

Extraordinary Audit

of the
**Lagunita Elementary School
District**



**Commissioned by the Monterey
County Office of Education**

4/4/2008

**Administrative Agent
Larry E. Reider
Office of Kern County
Superintendent of Schools**

Chief Executive Officer
Joel D. Montero



April 4, 2008

Dr. Nancy Kotowski, Superintendent
Monterey County Office of Education
901 Blanco Circle
Salinas, California 93912-0851

Dear Superintendent Kotowski:

In December 2007, the Monterey County Office of Education and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide an Assembly Bill (AB) 139 extraordinary audit of the Lagunita Elementary School District. Specifically, the agreement states that FCMAT will perform the following:

1. Review district policies and procedures related to Public Contract Code Sections 20111, 20116 & 22002. The review shall include an evaluation of independent contracts to determine whether district personnel or board members violated the Public Contract Code.
2. Evaluate the district's policies and purchasing procedures to determine if conflicts of interest existed in accordance with Government Code Section 1090 in the award of independent contracts by district personnel or board members.

The attached final report contains the study team's findings and recommendations.

We appreciate the opportunity to serve you and we extend our thanks to all the staff of the Monterey County Office of Education and the Lagunita Elementary School District.

Sincerely,



Joel D. Montero
Chief Executive Officer

FCMAT

Joel D. Montero, Chief Executive Officer

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Foreword

FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that local educational agencies throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district’s progress on the improvement plans.

Since 1992, FCMAT has been engaged to perform nearly 700 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Total Number of Studies..... 694

Total Number of Districts in CA 982

● Management Assistance..... 658 (94.8%)

● Fiscal Crisis/Emergency 36 (5.2%)

Note: Some districts had multiple studies.

● Districts (7) that have received emergency loans from the state.

(Rev. 2/21/08)

Study Agreements by Fiscal Year

Fiscal Year	Number of Studies
92/93	10
93/94	15
94/95	22
95/96	28
96/97	25
97/98	25
98/99	27
99/00	47
00/01	48
01/02	58
02/03	34
03/04	71
04/05	73
05/06	78
06/07	71
07/08	74 (Projected)

Monterey County Office of Education – Lagunita Elementary School District

Introduction

Background

The Lagunita Elementary School District is a single-school district located approximately two miles north of the city of Salinas in Monterey County and is governed by a three member board. The district was established in 1897 and serves approximately 88 students at one K-8 elementary school. The district is the second smallest in Monterey County.

When a county superintendent becomes aware of an alleged misuse of public funds, the superintendent is responsible for determining whether sufficient evidence exists to support the allegations and is authorized to request a review or audit and report the results to the governing body of the local educational agency (LEA) and the local district attorney and law enforcement.

In December 2007 the Fiscal Crisis and Management Assistance Team (FCMAT) received a request from the Monterey County Office of Education for an Assembly Bill (AB) 139 extraordinary audit of the Lagunita Elementary School District. The county office had received a written complaint and allegations that the district had violated provisions of the Public Contract Code and Government Code regarding public bidding and conflicts of interest by members of the school board.

The county office requested that FCMAT provide for the assignment of professionals to study specific aspects of the Lagunita Elementary School District. These professionals may include staff from FCMAT, county offices of education, the California Department of Education (CDE), school districts, or private contractors.

FCMAT and the county office subsequently entered into a study agreement. All work is to be performed in accordance with the terms and conditions of this agreement, which specifies that FCMAT will perform the following:

1. Review district policies and procedures related to Public Contract Code Sections 20111, 20116 & 22002. The review shall include an evaluation of independent contracts to determine whether district personnel or board members violated the Public Contract Code.
2. Review district board minutes to determine whether any other irregular transactions involving the governing board's award of bids occurred during the last two fiscal years.
3. Evaluate the district's policies and purchasing procedures to determine if conflicts of interest existed in accordance with Government Code Section 1090 in the award of independent contracts by district personnel or board members.

Thus FCMAT's focus is on the district's policies and procedures related to the Public Contract Code to determine if the district and/or its personnel or board members violated Government Code 1090, Conflict of Interest.

Study Guidelines

FCMAT provides a variety of services to school districts and county offices of education upon request. Based on Education Code Section 1241.5 (b), a county superintendent of schools may review or audit the expenditures and internal controls of any school district in his or her county if he or she has reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination. The review or audit conducted by the county superintendent shall be focused on the alleged fraud, misappropriation of funds, or other illegal fiscal practices and shall be conducted in a timely and efficient manner. The basis of this review is to determine if sufficient evidence exists to further investigate the findings, or if there is evidence of criminal activity that should be reported to the local district attorney's office.

This is in accordance with Education Code Section 42638 (b), which states the following:

If the county superintendent determines that there is evidence that fraud or misappropriation of funds has occurred, the county Superintendent shall notify the governing board of the school district, the State Controller, the Superintendent of Public Instruction, and the local district attorney.

AB 139 Extraordinary Audit Findings & Classifications

Each audit finding is classified as a material weakness, a reportable condition or an area for management improvement. These classifications are provided to assist the district in developing a corrective plan of action. The district's plan should first address the material weaknesses, then the reportable conditions, and finally the areas for management improvement.

Material Weakness

Material weaknesses are deficiencies in the district's internal controls that are so serious that errors or fraud may occur and not be detected in a timely manner by employees during the normal course of business. A material weakness may also be a violation of current laws or regulations. A material weakness is the most serious type of finding.

Reportable Condition

A reportable condition is a significant deficiency in the design or operation of the district's internal control processes that could adversely affect the district's ability to record, process, summarize and report financial data.

Management Improvement

A management improvement is not a material weakness or reportable condition, but provides suggestions for improving the district's operations to conform to industry best practices.

FCMAT representatives visited the district in January and February of 2008 to conduct interviews, collect data and review documents. Specifically, FCMAT reviewed business records including board policies, board minutes, administrative regulations, and contracts and financial reports secured from various district departments and from independent

sources. The review process also included interviews with current board members and administrators to develop information concerning any alleged mismanagement or fraud during the past two fiscal years.

This report is the result of those activities and is divided into the following sections:

- I. Executive Summary
- II. Background and Chronology
- III. Conflict of Interest
- IV. Bidding Practices

Study Team

The FCMAT study team was composed of the following members:

Anthony Bridges
Deputy Executive Officer
FCMAT

Deborah Deal
Fiscal Intervention Specialist
FCMAT

John Lotze
Public Information Specialist
FCMAT

Executive Summary

Background and Chronology

In 2005, after receiving notice from Monterey County that the water from its existing well contained unacceptable levels of nitrate, the Lagunita Elementary School District requested an engineer's report from Landset Engineers, Inc. to evaluate its options.

On June 28, 2005, the district filed an extreme hardship funding application with the State Allocation Board and attached a copy of the Landset Engineers, Inc. report that detailed the cost estimate for connecting the school to California Water Service, establishing the need for funding.

On December 15, 2005, the State Allocation Board approved the district's application for extreme hardship funding in the amount of \$378,282 to connect the school district's water system to the California Water Service Company.

