

**MILLBRAE SCHOOL DISTRICT
PROPOSITION 39/MEASURE X BOND
AUDIT REPORT**

From Inception through June 30, 2011

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**MILLBRAE SCHOOL DISTRICT
PROPOSITION 39/MEASURE X BOND
From Inception through June 30, 2011**

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INDEPENDENT AUDITORS' REPORT

Citizens' Bond Oversight Committee and
Governing Board Members
Millbrae School District

We have audited the accompanying statements, as listed in the table of contents, of the Millbrae School District for the Proposition 39/Measure X bond proceeds, from inception through June 30, 2011. These program statements are the responsibility of management. Our responsibility is to express an opinion on these 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 audit 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 program statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the program statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the program statements referred to above presents fairly, in all material respects, the approved budget, cumulative expenditures and allowable costs for the Proposition 39/Measure X bond proceeds for the period audited.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2011 on our consideration of the Proposition 39/Measure X Bond of Millbrae School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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.

This report is intended solely for the information and use of the Proposition 39/Measure X Bond Oversight Committee, the Governing Board, management, and the taxpayers of Millbrae School District and is not intended to be and should not be used by anyone other than the specified parties.

C & A LLP

November 5, 2011
San Jose, California

PROGRAM STATEMENTS

**MILLBRAE SCHOOL DISTRICT
PROPOSITION 39/MEASURE X BOND
Statement of Approved Budget and Cumulative Expenditures
From Inception through June 30, 2011**

Proposition 39/Measure X
Expenditures of Bond Proceeds from Inception

Total Program Budget	\$ 24,627,718
 Projects/Sites:	
Undefined	2,053,008
Glen Oaks	4,982
Green Hills	3,852,775
Lomita Park	2,971,384
Meadows	2,429,672
Spring Valley	2,567,697
Taylor	4,601,902
District Office	275,405
Total Expenditures Since Inception	18,756,826
 Remaining Budget	 \$ 5,870,892

The notes to the program statements are an integral part of this statement.

**MILLBRAE SCHOOL DISTRICT
PROPOSITION 39/MEASURE X BOND
Statement of Expenditures of Bond Proceeds
for the Fiscal Year Ended June 30, 2011**

Proposition 39/Measure X Expenditures of Bond Proceeds 2010-11											
	Undefined	Glen Oaks	Green Hills	Lomita Park	Meadows	Spring Valley	Taylor	District Office	Total	2011 Budget	Balance
Materials and Supplies	\$ 5,791	\$ -	\$ 1,680	\$ 3,883	\$ -	\$ -	\$ 1,934	\$ -	\$ 13,287	\$ 10,576	\$ (2,711)
Travel and Conferences	-	-	906	577	482	968	1,121	362	4,416	1,036	(3,380)
Mileage	-	-	470	359	617	447	261	149	2,303	958	(1,345)
Rentals, Leases and Repairs	4,340	-	-	-	-	-	374	-	4,715	3,926	(789)
Copier Lease	-	-	-	-	-	-	-	-	-	-	-
Professional Consulting Services	-	-	1,019	2,005	425	5,315	426	-	9,189	9,480	291
Moving/Relocation Services	-	-	3,240	21,596	173	-	7,720	-	32,729	49,039	16,310
Permit Fees	-	-	-	354	-	-	(325)	-	29	354	325
Outside Vendor Services	-	-	-	-	3,398	-	-	-	3,398	3,398	-
Communications	30	-	26	103	37	23	57	61	338	271	(67)
Telephone	2,350	-	(328)	-	-	-	-	-	2,022	1,850	(172)
Architectural Services	-	-	405,337	256,540	327,110	313,859	804,239	88,475	2,195,560	2,505,491	309,931
Program Management	22,195	-	-	-	-	-	-	-	22,195	544,597	522,402
Blue Prints	47,643	-	1,951	2,208	2,239	2,752	2,475	982	60,250	64,082	3,832
Plumbing/Sewer	-	-	3,253	-	-	-	5,853	-	9,105	9,106	1
Surveys	-	-	-	1,277	-	-	-	-	1,277	1,277	-
DSA Plan Reviews	-	-	1,573	-	1,760	2,640	-	-	5,973	5,973	-
Construction Management	851,044	-	-	-	-	-	-	-	851,044	988,106	137,062
Relocatable Buildings	-	-	-	101,082	-	140,376	8,172	-	249,630	259,839	10,209
Electrical	8,071	-	520	4,851	7,191	587	301	-	21,522	21,301	(221)
Hazmat Testing	-	-	14,930	114,741	15,020	65,804	76,854	2,750	290,099	234,817	(55,282)
Inspection Services	184,824	-	450	-	-	-	-	-	185,274	284,660	99,386
Testing Services	-	-	5,778	8,039	6,436	7,803	3,560	-	31,614	123,412	91,798
Lease/Leaseback-Construction	-	-	2,583,334	1,938,632	1,405,285	1,456,788	3,149,490	44,566	10,578,095	5,264,631	(5,313,464)
Carpet Replacement	-	-	-	14,598	-	-	-	-	14,598	14,598	-
Roofing	-	-	-	-	1,207	-	529	-	1,736	1,736	-
Transfers Out	2,250	-	-	-	-	-	-	-	2,250	2,250	-
Total Expenditures	\$1,128,538	\$ -	\$3,024,138	\$2,470,844	\$1,771,380	\$1,997,362	\$4,063,040	\$137,345	\$14,592,648	\$10,406,764	\$(4,185,884)

