

**MEASURES "C" AND "AB"
GENERAL OBLIGATION BOND
BUILDING FUND OF
BONITA UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2012**

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

For the Fiscal Year Ended June 30, 2012

Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements:	
Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	4
Notes to Financial Statements	5
Detail Schedule of Expenditures.....	9

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 <i>Government Auditing Standards</i>	10
Independent Auditors' Report on Performance	12

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 balance sheet of the Measures "C" and "AB" General Obligation Bond Building Fund (the "Fund") of Bonita Unified School District (the "District") as of June 30, 2012, and the related statement of revenues, expenditures and changes in fund balance as of and for the fiscal year ended June 30, 2012. 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 opinions.

As discussed in Note 1A, the financial statements present only the individual Measures "C" and "AB" General Obligation Bond Building Fund and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

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, 2012, and the results of its operations for the period 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 October 1, 2012 on our consideration of the Measures "C" and "AB" General Obligation Bond Building Fund of Bonita Unified School District's internal control over financial reporting and 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Measures "C" and "AB" General Obligation Bond Building Fund of Bonita Unified School District's financial statements as a whole. The other supplementary information listed in the table of contents is presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Nijon & Nijon, PC

October 1, 2012

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

Balance Sheet

June 30, 2012

	<u>Measure C</u>	<u>Measure AB</u>	<u>Total</u>
ASSETS			
Cash	\$ 11,039,212	\$ 35,941,419	\$ 46,980,631
Accounts receivable	<u>21,361</u>	<u>74,216</u>	<u>95,577</u>
Total assets	<u><u>\$ 11,060,573</u></u>	<u><u>\$ 36,015,635</u></u>	<u><u>\$ 47,076,208</u></u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 16,346	\$ 2,921,412	\$ 2,937,758
Fund Balance			
Restricted for capital projects	<u>11,044,227</u>	<u>33,094,223</u>	<u>44,138,450</u>
Total liabilities and fund balance	<u><u>\$ 11,060,573</u></u>	<u><u>\$ 36,015,635</u></u>	<u><u>\$ 47,076,208</u></u>

The notes to financial statements are an integral part of this statement.

**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, 2012*

	Measure C	Measure AB	Total
REVENUES			
Interest earnings	\$ 104,930	\$ 405,549	\$ 510,479
Other local revenue	10,935	153,750	164,685
Total Revenues	<u>115,865</u>	<u>559,299</u>	<u>675,164</u>
EXPENDITURES			
Facility Acquisition & Construction			
Classified salaries	-	69,924	69,924
Employee benefits	-	21,798	21,798
Materials and supplies	(710)	19,809	19,099
Services and other operating expenditures	23,493	215,413	238,906
Capital outlay	250,249	14,297,496	14,547,745
Other Outgo			
Bond issuance costs	-	194,131	194,131
Total Expenditures	<u>273,032</u>	<u>14,818,571</u>	<u>15,091,603</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(157,167)</u>	<u>(14,259,272)</u>	<u>(14,416,439)</u>
OTHER FINANCING SOURCES (USES)			
Premiums on debt issuance	-	3,671,122	3,671,122
Proceeds from refunding bonds	-	22,530,000	22,530,000
Other financing sources	-	1,048	1,048
Transfer to escrow agent for defeased debt	-	(26,006,991)	(26,006,991)
Total Other Financing Sources	<u>-</u>	<u>195,179</u>	<u>195,179</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(157,167)</u>	<u>(14,064,093)</u>	<u>(14,221,260)</u>
Fund Balance, July 1, 2011, as originally stated	11,394,288	46,965,422	58,359,710
Adjustments for restatements	<u>(192,894)</u>	<u>192,894</u>	<u>-</u>
Fund Balance, July 1, 2011, as restated	<u>11,201,394</u>	<u>47,158,316</u>	<u>58,359,710</u>
Fund Balance, June 30, 2012	<u>\$ 11,044,227</u>	<u>\$ 33,094,223</u>	<u>\$ 44,138,450</u>

The notes to financial statements are an integral part of this statement.

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

Notes to Financial Statements

June 30, 2012

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. Accounting Policies

The Bonita Unified School District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Measures "C" and "AB" General Obligation Bonds Building Fund are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

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, 2012*

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

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, 2012, 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, 2012 in the amount of \$95,577 represent the amount due from the County for interest earnings for the quarter ended June 30, 2012.

