



Lake Tahoe Unified School District
1021 Al Tahoe Boulevard, South Lake Tahoe, CA 96150
Phone (530) 541-2850 • Fax (530) 541-5930
Web Site www.ltusd.org • E-mail info@ltusd.org
Web Site: <http://www.ltusd.org/bond.php>

CITIZENS' BOND OVERSIGHT COMMITTEE (CBOC)
MEETING AGENDA
WEDNESDAY, NOVEMBER 30, 2011 AT 6:00 P.M.
AT EDUCATION CENTER BOARD ROOM, 1021 AL TAHOE BLVD.

The Agenda Packet for this public meeting is available for review at the District Office Reception Area. All members of the public are invited to comment on any item on the agenda. The meeting location is accessible to people with disabilities. Every reasonable effort will be made to accommodate participation of the disabled in all of the District's public meetings. If particular accommodations for the disabled are needed (i.e., disability-related aids, or other services), please contact the Superintendent's Office at 541-2850 Ext. 225 least 24 hours in advance of the meeting. Public inspection of agenda documents that have been distributed to the Committee less than 72 hours before the meeting will be made available at the Education Center, 1021 Al Tahoe Boulevard (Government Code 54957.5). The Brown Act and Education Code delineate the circumstances under which a legislative body may meet in closed session.

- 1. Call to Order**
- 2. Pledge of Allegiance**
- 3. Introductions**
- 4. Approval of Agenda**
- 5. Communications From The Public**

This is the public's chance to speak on any item related to the Citizen's Bond Oversight Committee. Please fill out a YELLOW card and hand it to the Committee Chairperson. You will be called on during discussion and before any action is taken on the item. Please hold your comments to three (3) minutes or less. If there is more than one speaker on a single agenda item, the Committee Chairperson may limit the comments to less than three minutes.
- 6. Approval of Minutes August 31, 2011 Meeting**
- 7. Revise Quarterly Meeting Schedule for 2011/2012**

The April 4, 2012 meeting needs to be changed to accommodate approval of the annual audit report prior to March 31st in accordance with a new law regarding Prop. 39 bonds. The recommended new meeting date is Wednesday, March 28, 2012.
- 8. Review of Measure G Projects, Budgets and Expenditure Reports**

An update on the Measure G projects, budgets, expenditure reports, matching funds, and construction timelines will be presented by District staff and consultants.
- 9. Review Measure G Auditor's Draft Report for the year ended June 30, 2011**

Debra Yates will review the draft report, including financial statements, Independent Auditor's Report on Performance, and Schedule of Findings and Recommendations.
- 10. Next Meeting**

March 28, 2012 (upon approval by Committee).
- 11. Adjourn**



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CITIZENS' BOND OVERSIGHT COMMITTEE (CBOC)

REGULAR MEETING MINUTES

Wednesday, August 31, 2011 at 6:00 PM

CBOC Members Present: Dr. Patrick Martin, Kelly Lancellotti, Joy Curry, Rick Angelocci, Ginger Nicolay-Davis, and Jody Boles

CBOC Members Absent: David Kelly, Mike Berg, Casey Blann

LTUSD Staff Members Present: Debra Yates, Dr. James Tarwater, Angie Keil, Ivone Larson, Steve Morales, and Linda Jordan.

Consultants / Contractors Present: None.

Guests Present: None.

1. Call to Order

Dr. Patrick Martin called the meeting to order at 6:06 p.m.

2. Pledge of Allegiance

The Pledge of Allegiance was said.

3. Introductions

Debra Yates introduced Linda Jordan, who has been hired by LTUSD as the Bond Finance Project Manager. She said that the services of Premier Management Group will be phased out. Linda has been in the school business for 28 years; 15 of which have been in school construction. She has spent the past seven years at Black Oak Mine School District and has held the position of CFO twice. Ms. Yates said that money was a factor in the decision to hire a full time bond manager. When PMG was originally contracted, the charges were about \$8-10,000 monthly, but when it began to get to almost \$27,000/month it had to be reevaluated. Debra explained the bond reporting requirements and consultant, Curt Pollock's role.