On April 25, 2006, the Lagunita School District governing board reviewed public bids from three companies for the installation and extension of the main water line from the nearby California Water Service Company substation to the school site. The three bids were as follows:

Granite Construction Company	\$351,595
Monterey Peninsula Engineering	\$348,981
Don Chapin Company	\$309,700

Conflict of Interest

According to the board meeting minutes of April 25, 2006, the district's governing board awarded the bid to the Don Chapin Company. Subject A, Board President and owner of Landset Engineers, Inc. and the Don Chapin Company, abstained from voting on the bid award.

The board president's abstention from this vote was appropriate; however, a conflict of interest may have existed prior to the award of the bid due to his involvement with a subsidiary company in preparation of the original engineering specifications. Prior detailed knowledge regarding the nature, scope and projected cost of the project appears to have provided the board president with an economic advantage in the public bidding process and should have caused him to abstain from any stage of the decision making process. Because abstention alone does not cure a violation of Government Code 1090, the contracts the district entered into with Don Chapin Company and Landset Engineering, Inc. may be rendered void. A conflict of interest occurs when an employee or board member has an economic or personal interest in a transaction that adversely affects the organization. The district's board consists of three members, two of whom are related. This

relationship may have also interfered with the remaining board member's ability to make judgments or decisions based upon the best interest of the district.

FCMAT determined that material weaknesses and deficiencies exist in the district's internal controls regarding the award of bid to the Don Chapin Company.

In accordance with Education Code section 42638(b), the county superintendent should notify the district's governing board, the State Controller and other agencies that violations of Government Code sections 1090 and 87300 may have taken place. The district's governing board should request that designated employees confirm that outside activities do not conflict with their role or responsibilities with regard to the district, and should question designated employees and board members regarding outside activities or financial interests. Ethics training is also recommended.

Bidding Practices

The Public Contract Code requires school districts to bid and award to the lowest responsible bidder any contract for \$15,000 or more for most types of construction and renovation related to publicly owned facilities. The district limited bidding on the water project to four companies and did not advertise for bids as required by Public Contract Code section 20112. The district also did not include an Affidavit of Noncollusion in the bid packet as required by Public Contract Code section 7106.

A review of the district's contracts, bids and change orders revealed a serious material weakness in the district's internal control process related to these functions, including financial reporting and compliance with applicable laws and regulations. These weaknesses increase the probability of fraud and abuse.

Every organization faces a variety of internal and external risks that must be managed. While all employees in the organization have some responsibility for internal controls, the governing board, superintendent and upper management are ultimately responsible.

The district should develop and implement more stringent oversight of bidding and of the hiring of vendors and contractors and should ensure that all purchase orders and contracts for work are in compliance with the Public Contract Code.

Findings and Recommendations

Background and Chronology

When a county superintendent becomes aware of an alleged misuse of public funds, the superintendent is responsible for determining whether sufficient evidence exists to support the allegations. The county superintendent is authorized to request a review or audit of the allegations and to report the results of the review or audit to the governing body of the local educational agency (LEA) and to the local district attorney and law enforcement. California Assembly Bill 139 (2001) amended Education Code section 1241.5 (b). This section defines the role of a county superintendent under these circumstances as follows:

At any time during a fiscal year, the county superintendent may review or audit the expenditures and internal controls of any school district in his or her county if he or she has reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination. The review or audit conducted by the county superintendent shall be focused on the alleged fraud, misappropriation of funds, or other illegal fiscal practices and shall be conducted in a timely and efficient manner.

After receiving notice from Monterey County that the water from its existing well contained unacceptable levels of nitrate and a recommendation to consolidate with the California Water Service Company to resolve the problem, the district requested an engineer's report from Landset Engineers, Inc. to evaluate replacing the existing well with a like system or explore other options to improve water quality.

On December 15, 2005, the State Allocation Board approved the district's application for extreme hardship funding in the amount of \$378,282. The grant award was to fund the district's deferred maintenance project to connect the school district site to the California Water service public utility. On April 25, 2006, the district's governing board reviewed public bids from three different companies for the installation and extension of the main water line down San Juan Grade Road from California Water Service Company Substation #45-01 to the school site. The following three bids were received:

Granite Construction Company	\$351,595
Monterey Peninsula Engineering	\$348,981
Don Chapin Company	\$309,700

According to the district governing board meeting minutes of April 25, 2006, the board awarded the bid to the Don Chapin Company. Subject A, board president and owner of the Don Chapin Company and Landset Engineering, Inc., abstained from voting on the bid award.

Table 1 provides a chronology of events to assist in interpreting and determining if violations of the Public Contract Code and Government Code may have occurred.

Table 1: Chronology of Events

Date	Correspondence	Description
January 12, 2005	Superintendent letter to Michael Jones at CA Water Services Co. Exhibit A	Request to have CA Water extend the service line to the school.
June 23, 2005	CA. Water Service Co., Michael Jones letter to board. Exhibit B	Offers to be of assistance to the school district but the district would be responsible for the extension line cost, etc.
September 1, 2005	Landset Engineering letter by Charles Potter, PE to OPSC; According to Form 700 filed. Landset Engineering is owned and operated by Subject A Exhibit C	Enclosing “cost estimates.” “...for both replacing the existing well system ... and for connection to the nearest public water utility.” Also enclosed his “engineers report” dated June 2005. Total cost \$362,649 to connect to CA Water Service Co.
January 30, 2006	Superintendent letter to Michael Jones, CA Water Exhibit D	Notifying of state award \$378,282 from the State Allocation Board to connect the service line to the school.
February 8, 2006	Superintendent letter to Michael Jones, CA Water Exhibit E	Enclosing \$500 deposit for planning and development of the project.
April 18, 2006	Addendum issued for bid Exhibit F	
April 25, 2006	Board meeting minutes Exhibit G	Opened bids: 1- Don Chapin \$309,700; 2- Monterey Peninsula Engineering \$345,150; 3- Granite Construction Co. \$348,981
May 22, 2006	CA Water letter to district Exhibit H	Options and CA Water cost estimate of \$416,983
September 20, 2006	Chapin invoice Exhibit I	“Extra work” ~ \$12,000.
November 28, 2006	Warrant approved for \$321, 700 Exhibit J	
December 14, 2006	CA. Water Service Co, Michael Jones letter; requested by district Exhibit K	Identifying 4 companies that were “acceptable” to do the work.
January 23, 2007	CA. Water Service Co, Letter from Linda Przybyla Exhibit L	Accepting completed facilities by contractor.
June 7, 2007	District receives letter from Department of General Services and Office of Public School Construction Exhibit M	Correspondence regarding possible violations of Education Code Section 35233 and Government Code Section 1090

Conflict of Interest

When faced with questions involving conflicts of interest caused by the employment or appointment of a public official, such as a school board member or an administrator, it is important to consider the legal and ethical issues and to review any applicable board policies that may be even more restrictive than the statutory mandates.

