



## Measure K Citizens' Oversight Committee

### Annual Report to the Public<sup>1</sup>

April 9, 2018

#### Measure K

As approved by voters on November 8, 2016:

"To improve the quality of education for prekindergarten through eighth grade students shall Galt Joint Union Elementary School District be authorized to modernize and upgrade classrooms and school facilities for 21<sup>st</sup> Century Learning; replace portables and leaky roofs; upgrade outdated electrical, heating/air conditioning and plumbing; make safety/security and technology classroom improvements, by issuing \$19,700,000 of bonds at legal interest rates, with independent Citizens' Oversight and audits, NO money for employee salaries, and all funds benefiting local schools?"

The complete bond project list is Exhibit A to the Board of Education's Resolution #16, adopted on July 27, 2016 and can be found on the Citizens' Oversight Committee's web page.<sup>2</sup>

#### Measure K Citizens' Bond Oversight Committee Members

<u>Member</u>	<u>Affiliation</u>
• Bonnie Rodriguez	Business and Parent
• Christine Harper	Senior Citizens Organization
• Jim St. Claire	Parent
• Melissa Pruitt	Parent-Teacher Organization and Parent
• Michael Pierce	Business
• Thomas Silva	Parent
• Brian Villanueva	Tax Payer Organization
• Anne Wood	Parent

#### Meetings and Tours

- February 27, 2017 – Regular Meeting
- April 24, 2017 – Regular Meeting and Tour of Valley Oaks Elementary School
- June 12, 2017 – Regular Meeting and Tour of Marengo Ranch Elementary School
- August 14, 2017 – Regular Meeting and Tour of Vernon E. Greer School
- November 6, 2017 – Regular Meeting and Tour of Robert L. McCaffrey Middle School

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<sup>1</sup> The Committee was assisted by Tom Barentson, Director of Business Services/CBO, Marie Williams, Administrative Assistant to District Operations, and District Financial Advisor Government Financial Strategies.

<sup>2</sup> <http://gjesd-ca.schoolloop.com/oversight>

- April 9, 2018 – Regular Meeting

Of particular note, one of the activities the Committee engaged in was a review of the Performance Audit and Financial Audit both as of June 30, 2017, as prepared by Christy White & Associates and shared with the Committee on April 9, 2018. All of the dates the Committee has met are listed, however, only the material discussed through June 30, 2017, is being included in this report.

### **Citizens' Bond Oversight Committee Web Site**

The Citizens' Bond Oversight Committee web page includes meeting notices, agenda, minutes, and materials reviewed. This web page can be found at:

<http://gjesd-ca.schoolloop.com/oversight>

### **Conclusion**

Based on the Performance and Financial Audits as presented, material shared and reviewed during past meetings, the Committee has concluded that expenditures have only been "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities" and that no funds were used for any "teacher and administrator salaries and other school operating expenses", and in accord with Measure K.

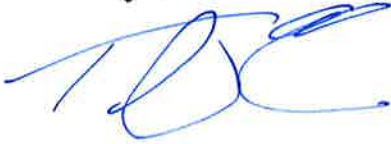
4-9-2018

Agreed



Christine Harper

Melissa Pruitt





**MEASURE K BOND BUILDING FUND OF  
GALT JOINT UNION ELEMENTARY  
SCHOOL DISTRICT**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

**MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Table of Contents  
June 30, 2017**

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**MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Introduction and Citizens' Bond Oversight Committee Member Listing  
June 30, 2017**

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Galt Joint Union Elementary School District (the "District") operates five elementary schools, and one middle school. The District served approximately 3,500 students in 2016-17.

In November 2016, the voters of the District approved, by more than the required 55% favorable vote, Measure K, authorizing the issuance and sale of general obligation bonds, not to exceed \$19,700,000. Measure K is a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution 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.

Measure K bonds were issued by the District, through the County of Sacramento. On June 12, 2017, the District issued Series 2017 of the Election of 2016 General Obligation Bonds in the amount of \$9,600,000.

The accompanying Measure K Audit Report, for the fiscal year ended June 30, 2017, reflects the issuance of Series 2017 of the Measure K general obligation bonds and compliance with the applicable requirements of Proposition 39 for such period.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (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 measure pursuant to the 55% majority authorized in Measure K including formation, composition and purpose of the Citizens' Bond Oversight Committee (CBOC).

