

LINDSAY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39
GENERAL OBLIGATION BONDS
AUDIT REPORT**

JUNE 30, 2013

LINDSAY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39
GENERAL OBLIGATION BONDS
FINANCIAL AUDIT**

JUNE 30, 2013

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

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Lindsay Unified School District's (the District), Building Fund (Proposition 39), and the related notes to the financial statements, as of and for the year ended June 30, 2013, 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 statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to 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, 2013, and the changes in financial position for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, 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* in considering the District's Building Fund's (Proposition 39) internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 10, 2013

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

**BALANCE SHEET
JUNE 30, 2013**

ASSETS

Deposits and investments	\$ 1,035,597
Total Assets	<u><u>\$ 1,035,597</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 19,080
Total Liabilities	<u>19,080</u>

FUND BALANCE

Restricted for:

Capital projects	776,401
Debt service	240,116
Total Fund Balance	<u>1,016,517</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,035,597</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, 2013**

REVENUES

Local Sources

Interest income \$ 928

Total Revenues 928

EXPENDITURES

Current

Capital outlay 97,014

Total Expenditures 97,014

NET CHANGE IN FUND BALANCE (96,086)

FUND BALANCE - BEGINNING 1,112,603

FUND BALANCE - ENDING \$ 1,016,517

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, 2013**

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, 2013**

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 Balance

As of June 30, 2013, the fund balance of the Building Fund is classified as follows:

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.

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.

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 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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 \$794,458 with the Tulare County Pool. The total fair value of these investments is approximately \$795,481 with an average maturity of 550 days. An investment reserve of \$240,116 that was deposited to the Building Fund from the District's 2004 certificates of participations is also maintained in the Building Fund resulting in a total investment balance of \$1,035,597.

NOTE 3 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

Vendors	\$ 19,080
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SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2013**

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.

In May 2013, the District issued \$5,185,000 of Election of 2012, Series 2013A General Obligation Bonds. The bonds were authorized at an election of the registered voters of the District held on November 6, 2012, which authorized the issuance of \$16,000,000 principal amount of general obligation bonds for the purpose of renovation, construction, and improvement of school facilities. The 2013A Bonds are the first series of bonds to be issued under this authorization. The bonds were issued as current interest bonds. Interest is payable semiannually on each February 1 and August 1 commencing August 1, 2013. The proceeds of this bond issuance were used to prepay the outstanding balance of the 2009 Certificates of Participation obligation.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2012	Issued/ Interest Accreted	Bonds Redeemed	Bonds Outstanding June 30, 2013
12/2/08	8/1/32	3.13-6.07	\$ 6,614,212	\$ 7,328,592	\$ 351,674	\$ 85,000	\$ 7,595,266
12/2/08	8/1/38	6.42-6.48	1,189,679	1,497,459	99,971	-	1,597,430
5/21/13	8/1/43	3.00-5.00	5,185,000	-	5,185,000	-	5,185,000
Total				\$ 8,826,051	\$ 5,636,645	\$ 85,000	\$ 14,377,696

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

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2013**

Debt Service Requirements to Maturity

Series 2008 A

The bonds mature through 2033 as follows:

Current Interest Portion:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2014	\$ -	\$ 248,050	\$ 248,050
2015	-	248,050	248,050
2016	-	248,050	248,050
2017	-	248,050	248,050
2018	-	248,050	248,050
2019-2023	-	1,240,250	1,240,250
2024-2028	-	1,240,250	1,240,250
2029-2033	4,510,000	796,125	5,306,125
Total	<u>\$ 4,510,000</u>	<u>\$ 4,516,875</u>	<u>\$ 9,026,875</u>

Capital Appreciation Portion:

<u>Maturity Date (August 1)</u>	<u>Original Denominational Amount</u>	<u>Accreted Interest</u>	<u>Obligation June 30, 2013</u>	<u>Final Maturity Amount</u>
2014	\$ 71,765	\$ 48,235	\$ 120,000	\$ 120,000
2015	69,567	46,757	116,324	130,000
2016	81,401	54,701	136,102	170,000
2017	94,261	63,347	157,608	220,000
2018	105,432	70,843	176,275	275,000
2019-2023	539,984	362,898	902,882	1,975,000
2024-2028	796,000	325,750	1,121,750	2,804,592
2029	202,878	66,447	269,325	675,000
Total	<u>\$ 1,961,288</u>	<u>\$ 1,038,978</u>	<u>\$ 3,000,266</u>	<u>\$ 6,369,592</u>