If a school board member or administrator is in a meeting when the board intends to gather information, discuss or deliberate about a contract in which he or she has a personal financial interest, the board member or administrator should remove himself or herself from the meeting and ensure that the abstention and departure are recorded in the minutes. Even if the board member or administrator does not participate in the original contracting process, he or she may violate the law for taking subsequent action on the contract, such as authorizing payment under a contract or negotiating disputes over contract terms. Therefore, the school board member or administrator should abstain from all discussions, negotiations and votes that are related to the contract with which he or she has a personal financial interest.

California Government Code section 1090 applies to school districts and employees of school districts and states the following:

Members of the Legislature, state, county, district, judicial district, and city officers or employees shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members. Nor shall state, county, district, judicial district, and city officers or employees be purchasers at any sale or vendors at any purchase made by them in their official capacity.

As used in this article, “district” means any agency of the state formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries. Business relationships between a board member and vendors or consultants who do business with the district are described in this report. The resulting conflicts of interest are evidenced by contracts and invoices involving the district and the district’s board member.

There are some exceptions to this prohibition, including Government Code sections 1091 and 1091.5, which state that no conflict exists in situations in which the employee or official has only a remote interest in the contract. Remote interests include being an officer in a nonprofit corporation, landlord of the contracting party, an owner who owns less than 3% of a for-profit corporation and for whom the total income from dividends from the corporation does not exceed 5% of total annual income, and being a non-salaried member of a nonprofit corporation.

The Political Reform Act, Government Code section 81000 and following, was enacted by Proposition 9 in June 1974 and is the starting point in any consideration of conflict of interest laws in California. Chapter 7 of the Political Reform Act (Government Code

sections 87100-87500) deals exclusively with conflict of interest situations. The Political Reform Act also limits the receipt of specified gifts and honoraria.

One of the legislative declarations at the outset of the Political Reform Act forms the foundation of the conflict of interest provisions: “Public officials, whether elected or appointed, should perform their duties in an impartial manner, free from bias caused by their own financial interests or the financial interests of persons who have supported them.” (section 81001(b))

The stated intent of the Political Reform Act was to establish a mechanism whereby “[a]ssets and income of public officials which may be materially affected by their official actions . . . [are] disclosed and in appropriate circumstances the officials . . . [are] disqualified from acting in order that conflicts of interest may be avoided.” (section 81002(c))

The Fair Political Practices Commission (FPPC) is the agency primarily charged with advising officials, informing the public, and enforcing the conflict of interest provisions of the Political Reform Act.

To determine whether a conflict of interest exists under the Political Reform Act, the FPPC applies the following eight step process:

- STEP 1: Is the individual a public official?
- STEP 2: Is the public official making, participating in making, or influencing a governmental decision?
- STEP 3: Does the public official have one of the six qualifying types of economic interest?
- STEP 4: Is the economic interest directly or indirectly involved in the governmental decision?
- STEP 5: Will the governmental decision have a material financial effect on the public official’s economic interests?
- STEP 6: Is it reasonably foreseeable that the economic interest will be materially affected?
- STEP 7: Is the potential effect of the governmental decision on the public official’s economic interests distinguishable from its effect on the general public?
- STEP 8: Despite a disqualifying conflict of interest, is the public official’s participation legally required?

In the state of California, state officers and certain state employees are required to file a Form 700, Statement of Economic Interests, issued by the FPPC. According to the district’s Board Policy 9270, the district has adopted policies regarding conflicts of interest and statements of economic interest in accordance with Government Code sections 87300-87313. These types of policies are typically adopted by the governing board and usually include attachments that identify the positions which are required to disclose

information and the categories for disclosure. Once filed, the Statement of Economic Interests becomes a public document. Form 700 is distributed to all Lagunita Elementary School District board members and to the following staff members:

Superintendent

Assistant superintendents

Purchasing agent

The governing board may determine at any time whether any outside activity is incompatible as long as such determination is consistent with Government Code sections 1125-1128. Responses during interviews with the current board members indicated that the board has not acted upon this type of policy.

A conflict of interest arises when an individual's private interests, such as outside professional or financial relationships, might interfere with his or her professional obligations to a public employer. **Such situations do NOT necessarily imply wrongdoing or inappropriate activities.**

Conflicts of interest often arise at the intersection of two fundamental missions: to push the boundaries of knowledge and to apply the use of that knowledge in a manner that brings financial gain. For example, outside consulting or other interests may bring an individual significant financial gain. The perception that such incentives might lead to personal benefit may detract from the overall benefits to educational programs whose objectives depend on the individual's direction. To resolve erroneous perceptions, such conflicts must be identified and mitigated or eliminated.

Strong conflict of interest policies can protect an educational agency from any of the following allegations:

- Exploitation of students for private gain
- Compromise of appropriate controls in the conduct of research
- Undue personal gain from public funds
- Compromise of educational priorities due to financial considerations
- Compromise of scientific objectivity in the conduct of research
- Use of educational resources for private gain
- Adverse influence by those in leadership roles on the professional or academic activities of colleagues, staff or students as a result of outside interests

To protect against such situations, governing boards must exercise their duty to safeguard district assets and develop appropriate guidelines for disclosure. These guidelines could include, but need not be limited to, employee compliance with the LEA's policies related to conflict of interest, and disclosure of outside professional activities and financial interests on their part or on the part of their immediate family members. In addition, disclosure could be required on an ad hoc basis for any situations that may raise questions about conflict of interest, such as sponsored research, gifts, or licensing of intellectual property.

Under California Government Code section 1126, educational agencies may also adopt an incompatible activities policy. This type of policy could prohibit employees from engaging in outside work that is incompatible with their official duties. The statute allows an agency to have a policy, but the agency must formally adopt a policy to make it effective (See appendix A for California Government Code section 1126).

District Practices

Based on the documentation and review, FCMAT has found that violations of Education Code Section 35233 and Government Code Sections 1090 and 87300 may have existed regarding the award of bid to Don Chapin Company on April 25, 2006. The Lagunita School District governing board reviewed public bids from three companies for the installation and extension of the main water line along San Juan Grade Road from California Water Service Company Substation #45-01 to the Lagunita Elementary School site.

According to the minutes of the April 25, 2006 meeting of the district's board of trustees, the board awarded the bid to Don Chapin Company. Subject A, Board President and owner of the Don Chapin Company and Landset Engineering, Inc., abstained from voting on the bid award.

Although the abstention of the board president from voting on this contract is noted in the board minutes, the conflict of interest may have existed prior to the award of bid. Further, abstention alone may not satisfy the requirements of Government Code 1090; as a result, the contracts the district entered into with Don Chapin Company and Landset Engineering, Inc. may be rendered void. As identified in the district's Form 700, Subject A owns and operates Landset Engineering, which prepared the engineering specifications for the district's Extreme Hardship funding application. According to the engineer's report dated June 2005 and prepared by Landset Engineering, the total cost to connect the district to the California Water Service Company was estimated at \$362,649.

