
JEFFERSON UNION HIGH SCHOOL DISTRICT

**COUNTY OF SAN MATEO
DALY CITY, CALIFORNIA**

**MEASURES “N” AND “J” GENERAL OBLIGATION
BOND AUDIT**

FINANCIAL AND PERFORMANCE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2017

 **Patel &
Associates, LLP**
Certified Public Accountants

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
YEAR ENDED JUNE 30, 2017**

	<u>PAGE</u>
Financial Audit of Measure “N” and Measure “J” General Obligation Bond Fund	
Independent Auditor’s Report	1
Financial Statements General Obligations Bond Fund	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to Financial Statements	5 - 10
Independent Auditor’s 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>	11 - 12
Schedule of Findings and Responses	13
Performance Audit of Measure “N” and Measure “J” General Obligation Bond Fund	
Independent Auditor’s Report on Performance	14
Introduction and Citizens’ Oversight Committee Member Listing	15
Objectives, Scope of Performance Audit, Procedures Performed and Conclusion	16 - 17
Schedule of Findings and Responses	18

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees and the Citizen's Bond Oversight Committee
Jefferson Union High School District
Daly City, California

Report on the Financial Statements

We have audited the accompanying financial statements of Measure "N" and Measure "J" General Obligation Bond Fund (the "Fund") of Jefferson Union High School District (the "District") as of and for the year ended June 30, 2017, 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure “N” and and Measure “J” General Obligation Bond Fund of Jefferson Union High School District as of June 30, 2017, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the Note 1-A, the financial statements present only the individual Measure “N” and Measure “J” General Obligation Bond Fund and are not intended to present fairly the financial position or changes in financial position of the District in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2018 on our consideration of the Measure “N” and Measure “J” General Obligation Bond Fund's internal control over financial reporting and 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 the 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 Jefferson Union High School District's internal control over Measure “N” and Measure “J” General Obligation Bond Fund financial reporting and compliance.

Patel & Associates, LLP
Certified Public Accountants

Patel & Associates, LLP

Oakland, California
January 30, 2018

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE "N" AND MEASURE "J" GENERAL OBLIGATION BOND AUDIT
BALANCE SHEET
JUNE 30, 2017**

ASSETS

Cash and investments (Note 2)	\$ 24,438,452
Accounts receivable (Note 3)	<u>71,881</u>
Total assets	<u><u>24,510,333</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Account payable	1,720,986
Due to other funds (Note 4)	<u>16,409</u>
Total liabilities	<u><u>1,737,395</u></u>

Fund Balance

Restricted	22,632,815
Assigned	<u>140,123</u>
Total fund balance	<u><u>22,772,938</u></u>
Total liabilities and fund balance	<u><u>\$ 24,510,333</u></u>

The notes to financial statements are an integral part of these financial statements

**JEFFERSON UNION HIGH SCHOOL DISTRICT
 MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES

Interest earnings	
Interest and investment earnings	\$ <u>294,822</u>
Total revenues	<u>294,822</u>

EXPENDITURES

Salaries and benefits	267,336
Books and supplies	253,830
Services and other operating expenditures	4,252,853
Capital outlay	<u>10,685,704</u>
Total expenditures	<u>15,459,723</u>
Excess of expenditures over revenues	<u>(15,164,901)</u>

OTHER FINANCING SOURCES

Proceeds from sale of bonds	<u>2,000,000</u>
Total other financing sources	<u>2,000,000</u>
Net change in fund balance	(13,164,901)
Fund balance - beginning of year	<u>35,937,839</u>
Fund balance - end of year	<u>\$ <u>22,772,938</u></u>

The notes to financial statements are an integral part of these financial statements

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Measure “N”

On November 2006 at least 55% of California voters approved Measure “N” which authorized the Jefferson Union High School District (the “District”) to issue and sell bonds of up to \$136.9 million in aggregated principal and interest rates below the legal limit and to provide financing for the specific school facilities projects listed in the bond project list, subject to all the accountability requirements specified below.

Measure “J”

On November 2014, 71% of California voters approved Measure “J” which authorized the district to increase its debt by \$133 million through issuing general obligation bonds in that amount to repair and replace leaky roofs, gutters and drains; upgrade classrooms with up-to-date computers and technology; and repair and construct classrooms, libraries and educational facilities at Jefferson, Oceana, Terra Nova Thornton, Westmoor and Adult-Ed High Schools. These bonds were designed to be repaid in a maximum of 30 years. District officials estimated that the additional annual property tax levy required to repay the bonds in the required timeline would be \$24.65 per \$100,000 of assessed property value, with a maximum rate of \$30 per \$100,000 of assessed property value.

