

**SANTEE SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS,  
ELECTION 2006**

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**FINANCIAL AND PERFORMANCE AUDITS**

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**JUNE 30, 2012**

**SANTEE SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS,  
ELECTION 2006**

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**FINANCIAL AUDIT**

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**JUNE 30, 2012**

**SANTEE SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS ELECTION 2006  
BUILDING FUND**

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JUNE 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

Governing Board and Citizens' Oversight Committee  
Santee School District  
Santee, California

We have audited the accompanying financial statements of the Santee School District (the District), Building Fund (General Obligation Bonds, Election 2006), as of and for the year ended June 30, 2012, as listed in the table of contents. 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 only the Building Fund specific to General Obligation Bonds, Election 2006, and are not intended to present fairly the financial position and results of operations of Santee School District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Building Fund (General Obligation Bonds, Election 2006) of the Santee School District at June 30, 2012, and the results of its operations for the year 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 December 17, 2012, on our consideration of the District Building Fund's (General Obligation Bonds, Election 2006) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statement that comprises the District's Building Fund (General Obligation Bonds, Election 2006). The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the District's Building Fund (General Obligation Bonds, Election 2006) financial statements. Such information has been subjected to the auditing procedures applied in the audit of the District's Building Fund (General Obligation Bonds, Election 2006) financial statements and, in our opinion is fairly stated in all material respects in relation to the District's Building Fund (General Obligation Bonds, Election 2006) financial statements taken as a whole.

*Vavrinek, Trine, Day & Co., LLP*

Rancho Cucamonga, California

December 17, 2012

**SANTEE SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS ELECTION 2006  
BUILDING FUND**

**BALANCE SHEET  
JUNE 30, 2012**

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**ASSETS**

Deposits and investments	\$ 5,642,733
Accounts receivable	5,135
Due from County School Facilities Fund	23
Total Assets	<u>\$ 5,647,891</u>

**FUND BALANCE**

**Liabilities:**

Accounts payable	\$ 439,600
Due to General Fund	4,524
Total Liabilities	<u>444,124</u>

**Fund Balance:**

Unassigned	<u>5,203,767</u>
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Total Liabilities and Fund Balance	<u>\$ 5,647,891</u>
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The accompanying notes are an integral part of these financial statements.

**SANTEE SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS ELECTION 2006  
BUILDING FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2012**

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**REVENUES**

Bond interest \$ 54,814

**EXPENDITURES**

Facilities acquisition and construction 24,056,427

**EXCESS OF EXPENDITURES OVER REVENUES** (24,001,613)

**OTHER FINANCING SOURCES**

Transfers in 2,379,348

Bond proceeds 850

Total Other Financing Sources 2,380,198

**EXCESS OF EXPENDITURES OVER REVENUES** (21,621,415)

**FUND BALANCE, BEGINNING OF YEAR** 26,825,182

**FUND BALANCE, END OF YEAR** \$ 5,203,767

The accompanying notes are an integral part of these financial statements.

**SANTEE SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS ELECTION 2006  
BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of the Santee School District (the District) bond funds 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. The Santee School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

**Financial Reporting Entity**

The audited financial statements include only the Election 2006 portion of the Building Fund of the Santee School District that was established to account for the expenditures of the general obligation bonds issued in April 2007, August 2008, and May 2011. These financial statements are not intended to present fairly the financial position and the changes in financial position of the Santee School District in compliance with accounting principles generally accepted in the United States of America.

**Fund Accounting**

The operations of the Election 2006 portion of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses 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.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on long-term obligations, which is recognized when due.

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's Governing Board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.



**SANTEE SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS ELECTION 2006  
BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

**Fund Balance Reserves and Designations**

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period. The Bonds had no reserves or designations at June 30, 2012.

**Fund Balance - Governmental Funds**

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Property Tax**

Secured property taxes attach an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District. The District recognizes tax revenues when received.

**Use of Estimates**

The preparation of 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 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.

**SANTEE SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS ELECTION 2006  
BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**NOTE 2 - INVESTMENTS**

**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instrument; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

**Investment in County Treasury**

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in County Treasury	<u>\$ 5,641,368</u>
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**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
San Diego County Investment Pool	N/A	None	None

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains a building fund investment of \$5,641,368 with the San Diego County Investment Pool. The fair value of this investment is approximately \$5,643,060 with an average maturity of 370 days.

