

**LINDSAY UNIFIED SCHOOL DISTRICT**

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**PROPOSITION 39  
GENERAL OBLIGATION BONDS  
AUDIT REPORT**

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**JUNE 30, 2012**

**LINDSAY UNIFIED SCHOOL DISTRICT**

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**PROPOSITION 39  
GENERAL OBLIGATION BONDS  
FINANCIAL AUDIT**

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**JUNE 30, 2012**

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

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JUNE 30, 2012**

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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, 2012, and have issued our report thereon dated 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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Building Fund (Proposition 39) of the Lindsay Unified School District at June 30, 2012, 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, 2012, 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 assessing the results of our audit.

*Vavrinek, Trine, Day & Co. LLP*

Fresno, California  
December 14, 2012

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

**BALANCE SHEET  
JUNE 30, 2012**

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**ASSETS**

Deposits and investments	\$ 1,131,453
Due from other funds	6,150
<b>Total Assets</b>	<u><u>\$ 1,137,603</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Due to other funds	\$ 25,000
<b>Total Liabilities</b>	<u>25,000</u>

**FUND BALANCE**

Restricted	<u>1,112,603</u>
<b>Total Fund Balance</b>	<u>1,112,603</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 1,137,603</u></u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2012**

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**REVENUES**

Local Sources

Interest income	\$ 13,656
Other local revenue	123,601
<b>Total Revenues</b>	<u>137,257</u>

**EXPENDITURES**

Current

Capital outlay	1,057,283
<b>Total Expenditures</b>	<u>1,057,283</u>

**DEFICIENCY OF REVENUES OVER EXPENDITURES**

(920,026)

**Other Financing Sources:**

Transfers out	(1,315,186)
<b>Net Financing Sources</b>	<u>(1,315,186)</u>

**NET CHANGE IN FUND BALANCE**

(2,235,212)

**FUND BALANCE - BEGINNING**

3,347,815

**FUND BALANCE - ENDING**

\$ 1,112,603

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, 2012**

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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, 2012**

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**Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

**Fund Balances - Governmental Funds**

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

**Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

**Unassigned** – all other spendable amounts.

**Spending Order**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

**Use of Estimates**

The preparation 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/expenses during the reporting period. Actual results could differ from those estimates.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**NOTE 2 - INVESTMENTS**

**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 instrument; 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 agreement; 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.

**Investment 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 statement at amounts based upon the District's pro-rata share of the fairly value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**General Authorizations**

Limitations as they relate to interest rate 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

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**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 \$891,337 with the Tulare County Pool. The total fair value of these investments is approximately \$891,337 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 \$1,131,453.

**NOTE 3 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

The Building Fund #4 (Fund 214) owes the General Fund for a temporary loan.	\$ 25,000
The General Fund owes the Building Fund #4 (Fund 214) for miscellaneous expenses.	<u>6,150</u>
Total	<u><u>\$ 31,150</u></u>

**Operating Transfers**

The Building Fund #3 (Fund 213) transferred to the General Fund for the COPs project costs.	<u><u>\$ 1,315,186</u></u>
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**LINDSAY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

As of June 30, 2012, the Building Fund (Proposition 39) had the following commitments with respect to unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Lindsay High School Shop Remodel	\$ 106,000	9/30/2012
Science Class L&W	1,000	9/30/2012
JJ Relo Classroom	117,000	9/30/2012
Total	\$ 224,000	

**Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

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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, 2012**

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**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.

**2011 General Obligation Refunding Bonds**

On December 13, 2011, the District issued \$2,990,000 of current interest refunding bonds. The bonds were issued to advance the 2002 current interest bonds maturing August 1, 2014 through August 1, 2021, for a total principal defeasance of \$2,725,000. The bonds yield interest at 2.00 to 3.00 percent and are payable each February 1 and August 1 commencing February 2013.

