JEFFERSON SCHOOL DISTRICT

MEASURE J
GENERAL OBLIGATION BONDS, ELECTION OF 2010
FINANCIAL AUDIT

JUNE 30, 2013

Cichella & Tokunaga, LLP
Certified Public Accountants

JEFFERSON SCHOOL DISTRICT

MEASURE J
GENERAL OBLIGATION BONDS, ELECTION OF 2010

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Jefferson School District

and

Citizens' Oversight Committee
Measure J General Obligation Bonds, Election of 2010

Report on the Financial Statements

We have audited the accompanying financial statements of the Jefferson Elementary School District's (the District) Measure J General Obligation Bonds, Election of 2010, General Obligation Bond Fund (the Bond Fund), as of and for the year ended June 30, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement 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 of 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 financial statements, whether due to error or fraud. 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Measure J General Obligation Bonds, Election of 2010 Bond Fund of the Jefferson Elementary School District at June 30, 2013, and the results of its operations for the period then ended in conformity 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 financial activities Measure J General Obligation Bonds, Election of 2010 Bond Fund, as of June 30, 2013, and are not intended to present fairly the financial position and the results of operations of Jefferson Elementary School 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 14, 2014, on our consideration of the Bond Fund'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 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 and should be considered with the results of our audit.

Cichella + Tokunaga LLP

El Dorado Hills, California
January 14, 2014

JEFFERSON SCHOOL DISTRICT

MEASURE J, GENERAL OBLIGATION BONDS, ELECTION OF 2010

BALANCE SHEET
JUNE 30, 2013

Assets	
Deposits and Investments	$ 24,476,215
Accounts Receivable	5,003
Total Assets	24,481,218
Liabilities	
Accounts Payable	445,729
Due from Other Funds	-
Total Liabilities	445,729
Fund Balance	
Unreserved:	
Designated for Measure J Projects	24,035,489
Total Fund Balance	24,035,489
Total Liabilities and Fund Balance	$ 24,481,218

The accompanying notes are an integral part of these statements

JEFFERSON SCHOOL DISTRICT

MEASURE J, GENERAL OBLIGATION BONDS, ELECTION OF 2010

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Revenues	
Interest Revenue	$ 11,416
Total Revenues	11,416
Expenditures	
Jefferson School	735,465
Monticello Elementary	1,242,673
Tom Hawkins Elementary	1,001,185
Anthony C. Traina Elementary	669,181
Districtwide	13,264
Total Expenditures	3,661,768
Excess (Deficiency) of Revenue Over Expenditures	(3,650,352)
Other Financing Sources	22,670,213
Net Change in Fund Balance	19,019,861
Fund Balance - July 1, 2012	5,015,628
Fund Balance - June 30, 2013	$ 24,035,489

The accompanying notes are an integral part of these statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Measure J, General Obligation Bonds, Election of 2010 Fund (the Bond Fund) of the Jefferson Elementary School District (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. The Bond Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The Jefferson Elementary School District was organized in June 1870 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-8 as mandated by the State and/or Federal agencies. The District operates three elementary and one middle school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Jefferson Elementary School District, this includes general operations, food service, and student related activities of the District.

In April 2011, Jefferson School District issued Series A of the Election of 2010 in the amounts of $5,830,000 in current interest bonds and $567,194 in capital appreciation bonds. Interest on the current interest bonds is payable on August 1 and February 1 of each year, commencing August 1, 2011. The capital appreciation bonds accrete interest compounded semi-annually on August 1 and February 1, commencing August 1, 2022. The proceeds from the sale of the bonds will be used for the acquisition, construction and furnishing of equipment for district facilities.

In April 2013, Jefferson Elementary School District issued Series B of the Election 2010 in the amounts of $1,700,000 in current interest bonds, $14,603,679 in capital appreciation bonds and $6,695,791 in convertible capital appreciation bonds. Interest on the current interest bonds is payable on August 1 and February 1 of each year, commencing August 1, 2015. The capital appreciation bonds and convertible capital appreciation bonds accrete interest compounded semi-annually on August 1 and February 1, commencing August 1, 2023. The proceeds from the sale of the bonds will be used for the acquisition, construction and furnishing of equipment for district facilities.

The Bonds were authorized to be issued at an election held on November 2, 2010, by 55% or more of the votes cast by eligible voters within the District, labeled Measure J. The measure authorized the District to issue bonds in an aggregate principal amount not to exceed $35,400,000 to finance new construction and additions to and modernization of school facilities for the District. The Series A Bonds are the first issue pursuant to such authorization and are being issued as Current Interest Bonds and as Capital Appreciation Bonds. The District expects to issue additional bonds up to the authorized amount.