Expenditures to address specific facilities needs of the District will be in compliance with the requirements of Article XIII A, Section 1(b)(3), of the State Constitution and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified at Education Code Sections 15264 and following).

As required by Article XIII A of the California Constitution, the Board of Trustees of the District has certified that it has evaluated safety, class size reduction and information technology needs in developing the list of school facilities projects.

The School Board shall establish an Independent Citizens’ Oversight Committee to ensure bond proceeds are expended only on the specified school facilities projects. Annual, independent performance and financial audits are to be performed to ensure compliance to the accountability requirements of Measure “N” and Measure “J”.

The District issued the 2006 General Obligation Bonds: Series A for \$50,000,000 in April 2007; Series B for \$17,998,936.60 in July 2009; Series C for \$12,000,000 in April 2010; and Series D for \$14,999,736.85 in January 2011. The 2012 General Obligation Bonds Series A for \$35,540,000 in May 2013 and Ed-Tech Series B for \$1,500,000 in June 2013. The 2014 General Obligation Refunding Bonds Series A for \$20,360,000 and Series B for \$720,000 in October 2014 to partially refund the 2006 Series D. The 2015 General Obligation Refunding Bonds for \$41,430,000 in May 2015 to refund the 2005 General

JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Obligation Refunding and 2006 Series A. On May 17, 2016, the District issued the 2012 General Obligation Bonds, 2012 Election Series C, for \$4,860,000, to pay at maturity on June 1, 2016 the issue of 2011 Taxable Bond Anticipation Note (Direct-Pay Qualified School Construction Bonds) which were issued by the District on June 16, 2011 in the aggregate principal amount of \$4,860,000 (the “2011 Notes”). On May 17, 2016, the District issued the 2014 General Obligation Bonds, 2014 Election Series A, for \$30,000,000, to provide funds to finance the school projects. In April 2016 the District issued the 2016 General Obligation Refunding Bonds, for \$11,519,263 to refund on an advance basis all of the District’s outstanding General Obligation Bonds, Election of 2006, Series D, issued on January 19, 2011 in the original principal amount of \$14,999,736.85 (the “2006 Series D Bonds”), and to pay related costs of issuance. On September 7, 2016, the District issued the General Obligation Ed Tech Bonds, 2014 Election Series B, for the purpose of financing technology projects authorized under Bond Measure, designated the Jefferson Union High School District (San Mateo County, California) General Obligation Ed Tech® Bonds, 2014 Election, Series B, in the aggregate principal amount of \$2,108,000 (the “Series B Bonds”). For the year ending June 30, 2017, the project expenditures amounted to \$12,741,073.

B. Accounting Policies

The Jefferson Union High School District accounts for its financial transactions in accordance with the policies and procedures of the 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.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Measure “N” and Measure “J” General Obligation Bond Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmeasured interest on general long-term debt, which is recognized when due.

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Fund Balance

At June 30, 2017, the fund balance of the Measure “N” and Measure “J” General Obligation Bond Fund was classified as follows:

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENT

Cash and investment at June 30, 2017 held on behalf of Measure “N” and Measure “J” General Obligation Bond Fund consist of following deposit in the County of San Mateo.

Cash in County treasury	\$ <u>24,438,452</u>
Total cash and investments	\$ <u><u>24,438,452</u></u>

Policies and Practice

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2: CASH AND INVESTMENT - Continued