Joy Curry informed the committee that Mike Berg is no longer at the Carpenters Union and that his email address has changed.

4. Approval of Agenda

Rick Angelocci made a motion to approve the agenda as submitted. Joy Curry seconded the motion. Unanimously approved.

5. Communications From The Public

There were no comments from the public.

6. Approval of Minutes of June 8, 2011

Joy curry made a motion to approve the minutes as submitted. Jody Boles seconded the motion. Unanimously approved.

7. Set Quarterly Meeting Schedule for 2011/12

The Committee reviewed the suggested dates and approved them. The 2011/12 meetings will be held on 11/30/11, 4/4/12, 6/20/12, and 9/19/12.

Citizens Bond Oversight Committee Minutes

August 31, 2011

Page Two

9. Review of Measure G Projects, Budgets and Expenditure Reports

Debra Yates reviewed the Budgets and Expenditure reports, saying that there was not much changed from the last report in June. \$4.3 million has been spent since then; mostly on construction costs for TADA, the Student Union, Blue & Gold Gyms and technology. Fees to PMG, LPA, and DSA accounted for more. The total revenue is estimated at \$97 million and Ms. Yates said that, if we meet all of our obligations, we might have \$3.37 million left. They don't spend for the sake of spending, but also don't want to have to give back any matching funds either. There is currently about \$2-3 million in the bank.

Dr. Tarwater said that things are looking good for the Sports Medicine Project. Prop 1D was approved by voters and if the legislature approves the State Controller to sell \$1.6 billion in bonds by November, we should get the \$2 million in matching funds. He explained that, because assessed values are down, it is not prudent to sell the remaining Measure G bonds right now, but we could do a BAN (Bond Anticipation Note) and then sell five years. This would keep construction moving and not lose the momentum. Dr. Tarwater said that there are a lot of reasons to do it to build early and save on construction costs. The cost of issuance for the BAN is the expense.

Rick Angelocci asked if there were many change orders throughout the construction process. Steve explained how the changes in scope were made to maximize the match for the CTE/ORG. He said that TADA should be within the GMP. However, about \$350,000 will have to be added to the GMP for the gyms because of what they found when they went in. This includes about \$100,000 for the addition of showers in the boys' and girls' locker rooms which were not in the original GMP.

A discussion was held regarding the use of local contractors such as Keith Kaczmar Painting, Kelly Moore Paints, Aspen Hollow, Elliott Construction, McGee Plumbing, Bill Higgenbotham, and Mary's Drapery. Steve Morales said that it becomes a problem when you need fifty stone masons or the skilled workers to install massive amounts of steel. Jody Boles asked about "prevailing wage". She said that some locals are "throwing all of their eggs in the high school and lose out on their regular customers". Steve Morales said that, for a local contractor, we retain 10% of their wage until the project is done. That's tough on small contractors.

10. Update on Viking Stadium Renovation Project

The project is not part of Measure G, but the Committee viewed the upgraded field from SV 107 and Dr. Tarwater briefly addressed the construction project.

11. Tour of (TADA) Tahoe Arts & Design Academy and the Performing Arts Bldg.

Bob Grant and Ivone Larson led the Committee on a tour of the TADA building, which officially opened on August 26th. They also received information on the new two-story sixth grade wing at STMS and the 20,000 square foot student union, which is a "Joint Use" project with the City. Matching funds of \$4 million have been received for that project. The Committee also took a quick tour of the Blue & Gold Gyms.

12. Next Meeting

Wednesday, November 30, 2011 at 6:00 p.m.

13. Adjourn

Dr. Martin adjourned the meeting at 7:53 p.m.

