INFORMATION SHEET 03/30/2018
MEASURE J CITIZENS OVERSIGHT COMMITTEE

ATTACHMENT: 8

TO: Jim Bridges

FOR: Measure J COC

FROM: Mindy Maxedon

ISSUE: 2016-17 Bond Audits

Attached our two bond audits completed for the 2016-17 year. General Obligation funds require a financial audit and a performance audit each year and these audits must be approved by our Citizens Oversight Committee annually.

The financial audit provides our auditor's opinion of the financial statements for Fund 21 where our bond funds are housed. The performance audit reviews our internal controls related to the Bond Funds and includes determining the District's compliance with requirements referred to in Proposition 39 and outlined in Article XIIA, Section 1 (b)(3)(C) of the California Constitution.

There were no findings in either report.

JEFFERSON SCHOOL DISTRICT

MEASURE J
GENERAL OBLIGATION BONDS, ELECTION OF 2010
FINANCIAL AUDIT

JUNE 30, 2017

Cichella & Tokunaga, LLP
Certified Public Accountants

JEFFERSON SCHOOL DISTRICT

MEASURE J
GENERAL OBLIGATION BONDS, ELECTION OF 2010

JUNE 30, 2017

TABLE OF CONTENTS

FINANCIAL SECTION	**PAGE**
Independent Auditor's Report	2
Balance Sheet	4
Statement of Revenues, Expenditures, and Change in Fund Balance	5
Notes to Financial Statements	6
OTHER INDEPENDENT AUDITOR'S REPORTS SECTION	
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*	12
FINDINGS AND RECOMMENDATIONS SECTION	
Summary of Findings and Recommendations	14

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, 2017.

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, 2017, 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, 2017, 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 12, 2018, 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 12, 2018

JEFFERSON SCHOOL DISTRICT

MEASURE J, GENERAL OBLIGATION BONDS, ELECTION OF 2010

BALANCE SHEET
JUNE 30, 2017

Assets		
Deposits and Investments	$	616,613
Accounts Receivable		1,616
Total Assets		618,229
Liabilities		
Accounts Payable		4,443
Due to Other Funds		1,659
Total Liabilities		6,102
Fund Balance		
Unreserved:		
Designated for Measure J Projects		612,127
Total Fund Balance		612,127
Total Liabilities and Fund Balance	$	618,229

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, 2017

Revenues	
Interest Revenue	$ 7,678
Total Revenues	7,678
Expenditures	
Facilities acquisition and construction	1,590,441
Total Expenditures	1,590,441
Excess (Deficiency) of Revenue Over Expenditures	(1,582,763)
Other Financing Sources	-
Net Change in Fund Balance	(1,582,763)
Fund Balance - July 1, 2016	2,194,890
Fund Balance - June 30, 2017	$ 612,127

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.

In September 2014, Jefferson Elementary School District issued Series C of the Election 2010 in the amounts of $1,780,000 in current interest bonds and $2,034,069 in capital appreciation bonds. Interest on the current interest bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The capital appreciation bonds accrete interest compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The proceeds from the sale of the bonds will be used for the acquisition and construction of school facilities projects.

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, 2017, 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, 2017 the Building Fund deposits and investments consist of $616,613 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.

NOTE 3 – CONSTRUCTION COMMITTMENTS

The Measure J Bond Building Fund had no construction commitments as of June 30, 2017.

NOTE 4 – MEASURE J GENERAL OBLIGATION BONDS

Bonded Debt
The outstanding general obligation bonded debt of the District at June 30, 2017 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued/ Accretion	Redeemed	Bonds Outstanding June 30, 2017
4/27/2011	2041	2.0% - 5.5%	$ 6,397,194	$ 6,448,866	$ 116,650	$ 20,000	$ 6,545,516
4/21/2013	2054	.84% - 5.5%	22,999,470	26,641,419	1,329,602	85,000	27,886,021
8/19/2014	2044	.72% - 5.12%	3,814,069	3,985,921	99,040	10,000	4,074,961
				$ 37,076,206	$ 1,545,292	$ 115,000	$ 38,506,498

Debt Service Requirements to Maturity

The bonds mature through 2041 as follows:

Fiscal Year	Principal	Interest to Maturity	Accreted Interest	Total
2018	129,546	431,593	454	$ 561,593
2019	153,918	427,844	1,082	582,844
2020	192,886	423,394	2,114	618,394
2021	255,133	418,894	4,867	678,894
2022	326,637	411,593	8,364	746,594
2023-2027	2,010,242	2,873,480	249,759	5,133,481
2028-2032	1,769,659	4,175,617	2,625,341	8,570,617
2033-2037	5,378,721	3,709,822	4,001,279	13,089,822
2038-2042	8,054,063	2,260,438	7,335,186	17,649,686
2043-2047	7,546,414	725,063	16,153,491	24,424,967
2048-2052	5,008,295	-	28,542,685	33,550,980
2053-2054	2,060,351	-	14,725,396	16,785,747
Subtotal	$ 32,885,865	$ 15,857,737	$ 73,650,017	$ 122,393,619
Accretions to date	5,620,833			
Total	$ 38,506,698			

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, 2017, and have issued our report thereon dated January 12, 2018.

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 12, 2018

JEFFERSON SCHOOL DISTRICT

MEASURE J, GENERAL OBLIGATION BONDS, ELECTION OF 2010

SUMMARY OF FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

There are no matters to report for the fiscal year ended June 30, 2017.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MEASURE J
GENERAL OBLIGATION BONDS, ELECTION OF 2010
PERFORMANCE AUDIT REPORT

FOR THE FISCAL YEAR ENDING
JUNE 30, 2017

Cichella & Tokunaga, LLP
Certified Public Accountants

JEFFERSON ELEMENTARY SCHOOL DISTRICT

MEASURE J
GENERAL OBLIGATION BONDS, ELECTION OF 2010

PERFORMANCE AUDIT REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2017

TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditor's Report on Performance	2
Summary	3
Authority for Issuance	3
Purpose of Issuance	3
Authority for the Audit	4
Objectives of the Audit	4
Scope of the Audit	5
Summary of Expenditures	5
Status of Measure J Bond Projects	5
Procedures Performed and Results of Testing	6
Conclusion	8
Schedule of Audit Findings and Management's Reponses	9

Governing Board Member and
Measure J Citizens' Oversight Committee (COC)
Jefferson Elementary School District
Tracy, California

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

We were engaged to conduct a performance audit of the Jefferson Elementary School District (the District), Measure J General Obligation Bond Resource for the year ended June 30, 2017.

We conducted this 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 limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's Measure J General Obligation Bond Resource internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's Measure J General Obligation Bond Resource internal control.

The results of our tests indicated that the District Measure J General Obligation Bond Resources were expended only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIIIA, Section 1 (b)(3)(C) of the California Constitution.

Cichella + Tokunaga, LLP

El Dorado Hills, California
January 12, 2018

SUMMARY

Jefferson Elementary School District (the District) has implemented controls over the expenditures of Measure J school construction bond proceeds, to comply with Proposition 39 requirements as well as the requirements of the Measure J ballot measure. The performance audit evaluated Measure J Bond Program internal controls and Measure J expenditures. As noted in the accompanying schedule of audit findings and management's responses, no exceptions were noted regarding the use of Measure J Bond Program funds for approved Measure J purposes.

The District's plans for prudent use of Measure J Bond Program funds properly considers critical school needs, including seismic safety requirements, school and student safety issues, computer technology, and aging, outdated or deteriorating school buildings. The scope of the Measure J Bond Program was defined in the formulation of the Measure J ballot language that was approved by District voters on November 2, 2010.

AUTHORITY FOR ISSUANCE

The Measure J General Obligation Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law.

The District received authorization at an election held on November 2, 2010, to issue bonds of the District in an aggregate principal amount not to exceed $35,400,000 to finance specific construction and renovation projects approved by eligible voters within the District (the 2010 Authorization). The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election.

Measure J 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.

In April 2011, Jefferson Elementary 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.

In September 2014, Jefferson Elementary School District issued Series C of the Election 2010 in the amounts of $1,780,000 in current interest bonds and $2,034,069 in capital appreciation bonds. Interest on the current interest bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The capital appreciation bonds accrete interest compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The proceeds from the sale of the bonds will be used for the acquisition and construction of school facilities projects.

The Series A, Series B and Series C Bonds are the first, second and third issue pursuant to the Measure J authorization.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278 - 15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.