General Authorizations

As per the Investment policy of the county of San Mateo for the year 2017, Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. treasury obligations	7 years	100%	100%
Obligations of U.S. Agencies or government sponsored enterprises	7 years	100%	40%
U.S. Agencies Callables	7 years	100%	25%
Commercial paper (two agencies)	270 days or less	40%	5% Aggregate
Negotiable Certificates of Deposit (\$5 billion minimum assets) (two agencies)	5 years	30%	5% Aggregate
Bankers Acceptances *Domestic: (\$5 billion minimum assets) *Foreign: (\$5 billion minimum assets) (two agencies)	180 days	15%	5% Aggregate
Collateralized Time Deposits within the state of California	1 year	15%	5% Aggregate
Mortgage Backed Securities/CMO's: No Inverse Floaters No Range Notes No Interest only strips derived from a pool of Mortgages	5 years	20% Combined total	5% Aggregate
Asset Backed Securities	5 years	20% Combined total	5% Aggregate
Corporate bonds, Medium Term Notes & Covered Bonds (two agencies)	5 years	30%	5% Aggregate
US Instrumentalities	5 years	25% of the 30% above	5% Aggregate
CA Municipal Obligations	5 Years	30%	5% Aggregate
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral)	92 days	100%	See limitations for Treasuries and Agencies above Up to the current state limit
Local Agency Investment Fund (LAIF) Shares of beneficial interest issued by diversified management companies as defined in Government Code Section§ 53601(Mutual Funds)		10%	5% Aggregate
Local Government Investment Pools (LGIPs)		10%	5% Aggregate

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2: CASH AND INVESTMENT - Continued

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District’s investment in the pool is reported in the financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Information regarding the characteristics of the entire investment pool can be found in the County’s June 30, 2017 basic financial statements. A copy of that report may be obtained by contacting the Controller’s Office, County of San Mateo, 555 County Center, Redwood City, California 94063. As of June 30, 2017, the GASB fair market value factor for the San Mateo County Investment Pool was 0.99889.

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 the market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Weighted average maturity of the District’s investment in County Pool is 1.06 years.

NOTE 3 : ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 in the amount of \$71,881 represent the amount due from the San Mateo County Treasurer for interest earnings for the quarter ended June 30, 2017.

NOTE 4 : DUE TO OTHER FUNDS

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the periods in which transactions are executed. As of June 30, 2017, interfund payable balance of \$16,409 was due to general fund for the capital project expenditure paid by it.

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 : CONSTRUCTION COMMITMENTS

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects under Measure “N” and Measure “J” General Obligation Bond Fund:

<u>Capital Project</u>	<u>FY 2016-17 Actual Construction Expenditures</u>		<u>Remaining Construction Commitments</u>	<u>Percentage of Completion</u>
	<u>Measure “N”</u>	<u>Measure “J”</u>		
Jefferson Modernization	\$ 2,611,929	\$ 160,615	\$ -	100 %
Westmoor Modernization	-	9,176,338	65,000,000	12 %
Jefferson Modernization	-	160,615	-	100 %
Technology	-	289,295	-	100 %
Terra Nova Modernization	-	2,935,968	3,500,000	46 %
Dist/Acctng	<u>-</u>	<u>18,242</u>	<u>-</u>	100 %
Total	<u><u>2,611,929</u></u>	<u><u>12,741,073</u></u>	<u><u>\$ 68,500,000</u></u>	

**INDEPENDENT AUDITOR’S 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***

The Board of Trustees and the Citizen’s Bond Oversight Committee
Jefferson Union High School District
Daly City, 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 Measure “N” and Measure “J” General Obligation Bond Fund of Jefferson Union High School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson Union High School 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 Jefferson Union High School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson Union High School 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 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 charge with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over 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 Measure “N” and Measure “J” General Obligation Bond Fund of Jefferson Union High School District's financial statements are free of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Patel & Associates, LLP
Certified Public Accountants

Patel & Associates, LLP

Oakland, California
January 30, 2018

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

There were no findings related to the financial audit of the Measure “N” and Measure “J” General Obligation Bond Fund for the year ended June 30, 2017.

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

The Board of Trustees and the Citizen's Bond Oversight Committee
Jefferson Union High School District
Daly City, California

We were engaged to conduct a performance audit of the Jefferson Union High School District's (the "District"), Measure "N" and Measure "J" General Obligation Bond Fund for the year ended June 30, 2017.

We conducted our performance audit in accordance with the standards applicable to performance 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 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 our conclusions based on our audit objectives.

Our audit was in accordance with the requirements of Article XIII A, Section 1(b)(3), of the California State Constitution and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified at Education Code Sections 15264 and following). We examined the District's compliance with the requirements of Measure "N" and Measure "J" as they apply to the bond project expenditures for the year ending June 30, 2017. Management is responsible for the District's compliance with those requirements.

Management of the District is responsible for establishing and maintaining effective internal control. Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Article XIII A, Section 1(b)(3), of the California State Constitution and the Strict Accountability in Local School Construction Bonds Act of 2000. Accordingly, we do not express an opinion on the effectiveness of the District's Measure "N" and Measure "J" General Obligation Bond Fund's internal control.