**LTUSD Measure G Revenue Expense Report
Citizen's Bond Oversight Committee Meeting
November 30, 2011**

	Revenue	Measure G Bond	State Funds	Interest Earned	Other Funds	Totals
1) Total Revenue Received as of 11/15/11	\$	47,738,253.40	\$ 27,121,206.00	\$ 232,326.50	\$ 1,279.12	\$ 75,093,065.02
2) Anticipated Measure G Bond Revenue	\$	16,761,746.60				\$ 16,761,746.60
3) Anticipated State Funds			\$ 6,536,000.00			\$ 6,536,000.00
Submitted & Approved	\$	2,206,000.00		Sports Medicine		
Submitted & Approved	\$	3,630,000.00		Bijou ORG		
Submittal Pending	\$	700,000.00		STMS Modernization		
4) Anticipated Interest	\$			\$ -		\$ -
					Total Revenue:	\$ 98,390,811.62

Project Number	Project	Original Measure G Budget	Revised Current Budget	Increase/Decrease	Paid or Encumbered to Date	Percent Committed	Uncommitted Project Balances
201	Transportation/Warehouse Base Program	\$ 2,112,384.00	\$ 2,112,384.00	\$ -		0.0%	\$ 2,112,384.00
301	Bijou Elementary School - Base Program	\$ 6,647,507.00	\$ 7,270,318.00	\$ 622,811.00	\$ 551,286.23	7.6%	\$ 6,719,031.77
			\$ (3,630,000.00)				
401	Environmental Magnet School Base Program	\$ 2,473,437.00	\$ 2,473,437.00	\$ -	\$ 315.58	0.0%	\$ 2,473,121.42
501	Sierra House Elementary School	\$ 100,000.00	\$ 131,474.00	\$ 31,474.00	\$ 131,473.63	100.0%	\$ 0.37
601	Tahoe Valley Elementary School	\$ 728,305.00	\$ 728,305.00	\$ -	\$ 107,624.04	14.8%	\$ 620,680.96
	South Tahoe Middle School						
702	South Tahoe Middle School - Classroom Building ¹	\$ 7,460,228.93	\$ 9,284,040.00	\$ 1,823,811.07	\$ 8,645,938.37	93.1%	\$ 638,101.63
	Less Matching State Funds ²	\$ -	\$ (4,642,020.00)	\$ (4,642,020.00)			
701	South Tahoe Middle School - Modernization	\$ 1,779,999.07	\$ 2,650,000.00	\$ 870,000.93	\$ 214,230.00	8.1%	\$ 2,435,770.00
	Less Estimated State Matching Funds	\$ -	\$ (700,000.00)	\$ (700,000.00)			
	Site Total:	\$ 9,240,228.00	\$ 6,592,020.00	\$ (2,648,208.00)	\$ 8,860,168.37		\$ 3,073,871.63
	South Tahoe High School						
801	South Tahoe High School - Stadium View/ORG ^{3,8}	\$ 14,753,106.00	\$ 16,249,098.00	\$ 1,495,992.00	\$ 16,161,796.51	99.5%	\$ 87,301.49
	Boiler Replacement	\$ 448,149.00					
	Less Matching State Funds ^{4,7}	\$ (5,045,363.00)	\$ (8,124,549.00)	\$ (3,079,186.00)			
802	South Tahoe High School - CTE Building/Entry ⁵	\$ 15,487,144.00	\$ 13,717,176.00	\$ (1,769,968.00)	\$ 13,511,154.60	98.5%	\$ 206,021.40
	Less Matching State Funds ⁶	\$ (5,980,000.00)	\$ (5,980,000.00)	\$ -			
803	South Tahoe High School-Sports Medicine	\$ -	\$ 4,412,000.00	\$ 4,412,000.00	\$ 260,923.42	5.9%	\$ 4,151,076.58
	Less Matching State Funds	\$ -	\$ (2,206,000.00)	\$ (2,206,000.00)			
804	South Tahoe High School - Media/Design Arts	\$ 8,224,418.00	\$ 9,376,740.00	\$ 1,152,322.00	\$ 9,214,627.29	98.3%	\$ 162,112.71
	Less Matching State Funds	\$ (3,000,000.00)	\$ (3,000,000.00)	\$ -			
805	South Tahoe High School - Performing Arts	\$ 6,989,724.00	\$ 7,900,530.00	\$ 910,806.00	\$ 6,783,511.52	85.9%	\$ 1,117,018.48
	Less Matching State Funds	\$ (1,374,637.00)	\$ (1,374,637.00)	\$ -			
806	South Tahoe High School - Blue & Gold Gym Mod	\$ 4,541,023.00	\$ 4,546,050.00	\$ 5,027.00	\$ 4,418,680.66	97.2%	\$ 127,369.34
807	South Tahoe High School - Student Union/Mall	\$ 3,574,978.00	\$ 9,500,000.00	\$ 5,925,022.00	\$ 8,888,159.18	93.6%	\$ 611,840.82
	Less Matching State Funds	\$ -	\$ (4,000,000.00)	\$ (4,000,000.00)			
808	South Tahoe High School - Classroom Technology	\$ 1,206,084.00	\$ 1,206,084.00	\$ -	\$ -	0.0%	\$ 1,206,084.00
809	South Tahoe High School - Building B Modernization	\$ 227,500.00	\$ 237,500.00	\$ 10,000.00	\$ -	0.0%	\$ 237,500.00
	Other Base Program Scope - Site Utilities	\$ 204,291.00	\$ 397,889.00	\$ 193,598.00	\$ -	0.0%	\$ 397,889.00
	Site Total:	\$ 40,256,417.00	\$ 42,857,881.00	\$ 3,049,613.00	\$ 59,238,853.18		\$ 8,304,213.82
900	Program Bond Administration (4.5%)	\$ 2,941,722.00	\$ 2,941,722.00	\$ -	\$ 1,486,481.11	50.5%	\$ 1,455,240.89
	Measure G Fund Total:	\$ 64,500,000.00	\$ 61,477,541.00	\$ (3,022,459.00)			
	Measure G plus State Funds Total:	\$ 79,900,000.00	\$ 95,134,747.00	\$ 15,234,747.00	\$ 70,376,202.14	74.0%	\$ 24,758,544.86

