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**MEASURE "C" 2005 GENERAL OBLIGATION  
SERIES A BOND FUND OF  
BELMONT-REDWOOD SHORES SCHOOL DISTRICT  
COUNY OF SAN MATEO  
BELMONT, CALIFORNIA  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2011**

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MEASURE "C" 2005 GENERAL OBLIGATION SERIES A BOND FUND OF  
BELMONT-REDWOOD SHORES SCHOOL DISTRICT

FOR THE YEAR ENDED JUNE 30, 2011

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## INTRODUCTION

**MEASURE “C” 2005 GENERAL OBLIGATION SERIES A BOND FUND OF  
BELMONT-REDWOOD SHORES SCHOOL DISTRICT**

**Introduction and Citizens’ Oversight Committee Member Listing**

**June 30, 2011**

Belmont-Redwood Shores School District (the District) consists of six elementary schools and one middle school supported by a District office. The District serves approximately 3,188 students.

On November 7, 2000, the voters of the Belmont-Redwood Shoes School District approved by more than 55% Measure “C”, authorizing the issuance and sale of \$25,000,000 of general obligation bonds. On August 30, 2007, the District issued Series A bond of the Election of 2005 General Obligation Bonds in the amount of \$25,649,810 to finance the acquisition of land and the construction of a new elementary school and to pay the cost of issuance associated with the bonds.

Measure “C” was a Proposition 39 bond, issued pursuant to the provisions of the Education Code of the State of California and pursuant to a resolution adopted by the Board of Education of the District.

The passage of Proposition 39 in November 2000 amended the California Constitution Code to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the 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 passage of Proposition 39, an accompanying piece of legislation, AB1908 (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 formation, composition and purpose of the Citizens’ Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens’ Oversight Committee was comprised of the following Members as of June 30, 2011.

**Belmont-Redwood Shores School District**

<u>Name</u>	<u>Title</u>	<u>Representation</u>
Robin Carlier	Member	Taxpayer Organization Representative
Lee Fernandez	Member	At-Large Community Member & Member of Senior Citizen Organization
Andrew Eliopoulos	Member	Parent/Guardian of Child in District -Active in Parent Teacher Organization
John Hall	Member	Parent/Guardian of Child in District
Amitabh Passi	Member	At-Large Community Member
Richard Raybin	Member	Business Organization Representative
Carole Wong	Member	At-Large Community Member

**INDEPENDENT AUDITOR'S REPORT**

The Board of Trustees and the Citizen's Bond Oversight Committee  
Belmont-Redwood Shores School District  
Belmont, California

We have audited the accompanying balance sheet of the Measure "C" 2005 General Obligation Series A Bond Fund (the "Fund") of Belmont-Redwood Shores School District (the "District") as of June 30, 2011, and the related statement of revenues expenditures and changes in fund balance as of and for the year ended June 30, 2011. 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 and 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 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 the Note 1-A, the financial statements present only the individual Measure "C" 2005 General Obligation Series A Bond Fund and are not intended to present fairly the financial position and results of operations of the District 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 Measure "C" General Obligation Series A Bond Fund of Belmont-Redwood Shores School District at 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011 on our consideration of the Measure "C" General Obligation Series A Bond Fund of Belmont-Redwood Shores School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Patel & Associates*  
Oakland, California  
December 30, 2011

**FINANCIAL**

**SECTION**

**MEASURE "C" 2005 GENERAL OBLIGATION SERIES A BOND FUND OF  
 BELMONT-REDWOOD SHORES SCHOOL DISTRICT  
 BALANCE SHEET  
JUNE 30, 2011**

**ASSETS**

Cash and Investment (Note 2)	\$	5,737
Accounts receivable (Note 3)		<u>39</u>
 Total assets	 \$	 <u><u>5,776</u></u>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$	3,022
Due to other fund (Note 4)		<u>2,754</u>
 Total liabilities		 <u>5,776</u>

**Fund Balance**

Restricted for capital projects		<u>-</u>
 Total liabilities and fund balance	 \$	 <u><u>5,776</u></u>

The notes to financial statements are an integral part of these financial statements

