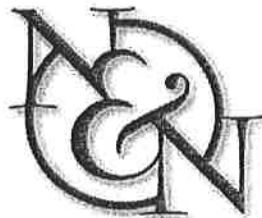


**MEASURES "C" AND "AB"
GENERAL OBLIGATION BOND
BUILDING FUND OF
BONITA UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2013**



**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF
BONITA UNIFIED SCHOOL DISTRICT**

For the Fiscal Year Ended June 30, 2013

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Financial Section



INDEPENDENT AUDITORS' REPORT

The Board of Education and the
Citizens' Bond Oversight Committee
Bonita Unified School District
San Dimas, California

We have audited the accompanying financial statements of the Measures "C" and "AB" General Obligation Bond Building Fund of Bonita Unified School District as of June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measures "C" and "AB" General Obligation Bond Building Fund of Bonita Unified School District, as of June 30, 2013, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measures "C" and "AB" General Obligation Bond Building Fund and do not purport to, and do not, present fairly the financial position of the Bonita Unified School District, as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

The other supplementary information listed in the table of contents, including the Detail Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



September 13, 2013

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF
BONITA UNIFIED SCHOOL DISTRICT**

Balance Sheet

June 30, 2013

	<u>Measure C</u>	<u>Measure AB</u>	<u>Total</u>
ASSETS			
Cash	\$ 11,202,061	\$ 15,814,626	\$ 27,016,687
Accounts receivable	100	69,980	70,080
Total assets	<u>\$ 11,202,161</u>	<u>\$ 15,884,606</u>	<u>\$ 27,086,767</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 3,816	\$ 1,012,359	\$ 1,016,175
Fund Balance			
Restricted for capital projects	<u>11,198,345</u>	<u>14,872,247</u>	<u>26,070,592</u>
Total liabilities and fund balance	<u>\$ 11,202,161</u>	<u>\$ 15,884,606</u>	<u>\$ 27,086,767</u>

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF
BONITA UNIFIED SCHOOL DISTRICT**

*Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2013*

	<u>Measure C</u>	<u>Measure AB</u>	<u>Total</u>
REVENUES			
Interest earnings	\$ 1,900	\$ 237,521	\$ 239,421
Other local revenue	-	344,324	344,324
Total Revenues	<u>1,900</u>	<u>581,845</u>	<u>583,745</u>
EXPENDITURES			
Facility Acquisition & Construction			
Classified salaries	-	65,151	65,151
Employee benefits	-	19,793	19,793
Materials and supplies	-	54,473	54,473
Services and other operating expenditures	10,750	333,334	344,084
Capital outlay	24,703	18,524,567	18,549,270
Total Expenditures	<u>35,453</u>	<u>18,997,318</u>	<u>19,032,771</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,553)	(18,415,473)	(18,449,026)
OTHER FINANCING SOURCES (USES)			
Interfund transfer in	381,168	-	381,168
Net Change in Fund Balances	<u>347,615</u>	<u>(18,415,473)</u>	<u>(18,067,858)</u>
Fund Balance, July 1, 2012, as originally stated	11,044,227	33,094,223	44,138,450
Adjustments for restatements	(193,497)	193,497	-
Fund Balance, July 1, 2012, as restated	<u>10,850,730</u>	<u>33,287,720</u>	<u>44,138,450</u>
Fund Balance, June 30, 2013	<u>\$ 11,198,345</u>	<u>\$ 14,872,247</u>	<u>\$ 26,070,592</u>

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF
BONITA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements
June 30, 2013*

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On March 2, 2004 the District voters authorized \$56,360,000 in General Obligation Bonds (Measure "C") for the purpose of financing the renovation, construction, and acquisition of classrooms and school facilities throughout the District and pay certain costs of issuance of the bonds. The measure, which required a minimum 55% vote for passage, was approved by 62% of the vote. In response, an advisory committee to the District's Governing Board and Superintendent, the Citizens Bond Oversight Committee, was established. The Committee's oversight goals include: informing the public on the expenditures of Bond proceeds, reviewing expenditure reports to ensure that Bond proceeds are expended only for purposes set forth in Measure "C," and ensuring compliance with conditions of Measure "C."

On November 4, 2008 the District voters authorized \$83,560,000 in General Obligation Bonds (Measure "AB") for the purpose of financing the renovation and modernization of school facilities and to pay certain costs of issuance associated with the bonds. The measure required a minimum 55% vote for passage and was approved by 60.8% of the vote.

The bond proceeds and uses are accounted for in the District's Building Fund. The activities of Measure "C" and "AB" are separated by resource codes within the Building Fund.