An oversight committee to the District's Governing Board and Superintendent, called the Citizens' Oversight Committee (COC), was established pursuant to the requirements of State law and the provisions of the Measure J bond. The COC is required by state law to actively review and report on the proper expenditure of taxpayers' money for school construction. The COC provides oversight and advises the public whether the District is spending the Measure J Bond funds for school capital improvements within the scope of projects outlined in the Measure J Bond project list. In fulfilling its duties, the COC reviews, among other things, the District's annual performance and financial audits of Measure J activity.

The statements presented are for the individual Measure J Bond Building Fund of the District, consisting of net construction proceeds of Election of 2010 general obligation bonds as issued by the District, through the County of San Joaquin, and are not intended to be a complete presentation of the District's financial position or results of operations. There are no related parties or component units included in this financial statement presentation.

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.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measureable and available to finance expenditures of the current fiscal period. "Measureable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Deposits and Investments

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 County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost.

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; 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.

Accounting Policies

Jefferson School District (the "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 (AICPA).

Fund Balance - Governmental Funds

As of June 30, 2013, fund balances of the Bond Fund are classified as restricted. 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.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

NOTE 2 – DEPOSITS AND INVESMENTS

Summary of Deposits and Investments

At June 30, 2013 the Building Fund deposits and investments consist of $24,476,215 of cash with county treasurer.

County Pool Investments

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 accounting 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.

General Authorization

Limitation as they related to interest rate risk, credit risk, and concentration of credit risk are indicated in the following schedule:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	180 days	25%	10%
Negotiable Certificates of Deposit	1 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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. The District manages its exposure to interest rate risk by investing in the county pool. The fair value of the county cash pool was $24,454,896 and the weighted average maturity was less than a year.

NOTE 3 – CONSTRUCTION COMMITTMENTS

The Measure J Bond Building Fund had no construction commitments as of June 30, 2013.

NOTE 4 – MEASURE J GENERAL OBLIGATION BONDS

Bonded Debt

The outstanding general obligation bonded debt of the District at June 30, 2013 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2012	Issued/ Accretion	Redeemed	Bonds Outstanding June 30, 2013
4/27/2011	2041	2.0% - 5.5%	$ 6,397,194	$ 6,433,388	$ 32,713	$ (55,000)	$ 6,411,101
4/21/2013	2054	.84% - 5.5%	22,999,470	-	23,169,276	-	23,169,276
				$ 6,433,388	$ 23,201,989	$ (55,000)	$ 29,580,377

Debt Service Requirements to Maturity

The bonds mature through 2041 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	$ 60,000	$ 318,544	$ 378,544
2015	70,000	316,744	386,744
2016	25,000	370,957	395,957
2017	105,000	362,894	467,894
2018	115,000	360,393	475,393
2019-2023	1,099,096	1,793,774	2,892,870
2024-2028	1,551,966	3,243,493	4,795,459
2029-2033	1,764,703	6,139,914	7,904,617
2034-2038	5,199,559	6,787,510	11,987,069
2039-2043	6,797,614	9,682,022	16,479,636
2044-2048	6,459,287	18,510,053	24,969,340
2049-2053	5,061,873	30,842,562	35,904,435
2054	1,032,566	7,607,434	8,640,000
Subtotal	$ 29,341,664	$ 86,336,294	$ 115,677,958
Accretions to date	238,713		
Total	$ 29,580,377		

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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

Board of Education
Jefferson School District

and

Citizens' Oversight Committee
Measure J General Obligation Bonds, Election of 2010

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 accompanying financial statements of the Measure J, General Obligation Bonds, Election of 2010 Fund (the Bond Fund), as of and for the year ended June 30, 2013, and have issued our report thereon dated January 14, 2014.

As discussed in Note 1, the financial statements present only the Fund specific to the Bond Fund, and are not intended to present fairly the financial position and results of operations of Jefferson Elementary School District (the District) in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

Management of the Bond Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Bond Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bond Fund's internal control over financial reporting.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bond Fund'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 no 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.

Cichella + Tokunaga LLP

El Dorado Hills, California
January 14, 2014

JEFFERSON SCHOOL DISTRICT

MEASURE J, GENERAL OBLIGATION BONDS, ELECTION OF 2010

SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

There are no matters to report for the fiscal year ended June 30, 2013.