**MEASURE "C" 2005 GENERAL OBLIGATION SERIES A BOND FUND OF  
 BELMONT-REDWOOD SHORES SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2011**

<b>REVENUES</b>	
Interest and investment earnings	\$ <u>2,478</u>
Total revenues	<u>2,478</u>
<b>EXPENDITURES</b>	
Current expenditures:	
Materials and supplies	263,457
Services and other operating expenditures	4,276
Capital outlay	<u>74,967</u>
Total expenditures	<u>342,700</u>
Excess of expenditures over revenues	<u>(340,222)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>	
Operating transfer in (Note 4)	300,000
Operating transfer out (Note 4)	<u>(300,000)</u>
Total other financing sources (uses)	<u>-</u>
Net change in fund balance	(340,222)
Fund balance - beginning of year	<u>340,222</u>
Fund balance - end of year	<u>\$ <u>-</u></u>

The notes to the financial statements are an integral part of these financial statements.

**MEASURE "C" 2005 GENERAL OBLIGATION SERIES A BOND FUND OF  
BELMONT-REDWOOD SHORES SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**A. Reporting Entity**

On November 7, 2000 the District voters authorized \$25,000,000 in General Obligation Bonds (Measure "C") for the purpose of financing the acquisition, modernization, construction, and equipping of certain District school, sites and facilities. The measure required a minimum 55% vote for passage. In response, an advisory committee to the District's Governing Board and Superintendent, the Citizens' Bond Oversight Committee, was established. The Committee's oversight goals include ensuring compliance with conditions of Measure "C".

The Bond proceeds are accounted for in the District's Building Fund, where they are expended for the approved projects. The statements presented are for the individual Measure "C" General Obligation Series A Bond Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

**B. Accounting Policies**

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

**C. Basis of Accounting**

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

The financial statements of the Measure "C" General Obligation Series A Bond Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, 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 general long-term debt, which is recognized when due.

**MEASURE "C" 2005 GENERAL OBLIGATION SERIES A BOND FUND OF  
BELMONT-REDWOOD SHORES SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**D. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

**E. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH & INVESTMENT**

Cash and investment at June 30, 2011 held on behalf of 2005 General Obligation Series A Bond Fund of the District consist of following deposit in the County of San Mateo.

Cash in County treasury	\$ <u>5,737</u>
Total cash and investments	\$ <u><u>5,737</u></u>

**Policies and Practice**

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 instruments; 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 agreements; 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.

**MEASURE "C" 2005 GENERAL OBLIGATION SERIES A BOND FUND OF  
BELMONT-REDWOOD SHORES SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**General Authorizations**

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local agency bonds, notes, warrants	5 years	None	None
Registered state bonds, notes, warrants	5 years	None	None
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Banker's acceptance	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20% of base	None
Medium-term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through funds	5 years	20%	None
County pooled investment funds	N/A	None	None
Local agency investment fund (LAIF)	N/A	None	None
Joint powers authority pools	N/A	None	None

**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 statements at amounts based upon the District's pro-rata share of the fair 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.

**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 to changes in the market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**MEASURE "C" 2005 GENERAL OBLIGATION SERIES A BOND FUND OF  
 BELMONT-REDWOOD SHORES SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Weighted average maturity of the District's investment in County Pool is 1 year.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2011 in the amount of \$39 represent the amount due from the San Mateo County Treasurer for interest earnings for the quarter ended June 30, 2011.

**NOTE 4 - INTERFUND ACTIVITIES**

Interfund activity is reported as 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 are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**Due From/Due To Other Funds**

Interfund receivables and payables balances as of June 30, 2011 are as follows:

**Due to other funds**

Building Fund due to Capital Facility Fund for temporary cash flow	\$ <u>2,754</u>
Total	\$ <u><u>2,754</u></u>

**Interfund Transfers**

The County School Facility Fund transferred to the Building Fund for additional furniture and equipment to complete the classroom standard	\$ 300,000
The Building Fund transferred to the Capital Facility Fund for repayment of expense advance in prior fiscal year	<u>(300,000)</u>
Total	\$ <u><u>                    </u></u>

**MEASURE "C" 2005 GENERAL OBLIGATION SERIES A BOND FUND OF  
BELMONT-REDWOOD SHORES SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 5 – LONG-TERM DEBT**

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds. However, they are reported as liabilities on the Statement of Net Assets in the Government – Wide financial statements of Belmont-Redwood Shores School District. The following information is provided for informational purposes.

