

MEASURE G  
BOND BUILDING FUND OF LAKE TAHOE UNIFIED  
SCHOOL DISTRICT

COUNTY OF EL DORADO  
SOUTH LAKE TAHOE, CALIFORNIA

AUDIT REPORT  
FOR THE SIXTEEN MONTHS ENDED  
JUNE 30, 2010

MEASURES G BOND BUILDING FUND OF  
LAKE TAHOE UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
JUNE 30, 2010

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TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL STATEMENTS</u>	
Introduction	1
Independent Auditors' Report	2
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Notes to the Financial Statements	6
<u>OTHER AUDITORS' REPORTS</u>	
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>	14
Independent Auditors' Report on Performance	16
Schedule of Findings and Recommendations	18

MEASURES G BOND BUILDING FUND OF  
LAKE TAHOE UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
INTRODUCTION  
JUNE 30, 2010

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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, 2010 is \$47,738,254 plus \$818,795 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.

GOODELL,  
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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, 2010 and the related statement of revenues, expenditures and changes in fund balance for the sixteen months 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, 2010, and the results of its operations for the sixteen months then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2011 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

February 3, 2011

MEASURE G BOND BUILDING FUND OF  
LAKE TAHOE UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
JUNE 30, 2010

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ASSETS

Cash in County Treasury (Note 2) \$ 27,714,162

Total Assets \$ 27,714,162

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable \$ 684,934

Total Liabilities 684,934

Fund Balance

Reserved for Capital Projects 27,029,228

Total Liabilities and Fund Balance \$ 27,714,162

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, 2010

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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.

MEASURE G BOND BUILDING FUND OF  
LAKE TAHOE UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

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NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Concluded)

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.

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.



MEASURE G BOND BUILDING FUND OF  
LAKE TAHOE UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

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NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

*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.

MEASURE G BOND BUILDING FUND OF  
LAKE TAHOE UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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.

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, (\$27,714,162 as of June 30, 2010). The fair market value of this pool as of that date, as provided by the pool sponsor, was \$27,740,270. 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, 2010 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 &amp; P's Rating</u>
Cash in County Treasury	Not Rated	Not Rated

At June 30, 2010 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>
Cash in County Treasury	<u>\$ 27,740,270</u>	<u>\$ 24,479,006</u>	<u>\$ 3,261,264</u>

MEASURE G BOND BUILDING FUND OF  
LAKE TAHOE UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

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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:

Professional/Consulting Services	\$ 292,668
Survey Costs	58,149
Site Support Costs	162,169
Architect/Engineering Fees	3,495,629
DSA and SDE Plan Check Fees	372,000
Other Costs - Building/Construction	528,213
Construction Tests	395,303
Construction	14,407,101
Equipment	677,721
Interim Housing	5,425
Hazardous Waste Removal	169,383
Inspection	<u>257,091</u>
 Total Capital Projects	 <u>\$20,820,852</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 Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the sixteen months ended June 30, 2010 were as follows:

Transfer from Building Fund to the Special Reserve Fund for  
Capital Outlay Projects for reimbursement of Measure G facilities  
expense.

\$516,542

MEASURE G BOND BUILDING FUND OF  
LAKE TAHOE UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

**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, 2010 is \$47,738,254 plus \$818,795 in accreted interest.

The outstanding Measure G general obligation bonded debt at June 30, 2010 is:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Issued Currently</u>	<u>Accreted Interest Accrual</u>	<u>Outstanding June 30, 2010</u>
2009	4.25-5.14	2025	\$ 24,140,000	\$ 24,140,000		\$ 24,140,000
2009	7.375-7.625	2033	5,856,058	5,856,058	\$ 818,795	6,674,853
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		13,887,196
<b>Totals</b>			<u>\$ 47,738,254</u>	<u>\$ 47,738,254</u>	<u>\$ 818,795</u>	<u>\$ 48,557,049</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, 2010

**NOTE 5 - MEASURE G GENERAL OBLIGATION BONDS (CONCLUDED)**

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30	Principal	Accumulated Accreted Interest	Interest	Total
2011			\$ 1,347,574	\$ 1,347,574
2012	\$ 342,878	\$ 47,478	1,452,485	1,842,841
2013	385,597	49,299	1,483,816	1,918,712
2014	413,529	53,707	1,529,834	1,997,070
2015	470,111	54,902	1,571,901	2,096,914
2016-2020	3,287,489	282,988	8,538,074	12,108,551
2021-2025	9,052,164		5,867,498	14,919,662
2026-2030	15,477,652		3,424,360	18,902,012
2031-2035	16,183,834	330,421	55,142,416	71,656,671
2036-2040			531,250	531,250
2041-2045			531,250	531,250
2046	2,125,000		53,125	2,178,125
Totals	<u>\$ 47,738,254</u>	<u>\$ 818,795</u>	<u>\$ 81,473,583</u>	<u>\$ 130,030,632</u>

**NOTE 6 - CONSTRUCTION COMMITMENTS**

As of June 30, 2010, the Measure G Bond Building Fund had \$23,859,211 in contracts for construction of new classrooms, roof repairs and land improvements that remain encumbered and not yet paid.

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C E R T I F I E D  
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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 sixteen months ended June 30, 2010, and have issued our report thereon dated February 3, 2011. 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.

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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

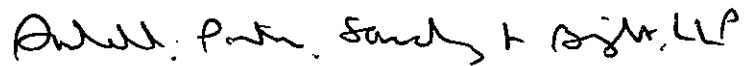
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2010-1 to be a material weakness.

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*.

Lake Tahoe Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Lake Tahoe Unified School District's responses and, accordingly, we express no opinion on them.

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

February 3, 2011

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

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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 sixteen months ended June 30, 2010 and have issued our report thereon dated February 3, 2011. 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 sixteen months ended June 30, 2010. 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.



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

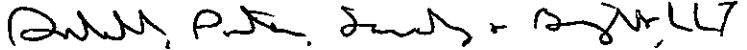
To meet our objectives, audit tests were performed and included, but were not limited to the following:

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.
3. We tested approximately \$1.6 million in bond fund invoices paid. This equates to testing 17 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

February 3, 2011

MEASURE G BOND BUILDING FUND OF  
LAKE TAHOE UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010

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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 sixteen months ended June 30, 2010.

2010 - 1 - CASH DISBURSEMENTS - PURCHASE ORDERS - 30000

Specific Requirement That Was Not Complied With: District internal control policies for purchases of services and supplies require the use of purchase orders as a managerial tool to document approval and encumbrance of District expenditures.

Finding: As described in an audit finding in 2008-2009, the District continues to process payments without a properly approved purchase order, completed in advance of the purchase. Several purchases by the maintenance department were not supported by a purchase order or were supported by a confirming purchase order (dated after vendor invoice).

Effect: Lack of adherence to the District's policies requiring purchase orders and proper authorization, limits management control over expenditures. Risk is increased that an error or impropriety such as fraud could occur and not be detected.

Recommendation: To improve controls over District expenditures and reduce the risk of an improper payment, we recommend the District communicate to employees the requirement to create a complete purchase order in advance of all purchases. A confirming purchase order should only be expected for isolated, emergency purposes.

District Response: The Chief Financial Officer will send written communication to all administrators outlining board policy that requires all staff to obtain purchase orders prior to securing services or merchandise. Additionally, the District has begun sending letters directly to vendors who provided services without a purchase order and notifying them of the need to receive a purchase order number prior to delivery of products.