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

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2013**

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, 2013	Final Maturity Amount
2034	\$ 184,295	\$ 63,820	\$ 248,115	\$ 1,160,500
2035	233,105	79,555	312,660	1,266,840
2036	228,788	78,082	306,870	1,325,000
2037	274,392	94,053	368,445	1,702,851
2039	269,100	92,240	361,340	1,780,000
Total	<u>\$ 1,189,680</u>	<u>\$ 407,750</u>	<u>\$ 1,597,430</u>	<u>\$ 7,235,191</u>

Series 2013 A

The bonds mature through 2044 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ -	\$ 35,330	\$ 35,330
2015	-	223,138	223,138
2016	-	223,138	223,138
2017	-	223,138	223,138
2018	-	223,138	223,138
2019-2023	85,000	1,113,438	1,198,438
2024-2028	355,000	1,085,729	1,440,729
2029-2033	755,000	1,002,069	1,757,069
2034-2038	1,315,000	820,050	2,135,050
2039-2043	2,120,000	473,000	2,593,000
2044	555,000	27,750	582,750
Total	<u>\$ 5,185,000</u>	<u>\$ 5,449,918</u>	<u>\$ 10,634,918</u>

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

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

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.

INDEPENDENT AUDITORS' REPORT



**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Lindsay Unified School District (the District) Building Fund (Proposition 39), and the related notes of the financial statements as of and for the year ended June 30, 2013, and have issued our report thereon dated December 10, 2013.

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 changes in financial position of Lindsay Unified School District in conformity with accounting principles generally accepted in the United States of America.

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. *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, significant deficiencies or material weaknesses. 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 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*.

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.

Varrinck, Trine, Day + Co. LLP

Fresno, California
December 10, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2013**

None reported.

LINDSAY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39
GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2013

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

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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, 2013.

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 10, 2013

LINDSAY UNIFIED SCHOOL DISTRICT BUILDING FUND (PROPOSITION 39)

JUNE 30, 2013

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 February 5, 2008 to issue bonds of the District in an aggregate principal amount not to exceed \$20,700,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District. To date, the District has sold two issues of these authorized bonds as Series 2008A and 2008B in the sum principal amount of \$7,803,891. There proceeds remaining in the District's Building Fund are \$776,401.

The District also received authorization at an election held on November 6, 2012 to issue bonds of the District in an aggregate principal amount not to exceed \$16,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District. To date, the District has sold one issue of these authorized bonds as Election of 2012, Series 2013A in the principal amount of \$5,185,000. The proceeds were used to prepay the District's outstanding 2009 Certificates of Participation.

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 2008 general obligation bonds were issued for the renovation, modernization, and construction of various school facilities throughout the District and to pay all necessary costs of issuance of the bonds..

The Election of 2012, Series 2013A general obligation bonds were issued for the purpose of financing the renovation, construction, and improvement of school facilities, and to prepay, in whole or in part, the outstanding balance of the 2009 Certificates of Participation. The District used the proceeds to prepay the 2009 Certificates of Participation.

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:

LINDSAY UNIFIED SCHOOL DISTRICT BUILDING FUND (PROPOSITION 39)

JUNE 30, 2013

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.
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 citizens' 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, 2012 to June 30, 2013. 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, 2013, 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, 2013 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, 2012 and ending June 30, 2013, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.

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

JUNE 30, 2013

2. Our sample included transactions totaling \$74,770 for the 2008 general obligation bonds. This represents 77 percent of the total expenditures of \$97,014. Our sample also included the use of the proceeds of the 2013A general obligation bonds in the total amount of \$5,367,979 (includes principal of \$5,185,000 and a premium of \$182,979) to prepay the 2009 Certificates of Participation.
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 including the prepayment of the 2009 Certificates of Participation.

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, 2013**

None reported.