The final engineered plans and specifications used by all bidders were prepared by the California Water Service Company and were dated March 3, 2006. The bid submitted by Don Chapin Company was \$41,895 lower than the highest bid and \$47,051 lower than the figure provided in his own company's engineering report. Other bidders had access to the engineering report; however, prior detailed knowledge regarding the project's nature, scope and projected cost appears to have provided the board president with an unfair advantage in the public bidding process and should have caused him to abstain from any part of the decision making and award process for any other contracts connected to the award of this bid. Although there may appear to be a savings to the district as a result of choosing the lowest bidder, there was still a financial incentive to the Don Chapin Company. A financial incentive occurs whenever the transaction results in a profit.

Under the Fair Political Practices Act, public officials are disqualified from participating in government decisions in which they have a financial interest. The act does not prevent

officials from owning or acquiring financial interests that conflict with their official duties, nor does the mere possession of such interests require officials to resign from office. The disqualification provision of the Fair Political Practices Act hinges on the effect a decision will have on a public official's financial interests.

When a decision is found to have the requisite effect, the official is disqualified from making, participating in making, or using his or her official position to influence the making of that decision at any stage of the decision making process. By establishing a broad, objective disqualification standard, the act attempted to cover both actual and apparent conflicts of interest between a public official's private interests and his or her public duties.

It is not necessary to show actual bias on the part of the official to trigger disqualification, nor is it usually necessary to show that an official's assets or the amount of his or her income will be affected by a decision; other more attenuated effects may bring about an official's disqualification. Though the disqualification requirement is broad, it is by no means all-inclusive.

Material Weaknesses

Based on the findings in this report, FCMAT determined that material weaknesses and deficiencies exist in the district's internal controls regarding this transaction and award of bid to the Don Chapin Company. Violation of Government Code section 1090 voids the contract and exposes the violator to penalty, imprisonment and permanent disqualification from holding any office of the state.

Recommendations

The county superintendent should:

1. In accordance with Education Code section 42638 (b), notify the governing board of the school district, the State Controller, the Superintendent of Public Instruction, the Office of Public School Construction and the local district attorney that violations of Government Code sections, 1090 and 87300 may have taken place.
2. Pursuant to Education Code section 1241.5(b), report the findings and recommendations of this audit report to the governing board of the school district at a regularly scheduled school district board meeting within 45 days of completing the audit.

The district's governing board should:

3. Exercise its oversight role to request designated employees to confirm that outside activities do not conflict with their role, responsibility, or work calendar required under the terms of their employment or voluntary service with the district.
4. Exercise its authority to question designated employees and members of the board regarding outside activities or financial interests included in Government Code sections 1090 and 1126.
5. Ensure that all new employees and elected or appointed board members who are in the classifications which require them to complete form 700 do so and submit the form to the proper county agency.
6. Ensure that the district's elected officials, administration and designated employees complete ethics training regarding the roles and responsibilities of public officials in relation to conflicts of interest and the Fair Political Practices Act.

The district should:

7. Take all necessary action to preserve all writings within the meaning of Evidence Code section 250 (see footnote) referenced in this audit report or related to the transactions which are the subject of the audit report.
8. Pursuant to Education Code section 1241.5(b), no later than 15 calendar days after receipt of the audit report, notify the County Superintendent of its proposed actions on the County Superintendent's recommendations.

Note:

Evidence Code section 250 defines "Writing" to mean handwriting, typewriting, printing, photostating, photographing, photocopying, transmitting by electronic mail or facsimile, and every other means of recording upon any tangible thing, any form of communication or representation, including letters, words, pictures, sounds or symbols, or combinations thereof, and any record thereby created, regardless of the manner in which the record has been stored.

Bidding Practices

Advertising Requirement

Public Contract Code sections 20111 and 22002 (see Appendix B) require school districts to bid and award to the lowest responsible bidder any contract for \$15,000 or more for the construction, reconstruction, erection, renovation, alteration, improvement, demolition, and repair of publicly owned, leased or operated facilities.

Public Contract Code section 20116 prohibits splitting or separating into smaller work orders or projects any work, project, service or purchase for the purpose of evading the law that requires competitive bidding.

The district requested assistance from the California Water Service Company in developing the engineering specifications and planning for this project in order to secure state funding. In correspondence dated March 27, 2006, the California Water Service Company submitted an estimate with instructions regarding the district's election to hire their own qualified contractor. The March 27, 2006 correspondence stated, in part, the following:

IF YOU ELECT TO HIRE YOUR OWN QUALIFIED CONTRACTOR:

Before construction begins:

- Pick up detailed plans and specifications
- Provide installing contractor's name, insurance and license information. See attached Form 1518
- Materials must be on-site and inspected by CWS.
- Pay remaining deposits (\$45,730)

In a subsequent letter from California Water Service Company, dated December 14, 2006, eight months after the bids were awarded; California Water Service Company informed the Lagunita Elementary School District superintendent that the following companies were acceptable to the company for this project:

- West Valley Engineering
- Granite Construction
- Don Chapin Company
- Monterey Peninsula Engineering

The district mistakenly interpreted this correspondence, and earlier verbal communication from the California Water Service Company, as identifying the only qualified contractors acceptable to the California Water Service Company.

During the bidding, which was prior to receipt of the December 14, 2006 letter but after the verbal communication and the March 27, 2006 letter from the California Water Service Company, the district limited bids to only four contractors. This may have precluded other qualified bidders from participating.

The district did not advertise for bids as required by Public Contract Code section 20112 (see Appendix B); because the district interpreted verbal information and subsequent correspondence from the California Water Company as identifying only four qualified bidders, the district did not publish a request for bids in the local newspaper as required.

The district also did not include an affidavit of noncollusion in the bid packet as required by Public Contract Code section 7106 (see Appendix C).

The limited documentation related to this project and the information obtained during the audit indicates that not all of the district's contracts are bid as required by the Public Contract Code. In addition, change orders were not bid in accordance with the policies specified in the district's policy and procedures manual.

Purpose of Internal Controls

Illegal acts, misappropriation of funds or fraud can include an array of irregularities characterized by intentional deception and misrepresentation of material facts. The principal mechanism for deterring fraud or illegal practices in an organization is a strong system of internal controls. Effective internal control processes provide reasonable assurance that a district's operations are effective and efficient, that the financial information produced is reliable, and that the district is operating in compliance with all applicable laws and regulations. The internal control structure includes the policies and procedures used by district staff, accounting and information systems, the work environment and the professionalism of employees.

Ineffective internal controls include, but are not limited to, the following:

- Failure to segregate duties and responsibilities of authorization
- Unrestricted access to assets or sensitive data (such as cash, fixed assets, or personnel records)
- Not recording transactions, resulting in lack of accountability
- Not reconciling assets with the appropriate records
- Unauthorized transactions
- Unimplemented controls because of unqualified personnel
- Collusion among employees where little or no supervision exists

A system of internal controls consists of policies and procedures designed to provide management with reasonable assurance that the school district achieves its objectives and goals. Traditionally referred to as hard controls, these include segregation of duties, limiting access to cash, management review and approval, and reconciliations. Other types of internal controls include soft controls such as management tone, performance evaluations, training programs, and maintaining established policies, procedures and standards of conduct. The internal control environment also includes the integrity, ethical values and competence of personnel; the philosophy and operating style of management; the way management assigns authority and responsibility and organizes and develops its

people; and the attention and direction provided by the governing board and executive management.