**SANTEE SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS ELECTION 2006  
BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2012, consist of the following:

Interest	<u>\$ 5,135</u>
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**NOTE 4 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2012, consisted of the following:

Vendor payables	<u>\$ 439,600</u>
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**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2012, are as follows:

<u>Due To</u>	<u>Building Fund</u>
General Fund	<u>\$ 4,524</u>

**NOTE 6 - FUND BALANCE**

Fund balance is composed of the following element:

Fund Balance Unassigned	<u>\$ 5,203,767</u>
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**SANTEE SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS ELECTION 2006  
BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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***NOTE 7 - COMMITMENTS AND CONTINGENCIES***

As of June 30, 2012, the Building Fund had the following commitments as defined by the bond documents:

Upgrade and Major Repair of Existing Facilities

Cajon Park  
Carlton Hills  
Carlton Oaks  
Cherit Harrit  
Hill Creek  
Pepper Drive  
Prospect Avenue  
Rio Seco  
Sycamore Canyon

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***SUPPLEMENTARY INFORMATION***

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**SANTEE SCHOOL DISTRICT  
BUILDING FUND GENERAL OBLIGATION BONDS,  
ELECTION 2006**

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2012**

**Summary**

A schedule of changes in long-term obligations for the year ended June 30, 2012, is shown below:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds	\$46,184,236	\$ 1,173,507	\$ 220,000	\$47,137,743	\$ 270,648
Premium on bonds	1,508,402	-	59,066	1,449,336	-
	<u>\$47,692,638</u>	<u>\$ 1,173,507</u>	<u>\$ 279,066</u>	<u>\$48,587,079</u>	<u>\$ 270,648</u>

**General Obligation Bonds**

The general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding June 30, 2012
				July 1, 2011	Accretion	Redeemed	
April-07	August-31	3.50-5.00%	\$ 18,000,000	\$ 17,565,000	\$ -	\$ -	\$ 17,565,000
August-08	August-48	4.00-5.00%	12,385,077	12,386,335	111,437	190,000	12,307,772
August-08	August-33	3.01-5.90%	2,869,039	3,352,779	187,567	30,000	3,510,346
August-08	August-48	5.90-6.20%	7,840,155	9,296,706	575,690	-	9,872,396
May-11	May-51	6.90-8.10%	3,534,307	3,583,416	298,813	-	3,882,229
				<u>\$ 46,184,236</u>	<u>\$ 1,173,507</u>	<u>\$ 220,000</u>	<u>\$ 47,137,743</u>

**2006 General Obligation Bonds**

In November 2006, the qualified electorate of the Santee School District approved the issuance and sale of General Obligation Bonds of \$60,000,000. The first issuance of Current Interest Bonds Series A in the amount of \$18,000,000 occurred in April 2007. The proceeds were used to finance the addition and modernization of school facilities. Taxes are collected by the San Diego County Tax Assessor for payment of principal and interest. The bonds mature each August 1 through August 2031, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2008. At June 30, 2012, the principal balance outstanding was \$17,565,000.

**2008 Series B, General Obligation Bonds**

In August 2008, the District issued \$1,145,077 of Capital Appreciation Bonds Series B and \$11,240,000 of Current Interest Bonds Series B. The proceeds were used to finance the addition and modernization of school facilities. Taxes are collected by the San Diego County Tax Assessor for payment of principal and interest. The bonds mature each August 1 through August 2048, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2009. At June 30, 2012, the principal balance outstanding was \$12,307,772.

**SANTEE SCHOOL DISTRICT  
BUILDING FUND GENERAL OBLIGATION BONDS,  
ELECTION 2006**

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2012**

**2008 Series C, General Obligation Bonds**

In August 2008, the District issued \$2,869,039 of Capital Appreciation Bonds Series C. The proceeds were used to finance the addition and modernization of school facilities. Taxes are collected by the San Diego County Tax Assessor for payment of principal and interest. The bonds mature each August 1 through August 2033, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2009. At June 30, 2012, the principal balance outstanding was \$3,510,346.

**2008 Series D, General Obligation Bonds**

In August 2008, the District issued \$7,840,155 of Capital Appreciation Bonds Series D. The proceeds were used to finance the addition and modernization of school facilities. Taxes are collected by the San Diego County Tax Assessor for payment of principal and interest. The bonds mature each August 1 through August 2048, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2009. At June 30, 2012, the principal balance outstanding was \$9,872,396.

**2011 Series E, General Obligation Bonds**

In May 2011, the District issued \$3,534,307 of Capital Appreciation Bonds Series E. The proceeds were used to finance the addition and modernization of school facilities. Taxes are collected by the San Diego County Tax Assessor for payment of principal and interest. The bonds mature each August 1 through August 2046, with the final maturity payment being made on May 1, 2051. At June 30, 2012, the principal balance outstanding was \$3,882,229.

