 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 in from other District Funds were as follows for the year ended June 30, 2019:

The District’s Building Funds and State Schools Facilities Fund transferred \$303,967 and \$663,872, respectively, to the Measure P Building Fund for a Winterstein Elementary modernization project.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 P Building Fund.

As of June 30, 2019, the Measure P Building Fund has approximately \$46 million in outstanding commitments and 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 P Building Fund of the San Juan Unified School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2020.

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 P 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 CPAs
Sacramento, California

January 10, 2020