Effective Internal controls are designed to ensure the following:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

Internal controls can provide only reasonable assurance, not absolute assurance, that the district will be successful in achieving its goals and objectives.

Material Weaknesses

FCMAT found significant material weaknesses in the district's internal controls related to conflicts of interest and public bidding processes, which increase the probability that fraud and/or abuse can occur. Every organization faces a variety of internal and external risks that must be identified, assessed and managed. While all employees in the organization bear some responsibility for internal controls, the governing board, superintendent and upper management are ultimately responsible. These leaders must identify information and communicate it clearly and in a timely manner so that personnel can carry out their responsibilities.

Regular external audits are a strong deterrent to mismanagement and fraud, but they cannot serve as the only method of ensuring accountability. It is imperative that the district review the documentation and allegations disclosed during the audit process so that additional documentation can be developed to hold the responsible parties accountable, restore the diminished morale of district personnel and re-establish the community's confidence in the Lagunita Elementary School District.

The district mistakenly interpreted correspondence and earlier verbal communication from the California Water Service Company as identifying the only qualified contractors acceptable to work on the project.

During the bidding, which was approximately six months prior to the receipt of the December 14, 2006 letter but after the verbal communication and the March 27, 2006 letter from the California Water Service Company, the district limited bids to only four contractors. This may have precluded other qualified bidders from participating.

The district did not advertise for bids as required by Public Contract Code section 20112 (see Appendix B). Because the district interpreted verbal information and later correspondence from the California Water Service Company as identifying only four qualified bidders, the district did not publish a request for bids in the local newspaper as required.

Affidavit of Noncollusion Requirement

The district also failed to include an Affidavit of Noncollusion in the bid packet as required by Public Contract Code section 7106 (see Appendix C). An Affidavit of Noncollusion is designed to ensure the district that the bidder has not directly or indirectly colluded, conspired, connived, or agreed with any other bidder to fix the bid price, or that the bidder has not had any advantage against the public body awarding the contract.

Retention Requirement

Public Contract Code sections 7107 and 9203 (see Appendix D) are applicable to construction of any public work of improvement. These sections of the code mandate that a district (or public entity) withhold a percentage of the total contract price until final completion and acceptance of the project by the district. The district did not withhold any retention from progress payments made to Don Chapin Company as required.

Recommendations

The district should:

1. Develop and implement more stringent oversight regarding the bidding and hiring of vendors and contractors, and ensure that existing district guidelines for changes to contracts are adhered to. In addition, the district should use these findings as the basis for additional audit work applicable to construction costs and contracts with vendors.
2. Ensure that all purchase orders or contracts for work to be performed are in compliance with the Public Contract Code and are reviewed and approved by the district's designated officer.
3. Seek professional development assistance for the designated officer in compliance with Public Contract Codes and Government Codes related to bidding requirements, practices and procedures.
4. Review the district's internal control structure, policies and procedures to provide management a reasonable assurance that the district's operations are effective and efficient.

Appendices

Appendix A

Education Code section 1126

Appendix B

Definition of Public Project: Public Contract Code 20111(b), 20112 and 22002 (c)

Appendix C

Affidavit of Non Collusion in Bid Packet: Public Contract Code 7106

Appendix D

*Release of Retention: Public Contract Code section 7107
and*

Mandated Retention: Public Contract Code Section 9203

Appendix E

Exhibits

Appendix F

Study Agreement

Appendix A

Education Code section 1126

1126. (a) Except as provided in Sections 1128 and 1129, a local agency officer or employee shall not engage in any employment, activity, or enterprise for compensation which is inconsistent, incompatible, in conflict with, or inimical to his or her duties as a local agency officer or employee or with the duties, functions, or responsibilities of his or her appointing power or the agency by which he or she is employed. The officer or employee shall not perform any work, service, or counsel for compensation outside of his or her local agency employment where any part of his or her efforts will be subject to approval by any other officer, employee, board, or commission of his or her employing body, unless otherwise approved in the manner prescribed by subdivision (b).

(b) Each appointing power may determine, subject to approval of the local agency, and consistent with the provisions of Section 1128 where applicable, those outside activities which, for employees under its jurisdiction, are inconsistent with, incompatible to, or in conflict with their duties as local agency officers or employees. An employee's outside employment, activity, or enterprise may be prohibited if it: (1) involves the use for private gain or advantage of his or her local agency time, facilities, equipment and supplies; or the badge, uniform, prestige, or influence of his or her local agency office or employment or, (2) involves receipt or acceptance by the officer or employee of any money or other consideration from anyone other than his or her local agency for the performance of an act which the officer or employee, if not performing such act, would be required or expected to render in the regular course or hours of his or her local agency employment or as a part of his or her duties as a local agency officer or employee or, (3) involves the performance of an act in other than his or her capacity as a local agency officer or employee which act may later be subject directly or indirectly to the control, inspection, review, audit, or enforcement of any other officer or employee or the agency by which he or she is employed, or (4) involves the time demands as would render performance of his or her duties as a local agency officer or employee less efficient.

(c) The local agency shall adopt rules governing the application of this section. The rules shall include provision for notice to employees of the determination of prohibited activities, of disciplinary action to be taken against employees for engaging in prohibited activities, and for appeal by employees from such a determination and from its application to an employee. Nothing in this section is intended to abridge or otherwise restrict the rights of public employees under Chapter 9.5 (commencing with Section 3201) of Title 1.

(d) The application of this section to determine what outside activities of employees are inconsistent with, incompatible with, or in conflict with their duties as local agency officers or employees may not be used as part of the determination of compensation in a collective bargaining agreement with public employees.

Appendix B

Definition of Public Project: Public Contract Code 20111(b), 20112 and 22002 (c)

20111.5. (a) The governing board of the district may require that each prospective bidder for a contract, as described under Section 20111, complete and submit to the district a standardized questionnaire and financial statement in a form specified by the district, including a complete statement of the prospective bidder's financial ability and experience in performing public works. The questionnaire and financial statement shall be verified under oath by the bidder in the manner in which civil pleadings in civil actions are verified. The questionnaires and financial statements shall not be public records and shall not be open to public inspection.

(b) Any school district requiring prospective bidders to complete and submit questionnaires and financial statements, as described in subdivision (a), shall adopt and apply a uniform system of rating bidders on the basis of the completed questionnaires and financial statements, in order to determine the size of the contracts upon which each bidder shall be deemed qualified to bid.

20112. For the purpose of securing bids the governing board of a school district shall publish at least once a week for two weeks in some newspaper of general circulation published in the district, or if there is no such paper, then in some newspaper of general circulation, circulated in the county, and may post on the district's Web site or through an electronic portal, a notice calling for bids, stating the work to be done or materials or supplies to be furnished and the time when and the place and the Web site where bids will be opened. Whether or not bids are opened exactly at the time fixed in the public notice for opening bids, a bid shall not be received after that time. The governing board of the district may accept a bid that was submitted either electronically or on paper.