Summary	Current Program Budget:	\$ 95,134,747.00
	Current Anticipated Revenue:	\$ 98,390,811.62
	Current Budget Remaining ⁹ :	\$ 3,256,064.62

**Please note: Project Budgets include all soft costs in addition to actual construction costs, including Architect Fees, Program Administration, Bond Sales, Equipment, Etc.*

Notes:

STMS Modernization - Revised Current Budget includes increase for LPA master plan

STHS Blue & Gold Gym Modernization - Revised Current Budget does not include additional \$700,000 proposed scope of work

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

JOHN L. GOODELL, CPA
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RICHARD J. GOODELL, CPA
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November 22, 2011

via email: dyates@ltusd.org

Debra Yates
Chief Financial Officer
Lake Tahoe Unified School District
1021 Al Tahoe Blvd.
South Lake Tahoe, CA 96150

Dear Debra:

Following is a draft copy of your June 30, 2011 Financial and Performance Audit Report. Please call to discuss the report.

If you have any questions, please don't hesitate to call our office.

Very truly yours,

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP



John L. Goodell
Certified Public Accountant

JLG:jn ✓

Attachment

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MEASURE G
BOND BUILDING FUND OF LAKE TAHOE UNIFIED
SCHOOL DISTRICT

COUNTY OF EL DORADO
SOUTH LAKE TAHOE, CALIFORNIA

AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2011

MEASURES G BOND BUILDING FUND OF
LAKE TAHOE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2011

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MEASURES G BOND BUILDING FUND OF
LAKE TAHOE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
INTRODUCTION
JUNE 30, 2011

Draft Copy

Lake Tahoe Unified School District (the "District") consists of six schools, which include four elementary schools (K-5), one middle school and one high school. The District also offered the following programs: Mount Tallac Continuation, a Transitional Learning Center, Independent Learning Academy and Central Sierra ROP.