The Measure K Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2017:

<b>Name</b>	<b>Representation</b>
Melissa Pruitt	PTA Organization Member & Parent of Child in District
Christine Harper	Member of a Senior Citizens' Organization
Thomas Silva	Parent of Child in District
Anne Wood	Parent of Child in District
Jim St. Claire	Parent of Child in District
Brian Villanueva	Bona fide Taxpayers' Organization Member
Michael Pierce	Member of a Business Organization
Bonnie Rodriguez	Member of a Business Organization

## INDEPENDENT AUDITORS' REPORT

Governing Board Members and  
Measure K Citizens' Bond Oversight Committee  
Galt Joint Union Elementary School District  
Galt, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure K Bond Building Fund of Galt Joint Union Elementary School District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Measure K Bond Building Fund's basic 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 opinions 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.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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State Board of Accountancy



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Measure K general obligation bonds as issued by the District, through the County of Sacramento, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure K Bond Building Fund of Galt Joint Union Elementary School District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1A, the financial statements present only the Measure K Bond Building Fund and do not purport to, and do not present fairly the financial position of the Galt Joint Union Elementary School District, as of June 30, 2017, and the changes in its financial position for the year ended in accordance with accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018 on our consideration of the Measure K Bond Building 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure K Bond Building Fund's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated March 15, 2018 on our consideration of the Measure K Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Proposition 39 Bond Building Fund for the fiscal year ended June 30, 2017 and should be considered in assessing the results of our financial audit.



San Diego, California  
March 15, 2018

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## FINANCIAL SECTION

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**MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Balance Sheet  
June 30, 2017**

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<b>ASSETS</b>	
Cash and investments	\$ 9,482,554
Accounts receivable	5,952
Due from other funds	<u>5,450</u>
<b>Total Assets</b>	<b>\$ <u>9,493,956</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	<u>\$ 7,981</u>
<b>Total Liabilities</b>	<b><u>7,981</u></b>
<b>Fund Balance</b>	
Restricted for capital projects	<u>9,485,975</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>9,493,956</u></b>

The notes to financial statements are an integral part of this statement.

**MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2017**

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<b>REVENUES</b>	
Interest income	\$ 5,953
<b>Total Revenues</b>	<u>5,953</u>
<b>EXPENDITURES</b>	
Facilities acquisition and construction	9,978
Debt service - interest and other	110,000
<b>Total Expenditures</b>	<u>119,978</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(114,025)
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from long-term debt	9,600,000
<b>Total Other Financing Sources</b>	<u>9,600,000</u>
<b>Net Change in Fund Balance</b>	9,485,975
<b>Beginning Fund Balance</b>	<u>-</u>
<b>Ending Fund Balance</b>	<u>\$ 9,485,975</u>

The notes to financial statements are an integral part of this statement.

**MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2017**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Galt Joint Union Elementary School District (the “District”) operates five elementary schools, and one middle school. The District served approximately 3,500 students in 2016-17.

In November 2016, the voters of the District approved by more than 55% Measure K, authorizing the issuance and sale of general obligation bonds, not to exceed \$19,700,000, for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities.

An advisory committee to the District’s Governing Board and Superintendent, called the Measure K Citizens’ Bond Oversight Committee, was established pursuant to the requirements of state law and the provisions of Measure K. According to its mission statement, the Committee’s oversight goals include: providing independent monitoring and review of all Measure K fund expenditures in accordance with contracts executed by and between the Districts, its Contractors and Sub-contractors and all Bond Agency requirements and to keep the public informed through normal public information channels.

The statements presented are for the individual Measure K Bond Building Fund of the District, consisting of the net construction proceeds of Measure K Series 2017 general obligation bonds as issued by the District, through the County of Sacramento, and are not intended to be a complete presentation of the District’s financial position or results of operations.

**B. Accounting Policies**

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**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 are presented on the modified accrual basis of accounting. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2017

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

E. Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains a portion of its cash in the Sacramento County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

F. 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.

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

H. Fund Balance

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance in the Measure K bond fund is considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2017**

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**NOTE 2 – CASH AND INVESTMENTS**

**Summary of Cash and Investments**

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as cash in county treasury in the amount of \$9,482,554.

**Policies and Practices**

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. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

*Cash 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 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.

**MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2017**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies examples of the investment types permitted in the investment policy:

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	270 days	25%	10%
Negotiable Certificates of Deposit	5 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 Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Limitations as they relate to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk are described below:

**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 Sacramento County Treasury Investment Pool. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$9,481,569 and an amortized book value of \$9,482,554 at June 30, 2017. The average weighted maturity for this pool is 277 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment in the Sacramento County Investment Pool is rated AA Af/F1 by Standard & Poor's.



**MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2017**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a failure of a counterparty to an investment, some or all of the investment amount may not be recovered by the holder of the investment. The District's investments as of June 30, 2017 were not subject to custodial credit risk because the investments were in the county investment pool.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**Fair Value**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Sacramento County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

As of June 30, 2017, the District held uncategorized investments in the Sacramento County Treasury with a fair value of \$9,481,569 in relation to the Measure K Bond Building Fund.

**MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2017**

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable of the Measure K Bond Building Fund as of June 30, 2017 consisted of interest earned on investments for a total of \$5,952.

**NOTE 4 – MEASURE K GENERAL OBLIGATION BONDS**

In November 2016, the voters of the Galt Joint Union Elementary School District approved by more than 55% Measure K, authorizing the issuance and sale of \$19,700,000 of general obligation bonds. Measure K bonds were issued by the District, through the County Sacramento. On June 12, 2017, the District issued Series 2017 of the Election of 2016 General Obligation Bonds in the amount of \$9,600,000. The resulting total bond indebtedness of \$9,600,000 is described below.

The annual requirements to amortize all Measure K outstanding general obligation bonds payable as of June 30, 2017:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ -	\$ 246,224	\$ 246,224
2019	420,000	366,725	786,725
2020	445,000	345,100	790,100
2021	-	333,975	333,975
2022	-	333,975	333,975
2023-27	-	1,669,875	1,669,875
2028-32	645,000	1,626,750	2,271,750
2033-37	1,720,000	1,380,200	3,100,200
2038-42	2,570,000	1,014,494	3,584,494
2043-47	3,800,000	409,000	4,209,000
<b>Total</b>	<b>\$ 9,600,000</b>	<b>\$ 7,726,318</b>	<b>\$ 17,326,318</b>

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**OTHER INDEPENDENT AUDITORS' REPORTS**

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INDEPENDENT AUDITORS' 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

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Michael D. Ash, CPA

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Governing Board Members and  
Measure K Citizens' Bond Oversight Committee  
Galt Joint Union Elementary School District  
Galt, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure K Bond Building Fund of Galt Joint Union Elementary School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Measure K Bond Building Fund of Galt Joint Union Elementary School District's basic financial statements, and have issued our report thereon dated March 15, 2018.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Measure K Bond Building Fund of Galt Joint Union Elementary 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Measure K Bond Building Fund of Galt Joint Union Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure K Bond Building Fund of Galt Joint Union Elementary 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure K Bond Building Fund of Galt Joint Union Elementary 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.

*Christy White Associates*

San Diego, California  
March 15, 2018

## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board Members and  
Measure K Citizens' Bond Oversight Committee  
Galt Joint Union Elementary School District  
Galt, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure K Bond Building Fund, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Measure K Bond Building Fund's basic 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## Objectives

In connection with our audit, we performed an audit of compliance as required in the performance requirements for the Measure K Bond Building Fund ("Measure K") for the year ended June 30, 2017. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds from the sale of the Measure K Bond Building Funds were only used for the purposes set forth in the ballot Measure and not for any other purpose, such as teacher and administrative salaries.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

<b>Internal Control Evaluation</b>
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### **Procedures Performed:**

Inquiries were made of management regarding internal controls to:

- Prevent fraud or abuse regarding Measure K funds
- Ensure adequate separation of duties exists in the accounting for Measure K funds
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper District funds

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the fiscal year 2016-17 financial statement balances for the Measure K Bond Building Fund are not materially misstated.

### **Results of Procedures Performed:**

The results of our audits tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unmodified opinion was expressed on the financial statements.

<b>Test of Expenditures</b>
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### **Procedures Performed:**

We tested expenditures to determine whether Measure K Bond Building Fund funds were spent solely on voter and Board approved school facilities projects (as set forth in the District's Facilities Master Plan and the Measure K ballot measure language). We tested warrant expenditures totaling \$119,978, 100% of total expenditures, for the year ended June 30, 2017.

### **Results of Procedures Performed:**

We found the expenditures tested to be in compliance with the terms of the Measure K Bond Building Fund ballot language, sound internal control practices, and applicable state laws and regulations without exception.