22002. (a) "Public agency," for purposes of this chapter, means a city, county, city and county, including chartered cities and chartered counties, any special district, and any other agency of the state for the local performance of governmental or proprietary functions within limited boundaries. "Public agency" also includes a nonprofit transit corporation wholly owned by a public agency and formed to carry out the purposes of the public agency.

(b) "Representatives of the construction industry" for purposes of this chapter, means a general contractor, subcontractor, or labor representative with experience in the field of public works construction.

(c) "Public project" means any of the following:

(1) Construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased, or operated facility.

(2) Painting or repainting of any publicly owned, leased, or operated facility.

(3) In the case of a publicly owned utility system, "public project" shall include only the construction, erection, improvement, or repair of dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher.

Appendix C

Affidavit of Non Collusion in Bid Packet: Public Contract Code 7106

7106. Any public works contract of a public entity shall include an affidavit, in the following form:

“NONCOLLUSION AFFIDAVIT TO BE EXECUTED BY BIDDER AND
SUBMITTED WITH BID

State of California)

County of _____) ss. _____)

_____, being first duly sworn, deposes and says that he or she is _____ of _____ the party making the foregoing bid that the bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation; that the bid is genuine and not collusive or sham; that the bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid, and has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, or that anyone shall refrain from bidding; that the bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the bid price of the bidder or any other bidder, or to fix any overhead, profit, or cost element of the bid price, or of that of any other bidder, or to secure any advantage against the public body awarding the contract of anyone interested in the proposed contract; that all statements contained in the bid are true; and, further, that the bidder has not, directly or indirectly, submitted his or her bid price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, or paid, and will not pay, any fee to any corporation, partnership, company association, organization, bid depository, or to any member or agent thereof to effectuate a collusive or sham bid.”

Appendix D

Release of Retention: Public Contract Code section 7107 and Mandated Retention: Public Contract Code Section 9203

Release of Retention: Public Contract Code Section 7107

7107. (a) This section is applicable with respect to all contracts entered into on or after January 1, 1993, relating to the construction of any public work of improvement.

(b) The retention proceeds withheld from any payment by the public entity from the original contractor, or by the original contractor from any subcontractor, shall be subject to this section.

(c) Within 60 days after the date of completion of the work of improvement, the retention withheld by the public entity shall be released.

In the event of a dispute between the public entity and the original contractor, the public entity may withhold from the final payment an amount not to exceed 150 percent of the disputed amount. For purposes of this subdivision, “completion” means any of the following:

(1) The occupation, beneficial use, and enjoyment of a work of improvement, excluding any operation only for testing, startup, or commissioning, by the public agency, or its agent, accompanied by cessation of labor on the work of improvement.

(2) The acceptance by the public agency, or its agent, of the work of improvement.

(3) After the commencement of a work of improvement, a cessation of labor on the work of improvement for a continuous period of 100 days or more, due to factors beyond the control of the contractor.

(4) After the commencement of a work of improvement, a cessation of labor on the work of improvement for a continuous period of 30 days or more, if the public agency files for record a notice of cessation or a notice of completion.

(d) Subject to subdivision (e), within seven days from the time that all or any portion of the retention proceeds are received by the original contractor, the original contractor shall pay each of its subcontractors from whom retention has been withheld, each subcontractor’s share of the retention received. However, if a retention payment received by the original contractor is specifically designated for a particular subcontractor, payment of the retention shall be made to the designated subcontractor, if the payment is consistent with the terms of the subcontract.

(e) The original contractor may withhold from a subcontractor its portion of the retention proceeds if a bona fide dispute exists between the subcontractor and the original contractor. The amount withheld from the retention payment shall not exceed 150 percent of the estimated value of the disputed amount.

(f) In the event that retention payments are not made within the time periods required by this section, the public entity or original contractor withholding the unpaid amounts

shall be subject to a charge of 2 percent per month on the improperly withheld amount, in lieu of any interest otherwise due. Additionally, in any action for the collection of funds wrongfully withheld, the prevailing party shall be entitled to attorney's fees and costs.

(g) If a state agency retains an amount greater than 125 percent of the estimated value of the work yet to be completed pursuant to Section 10261, the state agency shall distribute undisputed retention proceeds in accordance with subdivision (c). However, notwithstanding subdivision (c), if a state agency retains an amount equal to or less than 125 percent of the estimated value of the work yet to be completed, the state agency shall have 90 days in which to release undisputed retentions.

(h) Any attempted waiver of the provisions of this section shall be void as against the public policy of this state.

Mandated Retention: Public Contract Code Section 9203

9203. (a) Payment on any contract with a local agency for the creation, construction, alteration, repair, or improvement of any public structure, building, road, or other improvement, of any kind which will exceed in cost a total of five thousand dollars (\$5,000), shall be made as the legislative body prescribes upon estimates approved by the legislative body, but progress payments shall not be made in excess of 95 percent of the percentage of actual work completed plus a like percentage of the value of material delivered on the ground or stored subject to, or under the control of, the local agency, and unused. The local agency shall withhold not less than 5 percent of the **contract** price until final completion and acceptance of the project. However, at any time after 50 percent of the work has been completed, if the legislative body finds that satisfactory progress is being made, it may make any of the remaining progress payments in full for actual work completed.

(b) Notwithstanding the dollar limit specified in subdivision (a), a county water authority shall be subject to a twenty-five thousand dollar (\$25,000) limit for purposes of subdivision (a).

Appendix E

Exhibits

Exhibit A



Lagunita Elementary School District

975 San Juan Grade Road Salinas, California 93907 Marsha Filbin, Superintendent/Principal
(831) 449-2800 Fax (831) 449-9671 <http://teachsite.monterey.k12.ca.us/Lagunita>

January 12, 2005

COPY

Michael Jones
Acting District Manager, Salinas District
254 Commission Street
Salinas, CA 93901-3737

Dear Mr. Jones:

The Lagunita Elementary School District is a tiny public school district in a rural location at the corner of San Juan Grade Road and Crazy Horse Canyon Road. We serve students from Preschool through 8th grade and have been in continuous operation for the past 107 years. Throughout these years, the district has provided the school with its entire water supply from an on-site well.

Always a very low-producing well, recently this well has persistently violated the total coliform rule. We feel that the continued presence of coliform bacteria in the well presents an acute risk to the health and welfare of the school's population.

It is our belief that the best long-term solution for the improvement of the Lagunita School Water System would be to eliminate the well and to connect the school to a public water utility. I am writing today to request that the California Water Service Company consider extending its service line to provide our school site at 975 San Juan Grade Road with a water connection to your system.

Please contact me at (831) 449-2800 at your convenience to discuss the viability of my request.

