

**LAS LOMITAS SCHOOL DISTRICT
PROPOSITION 39/MEASURE E BOND
AUDIT REPORT**

From Inception through June 30, 2012

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**LAS LOMITAS SCHOOL DISTRICT
PROPOSITION 39/MEASURE E BOND
From Inception through June 30, 2012**

Table of Contents

	<u>Page No.</u>
Independent Auditor's Report	1
Program Statement:	
Statement of Approved Budget and Cumulative Expenditures	2
Notes to Program Statement	3
Schedule of Findings and Recommendations	4
Other Auditor's Reports:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
Independent Auditor's Report on Performance	7



INDEPENDENT AUDITOR'S REPORT

Citizens' Bond Oversight Committee and
Governing Board Members
Las Lomas School District

We have audited the accompanying Statement of Approved Budget and Cumulative Expenditures of the Las Lomas School District for the Proposition 39/Measure E bond proceeds, from inception through June 30, 2012. This program statement is the responsibility of management. Our responsibility is to express an opinion on this program statement 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 audit 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the program statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall program statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the program statement referred to above presents fairly, in all material respects, the approved budget and cumulative expenditures and the allowable costs for the Proposition 39/Measure E bond proceeds for the period audited.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012 on our consideration of the Proposition 39/Measure E Bond of Las Lomas School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting 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.

This report is intended solely for the information and use of the Proposition 39/Measure E Bond Oversight Committee, the District Governing Board, management, and the taxpayers of Las Lomas School District and is not intended to be and should not be used by anyone other than the specified parties.

C & A LLP

November 2, 2012
San Jose, California

PROGRAM STATEMENT

LAS LOMITAS SCHOOL DISTRICT
PROPOSITION 39/MEASURE E BOND
Statement of Approved Budget and Cumulative Expenditures
From Inception through June 30, 2012

	Proposition 39/Measure E Bond Proceeds			
	Approved Budget	Final Budget	Cumulative Expenditures	Balance
Las Lomas and La Entrada modernization	\$ 4,355,000	\$ 4,355,000	\$ 4,355,000	\$ -
Technology	720,000	719,746	719,746	-
Cano Hall renovation	600,000	600,000	600,000	-
Landscaping	800,000	800,000	800,000	-
Furnishings	565,000	559,312	559,312	-
Roofing	785,000	258,899	258,899	-
Gymnasium construction	4,000,000	4,508,429	4,508,429	-
Bond contingency	175,000	175,000	175,000	-
Relocatables	-	130,868	130,868	-
Transfers to Refunded Bond ⁽¹⁾	-	220,063	220,063	-
Total Bond Expenditures	<u>\$ 12,000,000</u>	<u>\$ 12,327,317</u>	<u>\$ 12,327,317</u>	<u>\$ -</u>

⁽¹⁾ Certain expenses allowable under Measure E were reclassified from the 2001 general obligation bond resource, which was refunded.

The notes to the program statement are an integral part of this statement.

LAS LOMITAS SCHOOL DISTRICT
PROPOSITION 39/MEASURE E BOND
Notes to the Program Statement
From Inception through June 30, 2012

NOTE 1 - THE PROGRAM

Enacted by the voters on November 7, 2000, Proposition 39 amended the required majority for local voter approval of public school and community college general obligation bonds from two-thirds to fifty-five percent of votes. It also required school districts to provide facilities to charter schools operating within their jurisdictions.

During the November 8, 2001 election, voters approved Las Lomas School District to issue \$12 million of bonds at legal interest rates to complete the repair of older classrooms and buildings, complete renovations and modernizations at La Entrada and Las Lomas Schools, upgrade computer labs and computers, provide equipment for science labs, construct, furnish and equip school facilities, improve electrical wiring for technology, upgrade playgrounds, and make other improvements. The bond measure also called for the District to appoint a citizen's oversight committee and perform financial and performance audits.

NOTE 2 - CITIZEN'S OVERSIGHT COMMITTEE

Duties of the committee include ensuring that bond revenues are expended only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities. The committee must also ensure that no funds are used for any teacher or administrative salaries or other school operation expenses.

Furthermore, the committee is authorized to receive and review copies of the annual independent performance audit and the annual independent financial audit required by Article XIII A, Section 1(b)(3)(C) and Article XIII A, Section 1(b)(3)(D), respectively, of the California Constitution.

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2012:

- | | |
|-----------------------------|--------------------------|
| 1. Steve Bellumori, Member | 2. Lori Brockman, Member |
| 3. Pat McVeigh, Member | 4. Joan Naber, Member |
| 5. Mary Wachtel, Member | 6. Ron Espeseth, Member |
| 7. Cindy Richardson, Member | |

NOTE 3 - SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures incurred for Proposition 39/Measure B bond proceeds are recorded on an accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when it is earned, not when the payment is received. Similarly, expenses are recognized when they are incurred, not when they are paid.

**SCHEDULE OF FINDINGS
AND
RECOMMENDATIONS**

**LAS LOMITAS SCHOOL DISTRICT
PROPOSITION 39/MEASURE E BOND
Schedule of Findings and Recommendations
From Inception through June 30, 2012**

We did not note any exceptions during the audit of the Las Lomas School Districts Proposition 39/Measure E bond proceeds for the fiscal year ended June 30, 2012.

**OTHER AUDITOR'S
REPORTS**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Proposition 39/Measure E Citizens' Oversight Committee and
Governing Board Members
Las Lomas School District

We have audited the accompanying Statement of Approved Budget and Cumulative Expenditures of the Las Lomas School District (the "District") for the Proposition 39/Measure E bond proceeds, from inception through June 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the program financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Proposition 39/Measure E Bond of Las Lomas School District's program statement is 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



Chavan & Associates, LLP
Certified Public Accountants

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 Proposition 39/Measure E Bond Oversight Committee, the District Governing Board, management, and the taxpayers of Las Lomas School District and is not intended to be and should not be used by anyone other than the specified parties.

C & A LLP

November 2, 2012
San Jose, California



INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Proposition 39/Measure E Citizens' Oversight Committee and
Governing Board Members
Las Lomas School District

We have audited the program financial statement of the Proposition 39/Measure E Bond proceeds of the Las Lomas School District (the "District") as of and for the year ended June 30, 2012 and have issued our report thereon dated November 2, 2012. Our audit was made in accordance with generally accepted auditing standards in the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the Proposition 39/Measure E General Obligation Bond for the fiscal year ended June 30, 2012. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

1. The proceeds of the sale of the Proposition 39/Measure E Bonds were only used for the purposes set forth in the ballot Proposition and not for any other purpose, such as teacher and administrative salaries.
2. The Governing Board of the District, in establishing the approved projects set forth in the ballot Proposition, evaluated the remodeling, new construction and renovations of items which will relieve overcrowding, repair local schools and improve student safety conditions of the District.

To meet our objectives audit tests were performed and included, but were not limited, to the following:

1. We sampled contracts and verified their compliance with the Public Contract Code bid requirements and that invoices were paid within the contract terms and with board approval.
2. For contracts sampled, we verified that expenditures were allowable within the parameters identified in the bond measure.
3. We tested payments made to the contractor and reviewed the terms of the contract.

Our audit of compliance made for the purposes set forth in the preceding paragraph of this report above would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the Proposition 39/Measure E Bond proceeds listed and tested above.

This report is intended for the information of the Governing Board, management and the Citizens' Oversight Committee; however, this report is a matter of public record.

C & A LLP

November 2, 2012
San Jose, California