The notes to the program statements are an integral part of this statement.

**MILLBRAE SCHOOL DISTRICT
PROPOSITION 39/MEASURE X BOND
Statement of Expenditures of Bond Proceeds
for the Fiscal Year Ended June 30, 2010**

Proposition 39/Measure X Expenditures of Bond Proceeds 2009-10											
	Undefined	Glen Oaks	Green Hills	Lomita Park	Meadows	Spring Valley	Taylor	District Office	Total	2010 Budget	Balance
Materials and Supplies	\$ 3,234	\$ -	\$ 1,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,166	\$ 5,166	\$ -
Travel and Conferences	54	-	47	98	47	47	47	-	340	340	-
Mileage	88	-	66	155	66	80	66	42	563	1,475	912
Rentals, Leases and Repairs	1,343	-	-	-	-	-	-	-	1,343	1,343	-
Copier Lease	3,554	-	-	-	-	-	-	-	3,554	3,554	-
Professional Consulting Services	188	-	273	-	-	-	-	-	461	461	-
Moving Relocation Services	-	-	3,720	-	-	-	-	-	3,720	8,940	5,220
Permit Fees	-	-	39	1,320	-	-	436	-	1,795	1,756	(39)
Outside Vendor Services	-	-	-	-	-	-	-	-	-	-	-
Communications	31	-	328	33	18	9	18	31	468	146	(322)
Telephone	1,950	-	-	-	-	-	-	-	1,950	2,328	378
Architectural Services	128,965	4,982	245,382	147,245	211,637	198,187	149,037	39,788	1,125,223	1,217,440	92,217
Program Management	345,529	-	-	-	-	-	-	-	345,529	388,720	43,191
Blue Prints	26,522	-	1,162	1,475	1,768	1,070	1,590	163	33,750	104,301	70,551
Plumbing/Sewer	-	-	-	-	-	-	-	-	-	-	-
Surveys	-	-	2,500	2,500	2,000	2,000	2,800	-	11,800	11,800	-
DSA Plan Reviews	-	-	26,319	19,845	22,897	21,573	33,925	7,542	132,101	135,746	3,645
Construction Management	204,498	-	-	-	-	-	-	-	204,498	246,880	42,382
Relocatable Buildings	-	-	-	71,059	-	-	-	-	71,059	163,363	92,304
Electrical	1,669	-	-	-	-	-	-	-	1,669	1,669	-
Hazmat Testing	-	-	5,318	10,777	12,133	21,854	8,593	-	58,675	58,675	-
Inspection Services	53,290	-	210	-	-	-	-	-	53,500	337,710	284,210
Testing Services	-	-	3,430	1,541	3,493	1,680	4,161	-	14,305	70,485	56,180
Lease/Leaseback-Construction	-	-	537,911	244,492	404,233	323,835	338,189	90,494	1,939,154	1,939,154	-
Carpet Replacement	-	-	-	-	-	-	-	-	-	-	-
Roofing	-	-	-	-	-	-	-	-	-	-	-
Transfers Out	153,555	-	-	-	-	-	-	-	153,555	(168,445)	(322,000)
Total Expenditures	\$924,470	\$4,982	\$828,637	\$500,540	\$658,292	\$570,335	\$538,862	\$138,060	\$4,164,178	\$4,533,007	\$368,829

The notes to the program statements are an integral part of this statement.

**MILLBRAE SCHOOL DISTRICT
PROPOSITION 39/MEASURE X BOND
Notes to the Program Statement
From Inception through June 30, 2011**

NOTE 1 - THE PROGRAM

Proposition 39, enacted by the voters on November 7, 2000, amended the required majority for local voter approval of public school and community college general obligation bonds from two-thirds to fifty-five percent of votes. It also required school districts to provide facilities to charter schools operating within their jurisdictions.