The results of our tests indicated that the District's Measure "N" and Measure "J" General Obligation Bond Fund were expended only for the specific projects approved by the voters in accordance with the requirements of Article XIII A, Section 1(b)(3), of the California State Constitution and the Strict Accountability in Local School Construction Bonds Act of 2000.

Patel & Associates, LLP

Oakland, California
January 30, 2018

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
INTRODUCTION AND CITIZENS’ OVERSIGHT COMMITTEE MEMBER LISTING
JUNE 30, 2017**

Jefferson Union High School District (the District) consists of four high schools and one continuation high school and an adult education program. The District serves approximately 4,395 students.

On November 2006, and November 2014, the registered voters of the Jefferson Union High School District approved by more than 55% Measure “N”, authorizing the issuance and sale of not-to-exceed \$136,900,000 and Measure “J” authorizing the issuance and sale of not-to-exceed \$133,000,000, of general obligation bonds of the District. The bonds were issued to finance the acquisition, construction, modernization, renovation, furnishing, equipping and improving the District facilities.

Measure “N” and Measure “J” were Proposition 39 bonds, issued pursuant to the provisions of the Education Code of the State of California and pursuant to a resolution adopted by the Board of Education of the District.

The passage of Proposition 39 in November 2000 amended the California Constitution Code to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Upon passage of Proposition 39, an accompanying piece of legislation, AB1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond Proposition pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens’ Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens’ Oversight Committee for Measure “N” and Measure “J” General Obligation Bond Fund was comprised of the following Members as of June 30, 2017.

Jefferson Union High School District

<u>Name</u>	<u>Title</u>	<u>Representation</u>	<u>Term</u>
Jefferey Cooper	Chair	Parent/Guardian of Student Representative	2 years term to 12/31/2017
Jean Brink	Vice Chair	Senior Citizens Organization Representative	2 years term to 12/31/2017
Victor Spano	Member	Community at Large Representative	2 years term to 12/31/2017
Bob McLennan	Member	Business Representative	2 years term to 12/31/2017
Judith M. Kell	Member	Community at Large Representative	2 years term to 12/31/2017
Scott Hoag	Member	Community at Large Representative	2 years term to 12/31/2016
Vacant	Member	Parent/PTA Representative	
Vacant	Member	Taxpayer Association Representative	

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
JUNE 30, 2017**

Objectives

The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure “N” and Measure “J”.
- Any discrepancies of weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens’ Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

Scope of Performance Audit

The scope of our performance audit covered the fiscal period from July 01, 2016 to June 30, 2017. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were also included within the scope of our audit. Expenditures incurred subsequent to June 30, 2017 were not reviewed or included within the scope of our audit or in this report.

Procedures Performed

We obtained the general ledger and the project expenditure reports prepared by the District for the year ended June 30, 2017 for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39, Measure “N”, and Measure “J” with regards to the approved bond projects list. We performed the following procedures:

To meet our objectives, audit tests were performed and included, but were not limited to the following:

- We tested 94% of \$2,611,929 Measure “N” expenditures, and 76% of \$12,580,458 Measure “J” expenditures in bond fund invoices, which is a combination of 2016-17 expenditures and liabilities accrued as of June 30, 2017. This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our test included payments made to vendors.
- We reviewed the approved project listing as set out in the Measure “N” and Measure “J” election documents.

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
JUNE 30, 2017**

- We verified that funds from the Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects as delineated in Measure “N” and Measure “J”, and we verified that funds held in the Building Fund were not used for salaries of school administrators or other operating expenses of the District.
- We reviewed sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.
- We sampled one contract and verified compliance with Public Contract Code bid requirements, board approvals for payments, that invoices paid were within the contract terms and change orders were approved.
- We verified that the District did not exceed change order limitations in excess of 10% pursuant to Public Contract Code.

Conclusion

The performance audit procedures provided reasonable assurance in accordance with GAGAS, that for the fiscal year ended June 30, 2017, Bond proceeds were expended only on the projects listed with the District Measure “N” and Measure “J” General Obligation Bond agreements, which authorized the sale of the bonds.

**JEFFERSON UNION HIGH SCHOOL DISTRICT
MEASURE “N” AND MEASURE “J” GENERAL OBLIGATION BOND AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

There were no findings related to the performance audit of the Measure “N” and Measure “J” General Obligation Bond Fund for the year ended June 30, 2017.