On November 5, 2008, the voters of the Lake Tahoe Unified School District approved, by more than 55%, Measure G, authorizing the issuance and sale of general obligation bonds in an aggregate principal amount not to exceed \$64,500,000. During the 2008-2009 fiscal year, the District approved the sale of \$29,996,058 of general obligation bonds. During 2009-2010, the District sold its second series of bonds under this authorization in an aggregate principal amount of \$17,742,196.

The total outstanding bond indebtedness as of June 30, 2011 is \$47,738,254 plus \$2,865,868 in accreted interest.

Measure G bonds are Proposition 39 bonds, issued by the Lake Tahoe Unified School District. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Upon the passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond proposition pursuant to the 55% majority authorized in Proposition 39 including the formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education and
Measure G Citizen's Bond Oversight Committee
Lake Tahoe Unified School District
South Lake Tahoe, California

We have audited the accompanying balance sheet of the Measure G Bond Building Fund of Lake Tahoe Unified School District (the "District") as of June 30, 2011 and the related statement of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present the financial activity for Measure G reported in the District's 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 Measure G Bond Building Fund of Lake Tahoe Unified School District as of June 30, 2011, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated TBD on our consideration of the Measure G Bond Building Fund of Lake Tahoe Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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.

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

TBD

MEASURE G BOND BUILDING FUND OF
LAKE TAHOE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
JUNE 30, 2011

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ASSETS

Cash in County Treasury (Note 2)	\$ 19,379,854
Accounts Receivable	108
Due From Other Funds (Note 4)	<u>1,414</u>
Total Assets	<u>\$ 19,381,376</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts Payable	<u>\$ 22,811</u>
Total Liabilities	<u>22,811</u>
Fund Balance	
Assigned for Measure G Bond Project Costs	<u>19,358,565</u>
Total Liabilities and Fund Balance	<u>\$ 19,381,376</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MEASURE G BOND BUILDING FUND OF
LAKE TAHOE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

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REVENUES

Other Local Revenues	\$ 1,279
Interest Earnings	72,273

Total Revenues	<u>73,552</u>
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EXPENDITURES

Supplies and Materials	453,540
Contract Services	293,727
Capital Outlay	6,996,948

Total Expenditures	<u>7,744,215</u>
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Excess of Revenues Over (Under) Expenditures	<u>(7,670,663)</u>
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Fund Balance, July 1, 2010	<u>27,029,228</u>
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Fund Balance, June 30, 2011	<u><u>\$ 19,358,565</u></u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MEASURE G BOND BUILDING FUND OF
LAKE TAHOE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 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 (AICPA).

A. Reporting Entity

The Lake Tahoe Unified School District is located in South Lake Tahoe, California in El Dorado County. The District operates six schools which includes four elementary schools (K-5), one middle school (6-8) and one high school (9-12). The District also offers the following programs: Mount Tallac Continuation, a Transitional Learning Center, Independent Learning Academy and Central Sierra Regional Occupational Program.

On November 5, 2008, the voters of the District authorized the issuance and sale of general obligation bonds (Measure G) not to exceed \$64,500,000.

As described in Note 5, bonds were issued in 2008-2009 and 2009-2010 to provide safe, secure local schools by replacing outdated portables, electrical, emergency and lighting systems, aging plumbing/restrooms; improving classrooms, technology and elementary school libraries; creating new career and technology education classrooms; upgrading physical education and athletic facilities; and qualifying for \$15.4 million in state matching funds.

An advisory committee to the District's Governing Board and Superintendent, called the Measure G Citizens' Bond Oversight Committee was established. The Committee's oversight goals include: advising on bond construction priorities, reviewing school bond construction plans, reviewing project plans and budgets, and ensuring compliance with the conditions of Measure G.

The statements presented are for the individual Measure G Bond Building Fund and are not intended to be a complete presentation of the District's financial position on operations.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

MEASURE G BOND BUILDING FUND OF
LAKE TAHOE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Concluded)

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

MEASURE G BOND BUILDING FUND OF
LAKE TAHOE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final 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 Board of Trustees 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 at June 30.

