

ROSEVILLE JOINT UNION HIGH SCHOOL DISTRICT

**MEASURE D GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**

June 30, 2017

ROSEVILLE JOINT UNION HIGH SCHOOL DISTRICT

MEASURE D GENERAL OBLIGATION BONDS
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
Roseville Joint Union High School District

Report on the Financial Statements

We have audited the accompanying financial statements of Roseville Joint Union High School District (the "District") Measure D General Obligation Bonds (the "Bonds") activity included in the Building Fund of the District as of and for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roseville Joint Union High School District (the "District") Measure D General Obligation Bonds activity as of June 30, 2017, and the 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 1, the financial statements present the financial activity and balances of the Measure D General Obligation Bonds activity only, and do not purport to, and do not, present fairly the financial position of Roseville Joint Union High School District, as of June 30, 2017, or the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Measure D General Obligation Bonds activity. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance for the Measure D General Obligation Bonds activity. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and for the Measure D General Obligation Bonds activity.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 16, 2017

ROSEVILLE JOINT UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2017

ASSETS

Cash in County Treasury (Note 2)	\$ 47,170,838
Receivables	<u>56,491</u>
Total assets	<u>\$ 47,227,329</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 1,369,586
Fund balance – restricted (Note 3)	<u>45,857,743</u>
Total liabilities and fund balance	<u>\$ 47,227,329</u>

See accompanying notes to financial statements.

ROSEVILLE JOINT UNION HIIG SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
For the Year Ended June 30, 2017

Revenues:		
Interest income	\$	231,210
Decrease in fair value of investments		<u>(280,924)</u>
Total revenues		<u>(49,714)</u>
Expenditures:		
Current:		
Books and supplies		161,934
Professional services		2,185,364
Capital outlay		<u>1,960,245</u>
Total expenditures		<u>4,307,543</u>
Other financing sources:		
Premium from the issuance of bonds		215,000
Proceeds from the issuance of bonds		<u>50,000,000</u>
Total other financing sources		<u>50,215,000</u>
Change in fund balance		45,857,743
Fund balance, July 1, 2016		<u>-</u>
Fund balance, June 30, 2017	\$	<u><u>45,857,743</u></u>

See accompanying notes to financial statements.

ROSEVILLE JOINT UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Roseville Joint Union High School District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The activities of the Measure D General Obligation Bonds (the "Measure D Bonds") are recorded along with other activities in the District's Building Fund. 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). The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include the activity and balances of the Measure D Bonds activity, only. The activities of the Measure D Bonds are recorded along with other activities in the District's Building Fund. These financial statements are not intended to present the financial position and results of operations of Roseville Joint Union High School District as a whole.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses 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 basic financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

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 Board of Trustees must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements.

The District's Board of Trustees and Superintendent revise the budgets during the year to give consideration to unanticipated income and expenditures.

As a first step in developing the bond construction program, the District together with its Measure D Bond team consultants, completed an evaluation of all high schools in order to develop a recommended priority ranking among the high schools. This ranking was based on several factors, including structural design and safety considerations. In addition, preliminary budgets were developed for each school based on the evaluation. Throughout this process, cost estimations were completed and budgets were revised. As milestones are reached in the design phase and as construction bids are approved, the individual school project budgets will be revised and presented to the governing board for their review and approval.

Budgets for the renovation of all schools are prepared and maintained together with all potential resources in order to keep track of the entire school renovation program, not just the sites being funded by currently available bond dollars.

(Continued)

ROSEVILLE JOINT UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Accounting Estimates: The presentation of 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 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.

Encumbrances: Encumbrance accounting is used in 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. All encumbrances are liquidated as of June 30.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2017 consisted of the following:

Pooled Funds:	
Cash in County Treasury	\$ 47,170,838

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Placer County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2017, the District had no concentration of credit risk.

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ROSEVILLE JOINT UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – FUND BALANCE CLASSIFICATION

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of the Bonds is restricted, as described below.

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.

NOTE 4 – PURPOSE OF BOND ISSUANCE

Bond Authorization: By approval of the proposition for Measure D by at least 55% of the registered voters voting on the proposition at an election held on November 8, 2016, Roseville Joint Union High School District was authorized to issue and sell bonds of up to \$96,000,000 in aggregate principal amount. The District received affirmative votes from 77.4% of voters, which far exceeded the 55% requirement.

Purpose of Bonds: The proceeds of the Bonds may be used:

"To upgrade local high schools with funding that cannot be taken by the State, shall Roseville Joint Union High School District upgrade science, engineering, math, career technology and core academic classrooms/ facilities, support academic instruction and prepare students for 21st Century jobs, replace electrical wiring, leaky roofs, ensure classroom accessibility, construct, acquire, repair classrooms, schools, sites/ equipment, by issuing \$96,000,000 in bonds, at legal rates, with citizen oversight, annual audits, no money for administrators? "

As required by the California Constitution, the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

Bond Project List: The Bond Project List, which is an integral part of the proposition, lists the specific projects the District proposes to finance with proceeds of the bonds. Listed repairs, rehabilitation projects and upgrades will be completed as needed at individual school sites. Each project is assumed to include its share of costs of the election and bond issuance, architectural, engineering and similar planning costs, construction management and customary contingency for unforeseen design and construction costs. The final cost of each project will be determined as plans are finalized, construction bids are awarded and projects are completed. In addition, certain construction funds expected from non-bond sources, including State grant funds for eligible projects, have not yet been secured. Therefore, the Board of Trustees cannot guarantee that the bonds will provide sufficient funds to allow completion of all listed projects.

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ROSEVILLE JOINT UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – GENERAL OBLIGATION BOND ISSUANCES

The bonds are general obligations of the District, and Placer County is obligated to levy ad valorem taxes for the payment of and interest on, the principal of the bonds. The Bond Interest and Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the payment of interest and redemption of principal of the bonds issued by the District.

The financial activity related to the Measure D Bonds is recorded in the District's Financial Activity Report for Fund 23. The Financial Activity Reports for District Funds 21 and 23 are combined to comprise the Building Fund in the District's audited financial statements.

On January 31, 2017, the District issued Election of 2016, Series A General Obligation Bonds totaling \$50,000,000. The Bonds were issued as current interest bonds, and bear interest at rates from 4.0% to 5.0% and are scheduled to mature through August 2045.

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*

To the Board of Trustees
Roseville Joint Union High School District

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 Roseville Joint Union High School District (the "District") Measure D General Obligation Bonds (the "Bonds") activity included in the Building Fund of the District as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated November 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Roseville Joint Union High School District's internal control over Measure D General Obligation Bonds activity financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Roseville Joint Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Roseville Joint Union High School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Roseville Joint Union High School District Measure D General Obligation Bonds activity included in the Building Fund of the 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 over financial reporting 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 16, 2017

ROSEVILLE JOINT UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2017

No matters were reported.

ROSEVILLE JOINT UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

No matters were reported.