During the November 4th, 2008 election, voters approved the issuance of \$30 million bonds by the Millbrae School District, at legal interest rates, to upgrade electrical systems, increasing student access to classroom computers and technology, replace leaking water and sewer lines, improve water conservation at each school, complete seismic upgrades, replace old heating and air conditioning units with new, energy-efficient systems, make each school accessible to all students and compliant with the Americans with Disability Act, upgrade bathrooms and replace aging plumbing, replace aging roofs, and create a dedicated Technology Fund to keep student computers and technology maintained and up-to-date. The bond measure also called for the District to appoint a citizen's oversight committee and perform financial and performance audits.

NOTE 2 - CITIZEN'S OVERSIGHT COMMITTEE

Duties of the committee include ensuring that bond revenues are expended only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities. The committee must also ensure that no funds are used for any teacher or administrative salaries or other school operation expenses.

Furthermore, the committee is authorized to receive and review copies of the annual independent performance audit and the annual independent financial audit required by Article XIII A, Section 1(b)(3)(C) and Article XIII A, Section 1(b)(3)(D), respectively, of the California Constitution.

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2011:

- | | |
|-------------------------------|----------------------------|
| 1. Doris Morse, Member | 2. Denis Fama, Member |
| 3. Muhammad Baluom, Member | 4. Catherine Quigg, Member |
| 5. Catherine Kenny, Member | 6. Scott Fong, Member |
| 7. Linda Luna, Superintendent | |

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of accounting utilized in preparation of this report may differ from accounting principles generally accepted in the United State of America. Accordingly, the accompanying program statement is not intended to present the financial position and the results of operations in conformity with accounting principles generally accepted in the United States of America.

Revenues and expenditures incurred for Proposition 39/Measure X bond proceeds are recorded on an accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when it is earned, not when the payment is received. Similarly, expenses are recognized when they are incurred, not when they are paid.

**SCHEDULE OF FINDINGS
AND
RECOMMENDATIONS**

**MILLBRAE SCHOOL DISTRICT
PROPOSITION 39/MEASURE X BOND
Schedule of Findings and Recommendations
From Inception through June 30, 2011**

We did not note any exceptions during the audit of the Millbrae School District's Proposition 39/Measure X bond proceeds for the fiscal year ended June 30, 2011.

**OTHER AUDITORS'
REPORTS**

**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***

Proposition 39/Measure X Citizens' Oversight Committee and
Governing Board Members
Millbrae School District

We have audited the accompanying statements, as listed in the table of contents, of the Millbrae School District (the "District") for the Proposition 39/Measure X bond proceeds, from inception through June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the program financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 Proposition 39/Measure X Bond of Millbrae School District's program 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 Proposition 39/Measure X Bond Oversight Committee, the District Governing Board, management, and the taxpayers of Millbrae School District and is not intended to be and should not be used by anyone other than the specified parties.

C & A LLP

November 5, 2011
Campbell, California

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Proposition 39/Measure X Citizens' Oversight Committee and
Governing Board Members
Millbrae School District

We have audited the program financial statements of the Proposition 39/Measure X Bond proceeds of the Millbrae School District (the "District") from inception through the year ended June 30, 2011 and have issued our report thereon dated November 5, 2011. Our audit was made in accordance with generally accepted auditing standards in the United States 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 the Proposition 39/Measure X General Obligation Bond for the fiscal year ended June 30, 2011. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

1. The proceeds of the sale of the Proposition 39/Measure X Bonds were only used for the purposes set forth in the ballot Proposition and not for any other purpose, such as teacher and administrative salaries.
2. The Governing Board of the District, in establishing the approved projects set forth in the ballot Proposition, evaluated the remodeling, new construction and renovations of items which will relieve overcrowding, repair local schools and improve student safety conditions of the District.

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

- a. We verified that bond proceeds were deposited in the District's name and invested in accordance with applicable legal requirements.
- b. We sampled contracts and verified their compliance with the Public Contract Code bid requirements and that invoices were paid within the contract terms and with board approval.
- c. For contracts sampled, we verified that expenditures were allowable within the parameters identified in the bond measure.
- d. We tested payments made to the architectural service companies and reviewed the terms of their contracts.

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

In our opinion, the District complied with the compliance requirements for the Proposition 39/Measure X Bond proceeds listed and tested above.

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

C & A LLP

November 5, 2011
San Jose, California