The General Obligation Bonds, Series A, B, C, D, and E, mature through 2051 as follows:

Fiscal Year	Principal	Interest to Maturity	Principal Accretion	Total
2013	\$ 270,648	\$ 1,388,181	\$ 1,230,744	\$ 2,889,573
2014	316,034	1,385,981	1,288,481	2,990,495
2015	368,055	1,381,781	1,347,861	3,097,696
2016	441,306	1,375,380	1,414,259	3,230,945
2017	507,340	1,366,480	1,485,042	3,358,862
2018-2022	3,936,434	6,576,936	8,686,375	19,199,745
2023-2027	6,981,072	5,577,094	11,734,305	24,292,472
2028-2032	11,392,373	3,527,312	15,904,180	30,823,865
2033-2037	3,436,654	1,868,750	19,561,844	24,867,248
2038-2042	6,992,647	1,365,000	20,646,984	29,004,631
2043-2047	7,041,568	721,375	20,411,234	28,174,178
2048-2051	5,453,612	69,625	13,995,948	19,519,184
Total	<u>\$ 47,137,743</u>	<u>\$ 26,603,895</u>	<u>\$ 117,707,257</u>	<u>\$ 191,448,895</u>

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***INDEPENDENT AUDITORS' REPORT***

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**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***

Governing Board and  
Citizens Oversight Committee  
Santee School District  
Santee, California

We have audited the accompanying financial statements of the Santee School District (the District) Building Fund (General Obligation Bonds, Election 2006), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 17, 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**

The management of Santee School District is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered Santee 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 Santee School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Santee 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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 Santee School District's Building Fund (General Obligation Bonds, Election 2006) 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 governing board, management, and the Bond Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinek, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
December 17, 2012

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**SANTEE SCHOOL DISTRICT  
BUILDING FUND GENERAL OBLIGATION BONDS,  
ELECTION 2006**

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2012**

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None reported.

**SANTEE SCHOOL DISTRICT  
BUILDING FUND GENERAL OBLIGATION BONDS,  
ELECTION 2006**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

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None reported.

**SANTEE SCHOOL DISTRICT**

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**GENERAL OBLIGATION BONDS,  
ELECTION 2006  
PERFORMANCE AUDIT**

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**JUNE 30, 2012**

**SANTEE SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS, ELECTION 2006**

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## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board and  
Citizens' Oversight Committee  
Santee School District  
Santee, California

We were engaged to conduct a performance audit of the Santee School District (the District), General Obligation Bonds, Election 2006 funds for the year ended June 30, 2012.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended General Obligation Bonds, Election 2006 funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

*Vavrinek, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
December 17, 2012



**SANTEE SCHOOL DISTRICT  
BUILDING FUND GENERAL OBLIGATION BONDS,  
ELECTION 2006**

**JUNE 30, 2012**

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***AUTHORITY FOR ISSUANCE***

The General Obligation Bonds, Election 2006 bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County pursuant to a request of the District made by a resolution adopted by the Board of Education of the District in November 2006.

The District received authorization at an election held on November 7, 2006, to issue bonds of the District in an aggregate principal amount not to exceed \$60,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2006 Authorization).

***PURPOSE OF ISSUANCE***

The net proceeds of the bonds and any other series of general obligation bonds issued under the Authorization will be used for the purpose specified in the District bond proposition submitted at the Election, which include the repair and replacement of lighting and electrical systems, heating, air and ventilation systems, flooring, roofs, windows, wall systems, plumbing, painting, fixtures, communication, bell and fire alarm systems, security systems, fencing, site improvements, walkways, parking lots, landscaping, athletic facilities, and handicap accessibility improvements.

***AUTHORITY FOR THE AUDIT***

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizens' oversight committee.

**SANTEE SCHOOL DISTRICT  
BUILDING FUND GENERAL OBLIGATION BONDS,  
ELECTION 2006**

**JUNE 30, 2012**

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4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

***OBJECTIVES OF THE AUDIT***

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of General Obligation Bonds, Election 2006.
2. Determine whether salary transactions, charged to the Building Fund were in support of General Obligation Bonds, Election 2006 and not for District general administration or operations.

***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2011 to June 30, 2012. The population of 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 proceeds of the bonds, were not included within the scope of the 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 (General Obligation Bonds, Election 2006). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and General Obligation Bonds, Election 2006 as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2011 and ending June 30, 2012, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included 65 transactions totaling \$20,779,935. This represents 86 percent of the total expenditures of \$24,056,427, including expenditures related to transferred funds.
3. We verified that funds from the Building Fund (General Obligation Bonds, Election 2006) were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

**SANTEE SCHOOL DISTRICT  
BUILDING FUND GENERAL OBLIGATION BONDS,  
ELECTION 2006**

**JUNE 30, 2012**

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***CONCLUSION***

The results of our tests indicated that, in all significant respects, the Santee School District has properly accounted for the expenditures held in the Building Fund (General Obligation Bonds, Election 2006) and that such expenditures were made for authorized bond projects.

**SANTEE SCHOOL DISTRICT  
BUILDING FUND GENERAL OBLIGATION BONDS,  
ELECTION 2006**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012**

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There were no findings reported for the year ended June 30, 2012.