General obligation bonds related to Measure C have been issued and are outstanding at June 30, 2011 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 60,000	\$ 1,179,712	\$ 1,239,712
2013	115,000	1,175,850	1,290,850
2014	170,000	1,169,438	1,339,438
2015	235,000	1,160,325	1,395,325
2016	300,000	1,148,288	1,448,288
2017-2021	2,690,000	5,437,850	8,127,850
2022-2026	5,395,000	4,419,494	9,814,494
2027-2031	9,335,000	2,550,512	11,885,512
2032-2033	5,160,000	263,750	5,423,750
Total	23,460,000	\$ 18,505,219	\$ 41,965,219
Bond Premium, net of amortization	545,841		
Total	\$ 24,005,841		

**NOTE 6 – CONSTRUCTION COMMITMENTS**

As of June 30, 2011, construction work financed by the proceeds from Measure "C" 2005 General Obligation Bond in the amount of \$25,439,056 have all been completed. At June 30, 2011, the District had commitments with respect to unfinished capital projects of approximately \$3.0 millions to be paid from a combination of state and local funds. The projects are expected to be completed in August 2012.

**OTHER INDEPENDENT  
AUDITOR'S REPORTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees and the Citizen's Bond Oversight Committee  
Belmont-Redwood Shores School District  
Belmont, California

We have audited the financial statements of the Measure "C" General Obligation Bond Series A Fund of Belmont-Redwood Shores School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 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

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

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 “C” General Obligation Series A Bond Fund of Belmont-Redwood Shores School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Measure “C” General Obligation Series A Bond Fund Oversight Committee, the District Governing Board, management, and the taxpayers of Belmont-Redwood Shores School District and is not intended to be and should not be used by anyone other than these specified parties.

*Pamela Andrews*  
Oakland, California  
December 30, 2011

## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

The Board of Trustees and the Citizen's Bond Oversight Committee  
Belmont-Redwood Shores School District  
Belmont, California

We have examined the Belmont-Redwood Shores School District's (the "District") compliance with the performance requirements for the Proposition 39 Measure "C" General Obligation Series A Bond for the year ended June 30, 2011, under the applicable provisions of Section 1(b)(3)(c) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Objectives

The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure "C".
- Any discrepancies of weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens' Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

### Scope of the Audit

The scope of our performance audit covered the fiscal period from July 1, 2010 to June 30, 2011. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were also included within the scope of our audit. Expenditures incurred subsequent to June 30, 2011 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 year ended June 30, 2011 for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure "C" with regards to the approved bond projects list. We performed the following procedures:

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

- We tested \$335,008 out of \$342,700 in bond fund invoices paid, which is a combination of 2010-11 expenditures and payments on liabilities accrued as of June 30, 2011 and paid in 2011-12. This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our test included payments made to vendors.
- We reviewed the approved project listing as set out in the Measure "C" election documents.
- We verified that funds from the Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects, and we verified that funds held in the Building Fund were not used for salaries of school administrators or other operating expenses of the District.
- We reviewed a sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.
- We sampled one contract and verified compliance with Public Contract Code bid requirements, board approvals, that invoices paid were within the contract terms and change orders were approved.
- We verified that the District did not exceed change order limitations in excess of 10% pursuant to Public Contract Code.

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

In our opinion, the District complied with the compliance requirements for the Measure "C" General Obligation Bond proceeds listed and tested above.

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

*Patricia A. Adams*  
Oakland, California  
December 30, 2011

## **FINDINGS AND RESPONSES**

**MEASURE "C" 2005 GENERAL OBLIGATION SERIES A BOND FUND OF  
BELMONT-REDWOOD SHORES SCHOOL DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2011**

There were no findings and recommendations for fiscal year ended June 30, 2011.

**MEASURE "C" 2005 GENERAL OBLIGATION SERIES A BOND FUND OF  
BELMONT-REDWOOD SHORES SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2011**

There were no findings and recommendations in prior year.