

**LINDSAY UNIFIED SCHOOL DISTRICT**

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**PROPOSITION 39  
GENERAL OBLIGATION BONDS  
AUDIT REPORT**

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**JUNE 30, 2011**

**LINDSAY UNIFIED SCHOOL DISTRICT**

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**PROPOSITION 39  
GENERAL OBLIGATION BONDS  
FINANCIAL AUDIT**

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**JUNE 30, 2011**

**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

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JUNE 30, 2011**

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board and  
Citizens Oversight Committee  
Lindsay Unified School District  
Lindsay, California

We have audited the accompanying financial statements of the Lindsay Unified School District (the District), Building Fund (Proposition 39), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant 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.

As discussed in Note 1, the financial statements present only the Building Fund specific to Proposition 39 and are not intended to present fairly the financial position and results of operations of Lindsay Unified School District in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Proposition 39) of the Lindsay Unified School District at June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the District Building Fund's (Proposition 39) 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 in conjunction with this report in considering the results of our audit.

**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**BALANCE SHEET  
JUNE 30, 2011**

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**ASSETS**

Deposits and investments	\$ 3,839,766
<b>Total Assets</b>	<u>\$ 3,839,766</u>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts payable	\$ 398,485
Due to other funds	93,466
<b>Total Liabilities</b>	<u>491,951</u>

**FUND BALANCES**

Restricted	<u>3,347,815</u>
<b>Total Fund Balances</b>	<u>3,347,815</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,839,766</u>

The accompanying notes are an integral part of these financial statements.

**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Lindsay Unified School District Building Fund (Proposition 39) 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 Lindsay Unified School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

**Financial Reporting Entity**

The financial statements include only the Building Fund of the Lindsay Unified School District used to account for Proposition 39 projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Elections. These financial statements are not intended to present fairly the financial position and results of operations of the Lindsay Unified School District in compliance with accounting principles generally accepted in the United States of America.

**Fund Accounting**

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**Basis of Accounting**

The Building Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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**Changes in Accounting Principles**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011.



**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

**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 is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District's Building fund maintains a county pool investment of \$3,599,650 with the Tulare County Pool. The total fair value of these investments is approximately \$3,599,650 with an average maturity of 550 days. An investment contract of \$240,116 from the District's certificates of participations is also maintained in the Building Fund resulting in a total investment balance of 3,839,766.

**NOTE 3 - ACCOUNTS RECEIVABLE**

The District did not have any accounts receivable at June 30, 2011.

**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

As of June 30, 2011, the Building Fund (Proposition 39) had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Roosevelt K-8 School	\$ 2,040,087	8/1/2011
K-8 Conversion	4,928,121	6/1/2012
Roosevelt Multi-Use	2,041,700	12/01/11
Total	<u>\$ 9,009,908</u>	

**Litigation**

The District is not currently a party to any legal proceedings.

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***SUPPLEMENTARY INFORMATION***

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**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2011**

**2002 General Obligation Bonds, Series A, B and C**

The voters of the District passed a \$7,200,000 bond election on March 5, 2002. On May 31, 2002, the District issued \$3,875,000 of Series A Current Interest and \$432,776 of Series A Capital Appreciation Bonds totaling \$4,307,776. The bonds were issued to finance the addition and modernization of school facilities. The bonds yield interest ranging from 2.10 percent to 4.05 percent. The bonds mature incrementally on a yearly basis from August 1, 2002, through August 1, 2026. The interest on the Current interest Bonds is payable each February 1 and August 1, commencing February 1, 2003. The Capital Appreciation bonds will not bear current interest; each Capital Appreciation bond will accrete in value daily over the term to its maturity.

On October 18, 2007, the District issued \$525,000 of Series B Current Interest Bonds, \$234,998 of Series B Capital Appreciation Bonds and \$2,132,223 of Series C Capital Appreciation Bonds. The bonds were issued to finance the addition and modernization of school facilities. The bonds yield interest ranging from 3.42 percent to 4.65 percent. The bonds maturity dates range from August 1, 2008, through August 1, 2036. The interest on the Current interest Bonds is payable each February 1 and August 1, commencing August 1, 2008. The Capital Appreciation bonds will not bear current interest; each Capital Appreciation bond will accrete interest, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2008. The 2002 general obligation bond series have been fully expended.

**2008 General Obligation Bonds, Series A and B**

The voters of the District passed a \$20,700,000 bond election on February 5, 2008. On December 2, 2008, the District issued \$4,510,000 of Series A Current Interest Bonds, \$2,104,212 of Series A Capital Appreciation Bonds and \$1,189,679 of Series B Capital Appreciation Bonds. The bonds were issued to finance the renovation, modernization, and construction, of school facilities. The bonds yield interest ranging from 3.13 percent to 6.48 percent. The bonds maturity dates range from August 1, 2010, through August 1, 2039. The interest on the Current interest Bonds is payable each February 1 and August 1, commencing August 1, 2009. The Capital Appreciation bonds will not bear current interest; each Capital Appreciation bond will accrete interest, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2009.