## Test of Contracts and Bid Procedures

### Procedures Performed:

For the year ended June 30, 2017, we inquired with the District staff and determined that there were no contracts that went to bid in the current fiscal year. We reviewed the project bid list maintained by the facilities department and governing board meeting minutes in order to verify this information. There were no change orders approved during the year ended June 30, 2017.

## Facilities Site Walk

### Procedures Performed:

This is the first year of the Measure K Building Fund, therefore a facilities site is not applicable as no projects have started during the year ended June 30, 2017.

## Citizens' Bond Oversight Committee

### Procedures Performed:

In accordance with AB 1908 (Assembly Bill) and Education Code Section 15278, the District is required to establish a bond oversight committee for Prop 39 bonds including one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers' association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. The CBOC is to meet pursuant to Education Code Section 15280.

### Results of Procedures Performed:

We found that the Measure K Citizens' Bond Oversight Committee was in compliance with the applicable provisions set forth by Education Code, as outlined above.

### *Opinion*

In our opinion, based on the fieldwork described above as well as the other tests that we conducted, the District complied with the compliance requirements for the Measure K Bond Building Fund as listed and tested above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on accountability requirements pursuant to the passage of Proposition 39 and the enactment of AB 1908 (Chapter 44, Statutes of 2000). Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
March 15, 2018



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## **FINDINGS AND RESPONSES SECTION**

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**MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Schedule of Findings and Responses  
For the Year Ended June 30, 2017**

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*There were no audit findings or recommendations related to the 2016-17 Measure K Bond Building Fund financial and performance audits.*

MEASURE K BOND BUILDING FUND  
GALT JOINT UNION ELEMENTARY SCHOOL DISTRICT  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2016

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*This was the first year of the Measure K Building Fund Financial and Performance Audits. Prior year findings are not applicable.*



## **MEASURE K/Facility Projects 2017-18 & 2018-19**

### **Overview**

**Galt Joint Union Elementary School District (the “District”) was successful in passing a \$19.7 million Bond for the purpose of renovating and modernizing our school sites. The District issued a bond for \$9.7million in June 2017 and will plan for an additional issuance for the remaining Measure K funds in June of 2019.**

**Additionally, the District is potentially eligible for additional State funds (Proposition 51) of potentially, \$7.4 million. The State funds will be distributed after the approval by the Department of State Architects (DSA) and Office of Public Construction (OPSC). While we are confident that we will receive the funding, the release of the funding for our projects, is dependent upon the eventual State approvals.**

**Since the successful Measure K Facilities Bond Election, the District’s Team has been working diligently to meet all of the necessary approvals to begin our modernization projects.**

### **Site, Projects, & Timelines**

#### **Projects completed:**

- **McCaffrey Middle School BFLC/Innovation Center modernization (April 2018).**
- **McCaffrey Middle School and Greer Elementary School sidewalk addition and renovation (Fall 2017).**
- **Lake Canyon fencing and kinder playground/shade structure.**
- **Security camera system at all sites (April 2018).**
- **New phone (VOIP) systems for all sites.**
- **Paving and asphalt repair resurfacing at all sites.**
- **Security fencing at River Oaks Elementary School completed Winter 2017-18.**

## Projects in construction and/or to be completed in 2018-19

### Valley Oaks Elementary School:

- Security fencing (May 2018).
- Plans submitted for DSA approval multi-purpose room, and permanent buildings, HVAC, roofing, renovation (March 2018).
- Board approval of Construction Contract (May 2018).
- Construction start on multi-purpose and pods. June 16 with completion 6-8 weeks.

### Greer Elementary School:

- Security fencing modernization (June 2018).
- Plans submitted for DSA approval for roofing (April 2018) permanent structures.
- Kinder playground installation (May 2018.)
- Board approval of Construction Contract (May 2018).
- Construction start on roofing and permanent building modernization (June 2018).
- Painting (Summer of 2018).
- Shade structures selected and installed (Summer of 2018).

### Marengo Ranch Elementary School:

- Plans submitted for DSA approval of all permanent building outside “fascia/skin” replacement.
- Board approval of Construction Contract (August 2018).
- Construction to begin October 1, 2018.
  - One pod at a time (30 working days), moving students to F building during construction.
  - Administration Office & multi-purpose room to be completed as one project June thru July 2019.
  - Substantial completion of project (August 2019).

### River Oaks Elementary School:

- Plans submitted for DSA approval for renovation of all permanent structures (outside fascia, roofs, gutters, etc.) (March 2018).
- Board approval of Construction Contract (August 2018).
- Construction to begin September 2018/substantial completion August 2019.