E. Assets, Liabilities and Equity

1. Deposits and Investments

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

MEASURE G BOND BUILDING FUND OF
LAKE TAHOE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Equity (Concluded)

1. Deposits and Investments

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

Deposits and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

F. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

MEASURE G BOND BUILDING FUND OF
LAKE TAHOE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

G. Implementation of New Accounting Standard

The District changed policies related to components of fund balance by adopting statements of Governmental Accounting Standards (GASB Statement) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2010-2011.

NOTE 2 - CASH AND INVESTMENTS

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash with the County Treasury as part of the common investment pool, (\$19,379,854 as of June 30, 2011). The fair market value of this pool as of that date, as provided by the pool sponsor, was \$19,407,405. The county is restricted by Government code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organization (NRSRO's).

At June 30, 2011 the District credit risks are as follows:

<u>Credit Quality Distributions for Securities with Credit Exposure</u>		
<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>S & P's Rating</u>
Cash in County Treasury	Not Rated	Not Rated

At June 30, 2011 the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 3</u>
Cash in County Treasury	\$ 19,407,405	\$ 17,321,109	\$ 1,626,341	\$ 459,955

MEASURE G BOND BUILDING FUND OF
 LAKE TAHOE UNIFIED SCHOOL DISTRICT
 AUDIT REPORT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

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NOTE 3 - CAPITAL PROJECTS

All expenditures for capital projects are capitalized in the Statement of Net Assets in the Entity-Wide financial statements of the District. Expenditures are not capitalized in the individual funds of the District. Expenditures shown as capital projects in these financial statements consist of:

Construction	\$3,928,372
Equipment	1,097,532
Architect/Engineering Fees	1,041,140
Other Costs - Building/Construction	701,962
Professional/Consulting Services	293,727
Hazardous Waste Removal	197,968
Inspection	196,546
Construction Tests	172,161
Site Support Costs	51,383
DSA and SDE Plan Check Fees	37,330
Interim Housing	18,046
Demolition	4,098
Survey Costs	<u>3,950</u>
 Total Capital Projects	 <u>\$7,744,215</u>

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable balances at June 30, 2011 are as follows:

	Interfund Receivables
General Fund	\$ <u><u>1,414</u></u>

MEASURE G BOND BUILDING FUND OF
 LAKE TAHOE UNIFIED SCHOOL DISTRICT
 AUDIT REPORT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

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NOTE 5 - MEASURE G GENERAL OBLIGATION BONDS

On November 5, 2008, the voters of the Lake Tahoe Unified School District approved, by more than 55%, Measure M, authorizing the issuance and sale of general obligation bonds in an aggregate principal amount not to exceed \$64,500,000. During the 2008-2009 fiscal year, the District approved the sale of \$29,996,058 of general obligation bonds. During 2009-2010, the District sold its second series of bonds under this authorization in an aggregate principal amount of \$17,742,196. The total outstanding bond indebtedness as of June 30, 2011 is \$47,738,254 plus \$2,865,868 in accreted interest.

The outstanding Measure G general obligation bonded debt at June 30, 2011 is:

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2010	Accreted Interest Accrual	Outstanding June 30, 2011
2009	4.25-5.14	2025	\$ 24,140,000	\$ 24,140,000		\$ 24,140,000
2009	7.375-7.625	2033	5,856,058	6,674,853	\$ 499,111	7,173,964
2010	0.74-5.04	2045	3,855,000	3,855,000		3,855,000
2010	5.18-6.32	2034	13,887,196	13,887,196	1,547,962	15,435,158
Totals			<u>\$ 47,738,254</u>	<u>\$ 48,557,049</u>	<u>\$ 2,047,073</u>	<u>\$ 50,604,122</u>