NOTE 4 – 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.

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

Notes to Financial Statements

June 30, 2012

NOTE 4 – MEASURES "C" AND "AB" GENERAL OBLIGATION BONDS (continued)

Measure "AB" (continued)

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

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, 2011	Additions	Deductions	Balance, June 30, 2012
General Obligation Bonds:								
Measure "C" Series A	7/22/2004	9/1/2028	5.0%-5.48%	\$ 29,999,790	\$ 25,999,790	\$ -	\$ 23,750,000	\$ 2,249,790
Measure "C" Series B	12/20/2006	9/1/2025	3.9%-4.7%	26,360,000	26,285,000	-	100,000	26,185,000
Measure "AB" Series A	9/23/2009	9/1/2021	4.0%-5.0%	5,400,000	4,400,000	-	1,000,000	3,400,000
Measure "AB" Series A-1	9/23/2009	9/1/2034	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	-	-	16,802,605
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	-	22,530,000
Totals				\$135,147,395	\$107,542,395	\$ 22,530,000	\$ 24,850,000	\$105,222,395

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

Notes to Financial Statements

June 30, 2012

NOTE 4 – MEASURES "C" AND "AB" GENERAL OBLIGATION BONDS (continued)

Summaries (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2012, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012-2013	\$ 1,345,000	\$ 5,441,662	\$ 6,786,662
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
2017-2022	16,580,000	24,453,837	41,033,837
2022-2027	26,190,000	19,617,377	45,807,377
2027-2032	35,820,860	12,480,030	48,300,890
2032-2037	15,821,535	7,177,043	22,998,578
2037-2038	3,000,000	157,499	3,157,499
Total	\$ 105,222,395	\$ 90,145,507	\$ 195,367,902

NOTE 5 – CONSTRUCTION COMMITMENTS

As of June 30, 2012, the District had commitments with respect to unfinished capital projects of approximately \$3.8 million.

NOTE 6 - ADJUSTMENTS FOR RESTATEMENTS

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

**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, 2012

	Classified	Employee	Materials &	Services &	Capital	Other	Total
	Salaries	Benefits	Supplies	Other Costs	Outlay	Outgo	
Measure C:							
Modernization Projects							
Allen Elementary	\$ -	\$ -	\$ -	\$ -	2,023	\$ -	2,023
Bonita High	-	-	-	-	459	-	459
Ekstrand Elementary	-	-	-	-	1,961	-	1,961
Gladstone Elementary	-	-	-	-	180	-	180
Lone Hill Middle	-	-	-	-	6,880	-	6,880
Ramona Middle	-	-	-	-	11,968	-	11,968
San Dimas High	-	-	-	-	78,885	-	78,885
Chaparral High	-	-	(710)	908	23,375	-	23,573
District Office	-	-	-	22,585	124,518	-	147,103
Total Expenditures	\$ -	\$ -	\$ (710)	\$ 23,493	\$ 250,249	\$ -	\$ 273,032

Measure AB:							
Modernization Projects							
Bonita High	\$ -	\$ -	\$ 10,316	\$ 98,272	\$ 3,912,604	\$ -	\$ 4,021,192
San Dimas High	748	88	9,493	47,905	8,408,436	-	8,466,670
District Office	69,176	21,710	-	69,236	1,976,456	194,131	2,330,709
Total Expenditures	\$ 69,924	\$ 21,798	\$ 19,809	\$ 215,413	\$ 14,297,496	\$ 194,131	\$ 14,818,571

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 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, 2012, and have issued our report thereon dated October 1, 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.

Internal Control Over Financial Reporting

Management of Bonita Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bonita 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 Bonita Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bonita Unified School District's internal control over financial reporting.

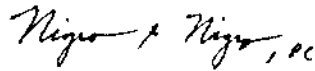
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measures "C" and "AB" General Obligation Bond Building Fund of 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*.

This report is intended solely for the information and use of the Measures "C" and "AB" Bond Oversight Committee, the District Governing Board, management, and the taxpayers of Bonita Unified School District and is not intended to be and should not be used by anyone other than the specified parties.



October 1, 2012



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, 2012, 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, 2011 to June 30, 2012. 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, 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. 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 \$7,133,279 in bond fund invoices paid, which is a combination of 2011-12 expenditures and payments on liabilities accrued as of June 30, 2012 and paid in 2012-13. 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 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

October 1, 2012