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2010	Interest Accrued	Redeemed	Bonds Outstanding June 30, 2011
5/31/02	8/1/2026	2.10-4.05%	\$ 4,307,776	\$ 4,319,436	\$ 47,408	\$ 130,000	\$ 4,236,844
10/18/07	8/1/2028	3.42-4.25%	759,998	741,662	23,675	65,000	700,337
10/18/07	8/1/2036	4.49-4.65%	2,132,223	2,436,953	121,899	-	2,558,852
12/2/08	8/1/2010	3.13-6.07%	6,614,212	6,955,118	233,537	45,000	7,143,655
12/2/08	8/1/2038	6.42-6.48%	1,189,679	1,322,153	89,941	-	1,412,094
Total				<u>\$ 15,775,322</u>	<u>\$ 516,460</u>	<u>\$ 240,000</u>	<u>\$ 16,051,782</u>

**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2011**

Series 2002 B

The bonds mature through 2029 as follows:

Current Interest Portion:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2012	\$ -	\$ 19,064	\$ 19,064
2013	-	20,186	20,186
2014	-	32,578	32,578
2015	55,000	19,956	74,956
2016	55,000	17,894	72,894
2017-2021	250,000	59,639	309,639
2022-2026	135,000	17,533	152,533
2027-2029	30,000	1,914	31,914
Total	<u>\$ 525,000</u>	<u>\$ 188,764</u>	<u>\$ 713,764</u>

Capital Appreciation Portion:

<u>Maturity Date (August 1)</u>	<u>Original Denominational Amount</u>	<u>Accreted Interest</u>	<u>Obligation June 30, 2011</u>	<u>Final Maturity Amount</u>
2012	\$ 47,272	\$ 17,728	\$ 65,000	\$ 65,000
2013	43,423	16,286	59,709	65,000
2014	36,819	13,809	50,628	60,000
Total	<u>\$ 127,514</u>	<u>\$ 47,823</u>	<u>\$ 175,337</u>	<u>\$ 190,000</u>

**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2011**

Capital Appreciation Portion:

Maturity Date (August 1)	Original Denominational Amount	Accreted Interest	Obligation June 30, 2011	Final Maturity Amount
2012	\$ 48,550	\$ 16,450	\$ 65,000	\$ 65,000
2013	56,810	19,248	76,058	85,000
2014	71,765	24,307	96,072	120,000
2015	69,567	23,565	93,132	130,000
2016	81,401	27,569	108,970	170,000
2017-2021	535,157	181,293	716,450	1,365,000
2022-2026	393,389	133,249	526,638	2,290,000
2027-2029	810,009	141,326	951,335	2,695,000
Total	<u>\$ 2,066,648</u>	<u>\$ 567,007</u>	<u>\$ 2,633,655</u>	<u>\$ 6,920,000</u>

Series 2008 B

The bonds mature through 2039 as follows:

Capital Appreciation Bonds

Maturity Date (August 1)	Original Denominational Amount	Accreted Interest	Obligation June 30, 2011	Final Maturity Amount
2035	\$ 184,295	\$ 39,313	\$ 223,608	\$ 1,210,000
2037	461,892	83,808	545,700	2,675,000
2039	543,492	99,294	642,786	3,595,000
Total	<u>\$ 1,189,679</u>	<u>\$ 222,415</u>	<u>\$ 1,412,094</u>	<u>\$ 7,480,000</u>

**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2011**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Schedule of Long-Term Obligations**

This schedule provides a debt repayment schedule associated with the bond proceeds received through issuance of Proposition 39 obligations.

**Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of the Building Fund (Proposition 39) reported on the Unaudited Actual Financial Report to the audited financial statements.

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***INDEPENDENT AUDITORS' REPORT***

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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***

Governing Board and  
Citizens Oversight Committee  
Lindsay Unified School District  
Lindsay, California

We have audited the accompanying financial statements of the Lindsay Unified School District (the District) Building Fund (Proposition 39), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 14, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lindsay Unified School District'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 Lindsay Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lindsay Unified School District'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 above.

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2011**

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None reported.

**LINDSAY UNIFIED SCHOOL DISTRICT**

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**PROPOSITION 39  
GENERAL OBLIGATION BONDS  
PERFORMANCE AUDIT**

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**JUNE 30, 2011**

**LINDSAY UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
GENERAL OBLIGATION BONDS**

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**INDEPENDENT AUDITORS' REPORT ON PERFORMANCE**

Governing Board and  
Citizens Oversight Committee  
Lindsay Unified School District  
Lindsay, California

We were engaged to conduct a performance audit of the Lindsay Unified School District (the District), Proposition 39 General Obligation Bond funds for the year ended June 30, 2011.

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 XIII A, 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 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 XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

*Vavrinek, Trine, Day & Co., LLP*

Fresno, California  
December 14, 2011

**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**JUNE 30, 2011**

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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.
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.

**OBJECTIVES OF THE AUDIT**

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Proposition 39.
2. Determine whether salary transactions, if any, charged to the Building Fund were in support of Proposition 39 and not for District general administration or operations.

**SCOPE OF THE AUDIT**

The scope of our performance audit covered the period of July 1, 2010 to June 30, 2011. 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, 2011, were not reviewed or included within the scope of our audit or in this report.

**PROCEDURES PERFORMED**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011 for the Building Fund (Proposition 39). 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 XIII A, Section 1(b)(3)(C) of the California Constitution and Proposition 39 as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2010 and ending June 30, 2011, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$5,225,875. This represents 59 percent of the total expenditures of \$8,897,780.
3. We verified that funds from the Building Fund (Proposition 39) were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011**

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None reported.