B. Basis of Accounting

The Measures "C" and "AB" General Obligation Bond Building Fund is a governmental fund reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

C. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF
BONITA UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH

Pooled Funds

In accordance with Education Code Section 41001, the District maintains all of its Building Fund cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF
BONITA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements
June 30, 2013*

NOTE 2 – CASH (continued)

Pooled Funds (continued)

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2013, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 in the amount of \$70,080 represent the amount due from the County for interest earnings for the quarter ended June 30, 2013.

NOTE 4 - INTERFUND TRANSACTIONS

Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2013 consist of the following:

County School Facilities Fund transfer to Building Fund for interest earned on state modernization deposits	<u>\$ 381,168</u>
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NOTE 5 – MEASURES "C" AND "AB" GENERAL OBLIGATION BONDS

Measure "C"

These bonds were authorized at an election of the registered voters of the District held on March 2, 2004, at which more than 55 percent of the voters authorized the issuance and sale of \$56,360,000 general obligation bonds. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the District for the payment of interest on and principal of the bonds. The bonds were issued to renovate and modernize school facilities within the District.

Measure "AB"

These bonds were authorized at an election of the registered voters of the District held on November 4, 2008, at which more than 55 percent of the voters authorized the issuance and sale of \$83,560,000 general obligation bonds. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the District for the payment of interest on and principal of the bonds.

The bonds were issued to renovate and modernize school facilities and to pay costs of issuance associated with the bonds.

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF
BONITA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements
June 30, 2013*

NOTE 5 – MEASURES "C" AND "AB" GENERAL OBLIGATION BONDS (continued)

Measure "AB" (continued)

A portion of the Measure AB bonds is designated "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. The District is obligated to deposit any cash subsidy payments it receives into the debt service fund for the Bonds.

Another portion of the Measure AB bonds is designated as "Qualified School Construction Bonds" for purposes of the Recovery Act. With respect to the bonds, the District expects to receive, on or about each bond payment date for the bonds, a cash subsidy payment from the United States Treasury equal to the lesser of a) the interest payable on such bond payment date or b) the amount of interest that would have been payable on such bond payment date on such bonds if such interest were determined at a federal tax credit rate applicable to the bonds, which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Code. Prior to each such bond payment date for the bonds, the District will submit or cause to be submitted to the Treasury a subsidy reimbursement request in accordance with applicable Federal regulations. Upon receipt of such Subsidy Payment, the District shall deposit or cause to be deposited any such cash Subsidy Payment into the Debt Service Fund for the bonds maintained by the County. The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the United States Treasury under the HIRE Act.

2012 Refunding Bonds

On March 21, 2012, the District issued \$22,530,000 of General Obligation Refunding Bonds. The net proceeds of \$26,006,991 (after issuance costs and underwriter's discount of \$194,131 and original issue premium of \$3,671,122) were used to refund a portion of the District's outstanding General Obligation Bonds, Election of 2004, Series A.

Summaries

A summary of outstanding general obligation bonds that have been issued to date follows:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013
General Obligation Bonds:								
Measure "C" Series A	7/22/2004	8/1/2028	5.0%-5.48%	\$ 29,999,790	\$ 2,249,790	\$ -	\$ 575,000	\$ 1,674,790
Measure "C" Series B	12/20/2006	8/1/2025	3.9%-4.7%	26,360,000	26,185,000	-	135,000	26,050,000
Measure "AB" Series A	9/23/2009	8/1/2021	4.0%-5.0%	5,400,000	3,400,000	-	185,000	3,215,000
Measure "AB" Series A-1	9/23/2009	8/1/2034	6.0%-6.93%	24,600,000	24,600,000	-	-	24,600,000
Measure "AB" Series B	5/26/2011	8/1/2037	3.0%-5.25%	16,802,605	16,802,605	-	210,000	16,592,605
Measure "AB" Series B-1	5/26/2011	8/1/2025	5.06%-5.56%	9,455,000	9,455,000	-	-	9,455,000
2012 Refunding	3/21/2012	8/1/2028	2.0%-5.0%	22,530,000	22,530,000	-	240,000	22,290,000
Totals				<u>\$ 135,147,395</u>	<u>\$ 105,222,395</u>	<u>\$ -</u>	<u>\$ 1,345,000</u>	<u>\$ 103,877,395</u>

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF
BONITA UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2013

