

SANTEE SCHOOL DISTRICT

**2006 GENERAL OBLIGATION BONDS
FINANCIAL AND PERFORMANCE
PROCEDURES AUDITS**

JUNE 30, 2010

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

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JUNE 30, 2010**

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SANTEE SCHOOL DISTRICT

BUILDING FUND

FINANCIAL AUDIT

JUNE 30, 2010



INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the Election 2006 portion of the Building Fund of the Santee School District (the District), as of the year ended June 30, 2010, 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. 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 Election 2006 portion of the Building Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Election 2006 portion of the Building Fund of the District at June 30, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
December 22, 2010

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

**BALANCE SHEET
JUNE 30, 2010**

ASSETS

Accounts receivable	\$	12
Due from Capital Facilities Fund		49,907
Total Assets	\$	<u>49,919</u>

FUND BALANCE

Undesignated	\$	<u>49,919</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, 2010**

REVENUES

Bond Interest	\$ 182,674
Total Revenues	<u>182,674</u>

EXPENDITURES

Facilities acquisition and construction	<u>145,570</u>
Total Expenditures	<u>145,570</u>

EXCESS OF REVENUES OVER EXPENDITURES	<u>37,104</u>
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FUND BALANCE, BEGINNING OF YEAR	<u>12,815</u>
FUND BALANCE, END OF YEAR	<u>\$ 49,919</u>

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, 2010**

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 and August 2008. 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, 2010**

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, 2010.

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.

NOTE 2 - RECEIVABLES

Receivables at June 30, 2010, consist of the following:

Interest	<u>\$ 12</u>
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**SANTEE SCHOOL DISTRICT
GENERAL OBLIGATION BONDS ELECTION 2006
BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 - FUND BALANCE

Fund balance is composed of the following element:

Unreserved	
Undesignated	<u>\$ 49,919</u>

NOTE 4 - LONG-TERM OBLIGATIONS

Summary

A schedule of changes in long-term obligations for the year ended June 30, 2010, is shown below:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due in One Year
General obligation bonds	\$40,960,939	\$ 804,439	\$ 148,762	\$41,616,616	\$ 173,882
Premium on bonds	1,224,263	-	49,488	1,174,775	-
	<u>\$42,185,202</u>	<u>\$ 804,439</u>	<u>\$ 198,250</u>	<u>\$42,791,391</u>	<u>\$ 173,882</u>

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2009	Accretion	Redeemed	Outstanding June 30, 2010
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	12,436,088	132,154	148,762	12,419,480
August-08	August-33	3.01-5.90%	2,869,039	2,931,597	167,655	-	3,099,252
August-08	August-48	5.90-6.20%	7,840,155	8,028,254	504,630	-	8,532,884
				<u>\$ 40,960,939</u>	<u>\$ 804,439</u>	<u>\$ 148,762</u>	<u>\$ 41,616,616</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Debt Service Requirements

The General Obligation Bonds, Series A, B, C, and D, mature through 2049 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 173,882	\$ 1,388,781	\$ 1,562,663
2012	170,644	1,388,781	1,559,425
2013	166,014	1,388,781	1,554,795
2014	201,159	1,388,181	1,589,340
2015	278,975	1,385,981	1,664,956
2016-2020	2,330,506	6,818,901	9,149,407
2021-2025	5,021,188	6,284,143	11,305,331
2026-2030	8,356,202	4,899,166	13,255,368
2031-2035	10,380,450	2,603,275	12,983,725
2036-2040	5,027,385	1,681,750	6,709,135
2041-2045	4,781,149	1,126,375	5,907,524
2046-2049	3,622,955	416,122	4,039,077
Accreted Interest	1,106,107	(1,106,107)	-
Total	<u>\$ 41,616,616</u>	<u>\$ 29,664,130</u>	<u>\$ 71,280,746</u>

NOTE 5 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2010, 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

SANTEE SCHOOL DISTRICT

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2010



**INDEPENDENT ACCOUNTANTS' REPORT ON
 APPLYING AGREED-UPON PROCEDURES**

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

We have performed the agreed-upon procedures, which were agreed to by the management of the Santee School District (the District) and the Citizens' Oversight Committee, to review the expenditures of the issuance for the 2006 General Obligation Bond funds for the period of July 1, 2009 through June 30, 2010, for the purpose of verifying if the use of the funds is within the scope of the published materials specifying the intended use of bond funds. We used election documents and the District resolutions as the guidance for the intended use of the funds. Management is responsible for Santee School District's compliance with those requirements. This engagement to perform agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and meets the compliance requirements to perform an "audit" as outlined in subparagraph (c) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Financial Summary

1. The general obligation bond funds were authorized at an election of the registered voters of the District held on November 7, 2006. Bonds were authorized at an issuance of \$18,000,000 on April 17, 2007, principal amounts for the purpose of financing the addition and modernization of school facilities. An additional \$23,094,271 was issued in August 20, 2008.
2. Total expenditures from July 1, 2009 through June 30, 2010, were \$145,570.
3. An analysis of expenditures is as follows:

Capital outlay	\$ 145,570
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4. Available unspent funds from the bond as of June 30, 2010, are:

Balance as of July 1, 2009	\$ 12,815
Interest earned in Building Fund	182,674
Total expenditures	(145,570)
Amount Available	\$ 49,919

Agreed-Upon Procedures Performed

1. Verify that the expenditure of funds was accounted for separately in the accounting records to allow for accountability.
2. Verify that the net funds from the sale of the General Obligation Bonds were deposited in total into the District's accounts by obtaining settlement statement for the new bond issue and verifying amounts deposited into the Building Fund.
3. Select a sample of invoices on projects (using judgment for the selection process). For each invoice selected, verify that the funds expended complied with the purpose that was specified to the registered voters of the District through election materials and District resolutions that were distributed to the voters.

Results of Procedures

1. The general obligation bond fund expenditures were accounted for separately in the Building Fund of the District.
2. The net proceeds from the sale of the general obligation bonds were deposited into the appropriate accounts within the Building Fund.
3. Our review of the expenditures for the period of July 1, 2009 through June 30, 2010, did not reveal any items that were paid from the general obligation bond funds that did not comply with the purpose of the Bonds that were approved by the registered voters of the District on November 7, 2006.

We were not engaged to, and did not; conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Santee School District and the Citizens' Oversight Committee, and is not intended to be and should not be used by anyone other than those specified parties.

Vovriak, Trine, Day & Co., LLP
Rancho Cucamonga, California
December 22, 2010

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

**SCHEDULE OF DISBURSEMENTS BY SITE
FOR THE PERIOD ENDING JUNE 30, 2010**

Chet Harrit	\$ 67,532
Pepper Drive	290
Prospect Avenue	64,933
Undistributed expenditures	<u>12,815</u>
Total	<u>\$ 145,570</u>