Sincerely,

Marsha Filbin
Superintendent/Principal
mfilbin@monterey.k12.ca.us

Exhibit B



CALIFORNIA WATER SERVICE COMPANY

254 COMMISSION STREET • SALINAS, CA 93901-3737
(831) 757-3644 • FAX (831) 757-0497

SALINAS DISTRICT

*file
web*

June 23, 2005

Board of Trustees
Lagunita School District
975 San Juan Grade Road
Salinas, CA 93907

Re: Will-Serve Letter (Lagunita School District)

Dear Board of Trustees:

California Water Service Company (Cal Water) has reviewed the request for water availability for the Lagunita School located at 975 San Juan Grade Road.

In order for us to provide adequate water for domestic use and fire service protection it may be necessary for the developer to advance the cost of Special Facilities, such as wells, booster pumps or a storage tank, in addition to the cost of extending the water mains and installing all services.

Installation of facilities would be made in accordance with the Main Extension Rules of the California Public Utilities Commission (CPUC). The installation of all facilities will be contingent upon Cal Water receiving the full estimated deposit for installing the facilities and receiving approval from the CPUC to extend our service area boundaries. Our engineering department will provide us with more precise information when you provide us with fire department requirements and improvement plans for your project.

We meet all State and Public Utilities Commission regulations pertaining to water quality and quantity. There is no expiration on our willingness to serve.

We will supply only such domestic water at such pressure as may be available as a result of our operation of the system.

If you have any questions concerning this matter, please contact me at this office.

Sincerely,

Michael L. Jones
Acting District Manager

Pc: Linda Pryzbyla
Engineering Dept
File

Exhibit C



1 September 2005

Mr. Bill Johnstone
Project Manager
Office of Public School Construction
Department of General Services
1130 K Street, Suite 400
Sacramento, CA 95814

RE: Application Number 40/66076-04-01

Dear Mr. Johnstone:

In response to your letter of August 19, 2005, I have enclosed cost estimates for both replacing the existing well system with a like kind system and for connection to the nearest public water utility. Additionally, the estimates have been revised to reflect the format required in the Extreme Hardship Funding Application (Form SAB 40-22) as outlined in your letter.

As stated in my Engineers Report (June 2005), I wish to reiterate that replacing the existing well with a like kind system is not considered a practical solution to the ongoing water quantity and quality problems experienced by the Lagunita School District. Drilling a new well does not guarantee that the quantity or quality of the water supplied to the school will be improved. The existing well was drilled in 1997 and has had continuing problems including the previously documented quality issues as well as the annual pump replacement required by the extremely low production rate. An additional problem, as outlined in my report, is providing a site for a new well due to the location of buildings, parking, athletic fields, septic tanks, and septic leech fields. In support of my opinion, I have enclosed a copy of a letter from the Monterey County Department of Health stating their concerns regarding the situation at the school.

If you have any questions or concerns, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'Charles E. Potter', with a large, sweeping flourish at the end.

Charles E. Potter, P.E.

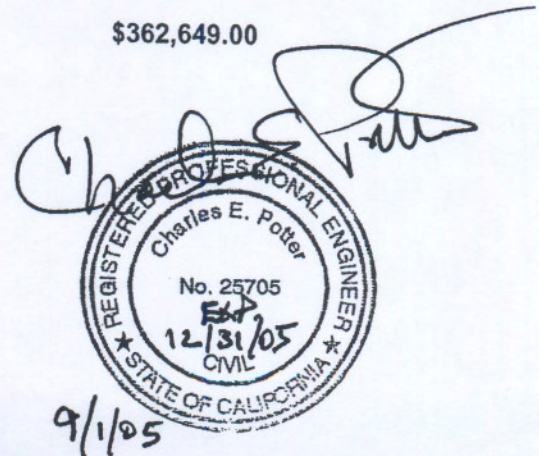
Cc: Marsha Filbin

Enc.

Cost Estimate

California Water Service Connection to Lagunita School (Revised 9/01/05)

<u>Item</u>	<u>Quantity</u>	<u>Unit Cost</u>	<u>Amount</u>
Furnish and Install 6" PVC, Class 200, Water Main	4225 LF	\$ 35.00/LF	\$147,875.00
Furnish and Install Fire Hydrant	1 EA	\$ 3,500.00/EA	\$3,500.00
Furnish and Install 2" Domestic Water Service	1 EA	\$ 2,000.00/EA	\$2,000.00
Connect to Exist. System	1 EA	\$ 3,000.00/EA	\$3,000.00
Patch Pave Water Trench, 3" AC, 6" CI. 2 AB	9000 SF	\$ 6.00/SF	\$54,000.00
Chip Seal	10000 SF	\$ 0.50/SF	\$5,000.00
Traffic Control	LS	\$36,000.00	\$36,000.00
Abandon Exist. Wells	LS	\$12,000.00	\$12,000.00
Connection Fees	LS	\$25,000.00	\$25,000.00
Special Facilities (Pumps, etc.)	LS	\$20,000.00	<u>\$20,000.00</u>
Sub-Total Construction Costs			\$308,375.00
Planning and Engineering @ 12%			<u>\$37,005.00</u>
Sub-Total			\$345,380.00
Contingencies @ 5%			<u>\$17,269.00</u>
Total Estimated Costs			\$362,649.00



Cost Estimate

New Well for Lagunita School

<u>Item</u>	<u>Quantity</u>	<u>Unit Cost</u>	<u>Amount</u>
Drilling	600 LF	\$ 25.00/LF	\$15,000.00
Furnish and Install 5" Casing	600 LF	\$ 15.00/LF	\$9,000.00
Furnish and Install Packing material	LS	\$1,000.00	\$1,000.00
Furnish and Install 200' P.C.C. Seal	LS	\$2,500.00	\$2,500.00
Furnish and Install Well Pump	LS	\$1,500.00	\$1,500.00
Furnish and Install Well Column	600 LF	\$ 5.00/LF	\$3,000.00
Furnish and Install Pump Controls	LS	\$1,500.00	\$1,500.00
Connect to Power Supply	LS	\$1,000.00	\$1,000.00
Abandon Exist. Wells	LS	\$12,000.00	\$12,000.00
Sub-Total Construction Costs			\$46,500.00
Planning and Engineering @ 12%			<u>\$5,580.00</u>
Sub-Total			\$52,080.00
Contingencies @ 5%			<u>\$2,604.00</u>
Total Estimated Costs			\$54,684.00

[Handwritten Signature]

9/1/05

REGISTERED PROFESSIONAL ENGINEER
Charles E. Potter
No. 25705
12/31/05
CIVIL
STATE OF CALIFORNIA

COVER PAGE

A Public Document

Please type or print in ink

NAME (LAST)	(FIRST)	(MIDDLE)	DAYTIME TELEPHONE NUMBER
Chapin	Donald	D. Jr.	(831) 449-4273
MAILING ADDRESS (May use business address)	STREET	CITY	STATE ZIP CODE OPTIONAL: FAX / E-MAIL ADDRESS
560 Crazy Horse Cyn. Rd.		Salinas, CA 93907	831-444-4176

1. Office, Agency, or Court

Name of Office, Agency, or Court:

Lagunita School District

Division, Board, District, if applicable:

Board of Trustees

Your Position:

President

➔ If filing for multiple positions, list additional agency(ies)/ position(s): (Attach a separate sheet if necessary.)