NOTE 5 - MEASURES "C" AND "AB" GENERAL OBLIGATION BONDS (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2013, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-2014	\$ 1,375,000	\$ 5,292,080	\$ 6,667,080
2014-2015	1,475,000	5,235,720	6,710,720
2015-2016	1,910,000	5,180,367	7,090,367
2016-2017	1,705,000	5,109,892	6,814,892
2017-2018	1,920,000	51,051,892	52,971,892
2018-2023	17,960,000	23,753,533	41,713,533
2023-2028	29,470,000	18,212,589	47,682,589
2028-2033	32,366,220	11,373,058	43,739,278
2033-2038	15,696,175	5,494,715	21,190,890
Total	\$ 103,877,395	\$ 130,703,846	\$ 234,581,241

NOTE 6 - CONSTRUCTION COMMITMENTS

As of June 30, 2013, the District had commitments with respect to unfinished capital projects of approximately \$14.9 million.

NOTE 7 - ADJUSTMENTS FOR RESTATEMENTS

The beginning fund balances of Measure "C" and Measure "AB" were adjusted to reflect interest income from the prior year that were erroneously reported within the wrong resource.

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF
BONITA UNIFIED SCHOOL DISTRICT**

Detail Schedule of Expenditures

For the Fiscal Year Ended June 30, 2013

	Classified Salaries	Employee Benefits	Materials & Supplies	Services & Other Costs	Capital Outlay	Total
Measure C:						
Modernization Projects						
Business	\$ -	\$ -	\$ -	\$ 10,000	\$ 11,874	\$ 21,874
Facilities	-	-	-	750	-	750
Allen Elementary	-	-	-	-	529	529
Gladstone Elementary	-	-	-	-	166	166
La Verne Heights Elementary	-	-	-	-	1,231	1,231
Roynon Elementary	-	-	-	-	6,518	6,518
Ramona Middle	-	-	-	-	4,385	4,385
Total Expenditures	\$ -	\$ -	\$ -	\$ 10,750	\$ 24,703	\$ 35,453
Measure AB:						
Modernization Projects						
Performing Arts Center	\$ -	\$ -	\$ -	\$ 34,068	\$ 10,669,532	\$ 10,703,600
Business	-	-	-	17,037	-	17,037
Facilities	63,712	19,594	-	10,996	461,898	556,200
Lone Hill Middle	-	-	-	-	23,255	23,255
Ramona Middle	-	-	-	-	23,255	23,255
Bonita High	-	-	35,085	156,574	1,281,721	1,473,380
San Dimas High	1,439	199	19,388	114,659	6,064,906	6,200,591
Total Expenditures	\$ 65,151	\$ 19,793	\$ 54,473	\$ 333,334	\$ 18,524,567	\$ 18,997,318

Other Independent Auditors' Reports



**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**

The Board of Education and the
Citizens' Bond Oversight Committee
Bonita Unified School District
San Dimas, 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 financial statements of the Measures "C" and "AB" General Obligation Bond Building Fund of Bonita Unified School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bonita Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Bonita Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bonita Unified School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Bonita Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 13, 2013

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Education and the
Citizens' Bond Oversight Committee
Bonita Unified School District
San Dimas, California

We have examined the Bonita Unified School District's compliance with the performance requirements for the Proposition 39 Measures "C" and "AB" General Obligation Bonds for the fiscal year ended June 30, 2013, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measures "C" and "AB".
- Any discrepancies or weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens' Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

Scope of the Audit

The scope of our performance audit covered the fiscal period from July 1, 2012 to June 30, 2013. The 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 the proceeds of the bonds, were also included within the scope of our 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. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measures "C" and "AB" with regards to the approved bond projects list. We performed the following procedures:

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

- We verified that bond funds were deposited in the District's name and invested in accordance with applicable legal requirements.
- We tested approximately \$13.1 million in bond fund invoices paid, which is a combination of 2012-13 expenditures and payments on liabilities accrued as of June 30, 2013 and paid in 2013-14. This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our test included payments made to the subcontractors and other vendors.
- We reviewed the approved project listing as set out in the Measures "C" and "AB" election documents.
- We visited construction sites at San Dimas and Bonita High Schools as well as the performing arts center to ensure that expenditures made corresponded with the actual work performed at the site.
- We verified that funds from the Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Building Fund were not used for salaries of school administrators or other operating expenses of the District.
- We reviewed a sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.
- We verified that the District did not exceed change order limitations in excess of 10% pursuant to Public Contract Code.

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

In our opinion, the District complied with the compliance requirements for the Measures "C" and "AB" General Obligation Bond proceeds listed and tested above.

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

Nigro + Nigro, PC

September 13, 2013