3. Requires the school district to appoint a citizen's oversight committee (COC).

4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

The Measure J ballot measure was approved by the District voters in November 2, 2010. Measure J is a Proposition 39 Bond, requiring 55% favorable vote for passage and requirements per Article 13A of the California Constitution.

OBJECTIVES OF THE AUDIT

Bond Requirements and Controls

1. Determine compliance with Bond requirements and controls established to assure efficiency and effectiveness of the construction program.

2. Specific items addressed include evaluation of the District's Facilities Master Plan, COC composition and activities, annual performance and financial audits, and compliance with applicable state laws.

Bond Expenditures

1. Determine whether expenditures charged to the Building Fund Measure J General Obligation Bond Resource have been made in accordance with the bond project list approved by the voters through the approval of Measure J.

2. Determine whether salary transactions charged to the Building Fund Measure J General Obligation Bond Resource were in support of the Measure J and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2016 to June 30, 2017. The population of 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 proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2017 were not reviewed or included within the scope of our audit or in this report.

SUMMARY OF EXPENDITURES

Total expenditures as of June 30, 2017, were $1,590,441 and are allocated among the following sites:

1.	Jefferson School	$1,203,222
2.	Anthony C. Traina Elementary School	$281,857
3.	Districtwide	$105,362

STATUS OF MEASURE J BOND PROJECTS

The district issued final construction payments for the Jefferson Modernization and Traina Gymnasium projects. Murals and wall pads were added to both gymnasiums and a flashing sign was installed at the intersection near Jefferson School. Additionally, the final rollout of Chromebooks across all grades was completed. Pending projects include adding sound baffling to both gymnasiums.

PROCEDURES PERFORMED AND RESULTS OF TESTING

Bond Requirements and Controls

We found in our testing that bond requirements were met and controls were operating effectively to assure the efficiency and effectives of the construction program. The District works with its legal and financial advisors to ensure that Measure J bond issuances do not exceeds the property assessed valuation limitation in the District's area. The first series of Measure J bonds, in the amount of $6,397,194, was issued in April 2011. The second series of Measure J bonds, in the amount of $22,999,470, was issued in April 2013. The third series of Measure J bonds, in the amount of $3,814,069, was issued in September 2014. The Measure J COC was established by the District in June 2011.

The Governing Board of the District approves facilities project priorities, subject to constraints set forth in the Measure J ballot language as well as the funding constraints presented by the local property tax limitation.

The first series of the Measure J bonds issued in April 2011 were properly deposited in the Building Fund of the District and is separately accounted for by resource code.

The second series of Measure J bonds issued in April 2013 were properly deposited in the Building Fund of the District and is separately accounted for by resource code.

The third series of Measure J bonds issued in September 2014 were properly deposited in the Building Fund of the District and is separately accounted for by resource code.

The Governing Board and management have properly procured the required annual financial and performance audits for the Measure J Bond for fiscal year ended June 30, 2017.

Bond Expenditures

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2017 for the Building Fund Measure J. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Measure J as to the approved bond projects list. We performed the following procedures:

1. Verified the Building Fund – Measure J General Obligation Bond Resource expenditures were accounted separately as Fund 21 (Building Fund – Measure J General Obligation Bond Resources) of the District.

2. We examined non-payroll related expenditures aggregating $1,482,842 which is 94% of the total Measure J General Obligation Bond non-payroll related expenditures for the year ended June 30, 2017. Our review did not reveal any items that were paid from the Measure J General Obligation Bond proceeds that did not comply with the intended use of bond proceeds approved by the voters of the District on November 2, 2010.

3. In our review of the general ledger and project expenditures reports, we found no payroll related expenditures for the year ended June 30, 2017. Our review did not reveal any items that were paid from

the Measure J General Obligation Bond proceeds that did not comply with the intended use of bond proceeds approved by the voters of the District on November 2, 2010.

CONCLUSION

The results of our tests indicated that, in all significant respects, the Jefferson Elementary School District has properly accounted for the expenditures held in the Building Fund Measure J resources and that such expenditures were made for authorized Bond Projects.

Caldwell + Tokuyu, LLP

El Dorado Hills, California
January 12, 2018

SCHEDULE OF AUDIT FINDINGS AND MANAGEMENT'S RESPONSES

None reported