Repayment of the bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be recorded in a separate Bond Interest and Redemption Fund. The required debt service payments on the bonds will be disbursed from the Bond Interest and Redemption Fund as well. This Bond and Redemption Fund maintained by the El Dorado County Controller's Office and recorded in the District's Debt Service funds is not included in these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

MEASURE G BOND BUILDING FUND OF
LAKE TAHOE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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NOTE 5 - MEASURE G GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2011, are as follows:

Year Ended June 30	Principal	Interest	Total
2012	\$ 342,878	\$ 1,452,485	\$ 1,795,363
2013	385,597	1,483,816	1,869,413
2014	413,529	1,529,834	1,943,363
2015	470,111	1,571,901	2,042,012
2016	528,280	1,615,732	2,144,012
2017-2021	4,159,209	8,229,348	12,388,557
2022-2026	10,167,361	5,477,458	15,644,819
2027-2031	13,830,174	6,100,926	19,931,100
2032-2036	4,287,194	23,221,470	27,508,664
2037-2041	18,180,000	14,271,288	32,451,288
2042-2046	35,070,000	5,986,603	41,056,603
Totals	\$ 87,834,333	\$ 70,940,861	\$ 158,775,194

NOTE 6 - CONSTRUCTION COMMITMENTS

As of June 30, 2011, the Measure G Bond Building Fund had \$ [REDACTED] in contracts for construction of new classrooms, roof repairs and land improvements that remain encumbered and not yet paid.

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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

Board of Education and
Measure G Citizen's Bond Oversight Committee
Lake Tahoe Unified School District
South Lake Tahoe, California

We have audited the financial statements of the Lake Tahoe Unified School District as of and for the year ended June 30, 2011, and have issued our report thereon dated TBD. 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

In planning and performing our audit, we considered Lake Tahoe 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 Lake Tahoe Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Tahoe 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 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.

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Board of Education and
Measure G Citizen's Bond Oversight Committee
Lake Tahoe Unified School District

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 Measure G Bond Building Fund of Lake Tahoe 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 internal control 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 Measure G Citizen's Oversight Committee, District Board, management and the taxpayers of Lake Tahoe Unified School District and is not intended to be and should not be used by anyone other than these specified parties.

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Board of Education and
Measure G Citizen's Bond Oversight Committee
Lake Tahoe Unified School District
South Lake Tahoe, California

We have audited the financial statements of the Measure G Bond Building Fund of the Lake Tahoe Unified School District (the "District") as of and for the year ended June 30, 2011 and have issued our report thereon dated TBD. Our audit was made in accordance with generally accepted standards in the United States of America 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 Proposition 39 Measure G General Obligation Bonds for the year ended June 30, 2011. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds of the sale of Measure G Bonds were only used for the purposes set forth in the ballot measures and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measures, 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 verified the bond proceeds were deposited in the District's name and invested in accordance with applicable legal requirements.
2. We sampled two contracts and verified compliance with the Public Contract Code bid requirements, Board approvals, invoices paid were within the contract terms and change orders were approved.

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Board of Education and
Measures G Citizen's Bond Oversight Committee
Lake Tahoe Unified School District
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3. We tested approximately \$7.1 million in bond fund invoices paid. This equates to testing 19 separate payments for validity, allowability and accuracy. Expenditures sampled in our test included payments made to contractors and other vendors.
4. We inspected Citizens' Bond Oversight Committees meeting minutes to ensure compliance with the Brown Act.
5. We verified District appointed members to the Citizens' Bond Oversight Committees which fulfilled all applicable required criteria.

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

In our opinion, the District complied with the compliance requirements for Measure G Bond proceeds listed and tested above.

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

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

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MEASURE G BOND BUILDING FUND OF
LAKE TAHOE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

As stated in our *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*, our tests resulted in no findings and recommendations related to the financial audits of the Measure G Bond Building Fund for the year ended June 30, 2011.

As stated in our *Independent Auditor's Report on Performance*, our tests resulted in no findings and recommendations related to the financial and performance audits of the Measure G Bond Building Fund for the year ended June 30, 2011.