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

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2012**

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2011	Issued/ Interest Accreted	Redeemed	Bonds Outstanding June 30, 2012
5/31/02	8/1/26	2.10-4.05	\$ 4,307,776	\$ 4,236,844	\$ 96,287	\$ 2,870,000	\$ 1,463,131
10/18/07	8/1/28	3.42-4.25	759,998	700,337	9,779	65,000	645,116
10/18/07	8/1/36	4.49-4.65	2,132,223	2,558,852	128,161	-	2,687,013
12/2/08	8/1/32	3.13-6.07	6,614,212	7,143,655	249,937	65,000	7,328,592
12/2/08	8/1/38	6.42-6.48	1,189,679	1,412,094	85,365	-	1,497,459
12/13/11	8/1/21	2.00-3.00	2,990,000	-	2,990,000	-	2,990,000
Total				<u>\$ 16,051,782</u>	<u>\$ 3,559,529</u>	<u>\$ 3,000,000</u>	<u>\$ 16,611,311</u>

**Debt Service Requirements to Maturity**

Series 2002 A

The bonds mature through 2027 as follows:

Current Interest Portion:

Fiscal Year	Principal	Interest to Maturity	Total
2013	\$ 170,000	\$ 14,844	\$ 184,844
2014	195,000	8,044	203,044
Total	<u>\$ 365,000</u>	<u>\$ 22,888</u>	<u>\$ 387,888</u>

Capital Appreciation Portion:

Maturity Date (August 1)	Original Denominational Amount	Accreted Interest	Obligation June 30, 2012	Final Maturity Amount
2022	\$ 84,937	\$ 130,523	\$ 215,460	\$ 540,000
2023	81,784	125,696	207,480	570,000
2024	79,188	121,793	200,981	605,000
2025	76,416	117,504	193,920	640,000
2026	73,521	113,049	186,570	675,000
2027	36,931	56,789	93,720	355,000
Total	<u>\$ 432,777</u>	<u>\$ 665,354</u>	<u>\$ 1,098,131</u>	<u>\$ 3,385,000</u>

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

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2012**

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>
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	55,000	15,831	70,831
2018-2022	235,000	49,971	284,971
2023-2027	105,000	12,433	117,433
2028-2029	20,000	851	20,851
Total	<u>\$ 525,000</u>	<u>\$ 169,700</u>	<u>\$ 694,700</u>

Capital Appreciation Portion:

<u>Maturity Date (August 1)</u>	<u>Original Denominational Amount</u>	<u>Accreted Interest</u>	<u>Obligation June 30, 2012</u>	<u>Final Maturity Amount</u>
2013	\$ 43,423	\$ 21,577	\$ 65,000	\$ 65,000
2014	36,819	18,297	55,116	60,000
Total	<u>\$ 80,242</u>	<u>\$ 39,874</u>	<u>\$ 120,116</u>	<u>\$ 125,000</u>



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

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2012**

Series 2002 C

The bonds mature through 2038 as follows:

Capital Appreciation Bonds

Maturity Date (August 1)	Original Denominational Amount	Accreted Interest	Obligation June 30, 2012	Final Maturity Amount
2028	\$ 72,037	\$ 30,716	\$ 102,753	\$ 315,000
2029	143,255	61,000	204,255	675,000
2030	266,861	63,573	330,434	710,000
2031	264,128	63,396	327,524	740,000
2032	261,453	63,025	324,478	770,000
2033-2037	1,124,489	273,080	1,397,569	3,785,000
Total	<u>\$ 2,132,223</u>	<u>\$ 554,790</u>	<u>\$ 2,687,013</u>	<u>\$ 6,995,000</u>

Series 2008 A

The bonds mature through 2033 as follows:

Current Interest Portion:

Fiscal Year	Principal	Interest to Maturity	Total
2013	\$ -	\$ 248,050	\$ 248,050
2014	-	248,050	248,050
2015	-	248,050	248,050
2016	-	248,050	248,050
2017	-	248,050	248,050
2018-2022	-	1,240,250	1,240,250
2023-2027	-	1,240,250	1,240,250
2028-2032	3,410,000	983,675	4,393,675
2033	1,100,000	60,500	1,160,500
Total	<u>\$ 4,510,000</u>	<u>\$ 4,764,925</u>	<u>\$ 9,274,925</u>

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

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2012**

Capital Appreciation Portion:

Maturity Date (August 1)	Original Denominational Amount	Accreted Interest	Obligation June 30, 2012	Final Maturity Amount
2013	\$ 56,810	\$ 28,190	\$ 85,000	\$ 85,000
2014	71,765	35,611	107,376	120,000
2015	69,567	34,511	104,078	130,000
2016	81,401	40,387	121,788	170,000
2017	94,261	46,759	141,020	220,000
2018-2022	545,352	270,578	815,930	1,795,000
2023-2027	693,186	243,694	936,880	2,624,700
2028-2029	405,756	100,764	506,520	1,309,892
Total	<u>\$ 2,018,098</u>	<u>\$ 800,494</u>	<u>\$ 2,818,592</u>	<u>\$ 6,454,592</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, 2012	Final Maturity Amount
2034	\$ 184,295	\$ 46,412	\$ 230,707	\$ 1,160,500
2035	233,105	60,385	293,490	1,266,840
2036	228,788	59,267	288,055	1,325,000
2037	274,392	71,547	345,939	1,702,851
2039	269,100	70,168	339,268	1,780,000
Total	<u>\$ 1,189,680</u>	<u>\$ 307,779</u>	<u>\$ 1,497,459</u>	<u>\$ 7,235,191</u>

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

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2012**

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2011 Refunding Bonds

The bonds mature through 2022 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2013	\$ 80,000	\$ 46,150	\$ 126,150
2014	35,000	76,400	111,400
2015	255,000	75,350	330,350
2016	285,000	67,700	352,700
2017	315,000	59,150	374,150
2018-2022	2,020,000	177,325	2,197,325
Total	<u>\$ 2,990,000</u>	<u>\$ 502,075</u>	<u>\$ 3,492,075</u>

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

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2012**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2012.

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

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2012**

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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, 2012, and have issued our report thereon dated December 14, 2012. 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.

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.

**Internal Control Over Financial Reporting**

Management of the District's Building Fund (Proposition 39) is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lindsay Unified School District's Building Fund (Proposition 39) 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 Building Fund (Proposition 39) 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 previously.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lindsay Unified School District's Building Fund (Proposition 39) 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*.

This report is intended solely for the information and use of the governing board, management, and the Proposition 39 Citizen Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

*Vaccinuk, Trino, Day + Co. LLP*

Fresno, California  
December 14, 2012



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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, 2012**

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None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

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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, 2012**

**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, 2012.

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, 2012

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

**JUNE 30, 2012**

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## **AUTHORITY FOR ISSUANCE**

The Proposition 39 Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County (the Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District.

The District received authorization at an election held on March 5, 2002 and February 5, 2008, to issue bonds of the District in an aggregate principal amount not to exceed \$7,200,000 and \$20,700,000 to finance specific construction and renovation projects approved by eligible voters within the District. The propositions required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2002 and 2008 Authorizations).

## **PURPOSE OF ISSUANCE**

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

The 2002 general obligation bonds were issued to make the District eligible to receive \$6,900,000 in state-matching funds, repair and modernize existing schools, replace deteriorating roofs, upgrade electrical systems, construct additional science labs and restrooms, and replace inefficient air conditioning and heating system with energy efficient systems subject to a citizen oversight committee and independent audits. The bonds have been fully expended.

The 2008 general obligation bonds were issued to reduce overcrowding, and leverage approximately \$29,000,000 in state funds to complete a new high school and elementary school, acquire, improve or build a new high school library, gymnasium, athletic and vocational education facilities, and an elementary cafeteria/multipurpose room with a citizen's oversight committee, annual audits, and no money for salaries.

## **AUTHORITY FOR THE AUDIT**

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

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

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

**JUNE 30, 2012**

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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, 2011 to June 30, 2012. 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, 2012, 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, 2012 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, 2011 and ending June 30, 2012, 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 \$737,782. This represents 70 percent of the total expenditures of \$1,057,283.
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)**

**JUNE 30, 2012**

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**CONCLUSION**

The results of our tests indicated that, in all significant respects, the Lindsay Unified School District has properly accounted for the expenditures held in the Building Fund (Proposition 39) and that such expenditures were made for costs authorized by the voters of the District.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012**

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None reported.