Agency: _____

Position: _____

2. Jurisdiction of Office (Check at least one box)

☐ State

☒ County of Monterey

☐ City of _____

☐ Multi-County _____

☐ Other _____

3. Type of Statement (Check at least one box)

☐ Assuming Office/Initial Date: ____/____/____

☒ Annual: The period covered is January 1, 2004, through December 31, 2004.

-or-

☐ The period covered is ____/____/____, through December 31, 2004.

☐ Leaving Office Date Left: ____/____/____ (Check one)

☐ The period covered is January 1, 2004, through the date of leaving office.

-or-

☐ The period covered is ____/____/____, through the date of leaving office.

☐ Candidate

4. Schedule Summary

(Check applicable schedules or "No reportable interests.")

➔ During the reporting period, did you have any reportable interests to disclose on:

Schedule A-1 ☒ Yes - schedule attached
Investments (Less than 10% Ownership)

Schedule A-2 ☒ Yes - schedule attached
Investments (10% or greater Ownership)

Schedule B ☒ Yes - schedule attached
Real Property

Schedule C ☒ Yes - schedule attached
Income, Loans, & Business Positions (Income Other than Gifts and Travel Payments)

Schedule D (Eliminated - report loans on Schedule C)

Schedule E ☐ Yes - schedule attached
Income - Gifts

Schedule F ☐ Yes - schedule attached
Income - Travel Payments

-or-

➔ ☐ No reportable interests on any schedule

Total number of pages

completed including this cover page: _____

5. Verification

I have used all reasonable diligence in preparing this statement. I have reviewed this statement and to the best of my knowledge the information contained herein and in any attached schedules is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date Signed

3-21-05
(month, day, year)

Signature

(This is the originally signed statement with your filing official.)

SCHEDULE A-1

Investments

Stocks, Bonds, and Other Interests

(Ownership Interest is Less Than 10%)

Do not attach brokerage or financial statements.

CALIFORNIA FORM **700**

FAIR POLITICAL PRACTICES COMMISSION

Name _____

> NAME OF BUSINESS ENTITY
The Don Chapin Company Inc.

GENERAL DESCRIPTION OF BUSINESS ACTIVITY
Construction

FAIR MARKET VALUE
☐ \$2,000 - \$10,000 ☐ \$10,001 - \$100,000
☐ \$100,001 - \$1,000,000 ☒ Over \$1,000,000

NATURE OF INVESTMENT
☒ Stock
☐ Other _____ (Describe)

IF APPLICABLE, LIST DATE:
 _____ / _____ / 04 _____ / _____ / 04
 ACQUIRED DISPOSED

> NAME OF BUSINESS ENTITY
The Don Chapin Company Inc.

GENERAL DESCRIPTION OF BUSINESS ACTIVITY
Land Development

FAIR MARKET VALUE
☐ \$2,000 - \$10,000 ☐ \$10,001 - \$100,000
☐ \$100,001 - \$1,000,000 ☒ Over \$1,000,000

NATURE OF INVESTMENT
☐ Stock
☒ Other 50% Partner (Describe)

IF APPLICABLE, LIST DATE:
 _____ / _____ / 04 _____ / _____ / 04
 ACQUIRED DISPOSED

> NAME OF BUSINESS ENTITY
Assured Aggregates Company Inc.

GENERAL DESCRIPTION OF BUSINESS ACTIVITY
Trucking & Materials

FAIR MARKET VALUE
☐ \$2,000 - \$10,000 ☐ \$10,001 - \$100,000
☐ \$100,001 - \$1,000,000 ☒ Over \$1,000,000

NATURE OF INVESTMENT
☒ Stock (Spouse)
☐ Other _____ (Describe)

IF APPLICABLE, LIST DATE:
 _____ / _____ / 04 _____ / _____ / 04
 ACQUIRED DISPOSED

> NAME OF BUSINESS ENTITY
Blohm Rd. Jt. Venture

GENERAL DESCRIPTION OF BUSINESS ACTIVITY
Development, Home Sales

FAIR MARKET VALUE
☐ \$2,000 - \$10,000 ☐ \$10,001 - \$100,000
☐ \$100,001 - \$1,000,000 ☒ Over \$1,000,000

NATURE OF INVESTMENT
☐ Stock
☒ Other 53% Owner Partner (Describe)

IF APPLICABLE, LIST DATE:
 _____ / _____ / 04 _____ / _____ / 04
 ACQUIRED DISPOSED

> NAME OF BUSINESS ENTITY
Landset Engineers

GENERAL DESCRIPTION OF BUSINESS ACTIVITY
Professional Engineering

FAIR MARKET VALUE
☐ \$2,000 - \$10,000 ☐ \$10,001 - \$100,000
☒ \$100,001 - \$1,000,000 ☐ Over \$1,000,000

NATURE OF INVESTMENT
☒ Stock
☐ Other _____ (Describe)

IF APPLICABLE, LIST DATE:
 _____ / _____ / 04 _____ / _____ / 04
 ACQUIRED DISPOSED

> NAME OF BUSINESS ENTITY
Pesante Rd. Partners

GENERAL DESCRIPTION OF BUSINESS ACTIVITY
Land Development

FAIR MARKET VALUE
☐ \$2,000 - \$10,000 ☐ \$10,001 - \$100,000
☐ \$100,001 - \$1,000,000 ☒ Over \$1,000,000

NATURE OF INVESTMENT
☐ Stock
☒ Other 50% Owner Partner (Describe)

IF APPLICABLE, LIST DATE:
 _____ / _____ / 04 _____ / _____ / 04
 ACQUIRED DISPOSED

Comments: _____

SCHEDULE A-2
Investments, Income, and Assets
of Business Entities/Trusts
(Ownership Interest is 10% or Greater)

CALIFORNIA FORM 700
FAIR POLITICAL PRACTICES COMMISSION
Name _____

1. BUSINESS ENTITY OR TRUST

Landset Engineers
Name
520 B Crazy Horse Cyn Rd. Salinas
Address

Check one
☐ Trust, go to 2 ☒ Business Entity, complete the box, then go to 2

GENERAL DESCRIPTION OF BUSINESS ACTIVITY <u>Engineering</u>	
FAIR MARKET VALUE <input type="checkbox"/> \$2,000 - \$10,000 <input type="checkbox"/> \$10,001 - \$100,000 <input checked="" type="checkbox"/> \$100,001 - \$1,000,000 <input type="checkbox"/> Over \$1,000,000	IF APPLICABLE, LIST DATE: <u> </u> / <u> </u> / <u>04</u> ACQUIRED DISPOSED
NATURE OF INVESTMENT <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> <u>Corporation</u> Other	
YOUR BUSINESS POSITION <u>President</u>	

2. IDENTIFY THE GROSS INCOME RECEIVED (INCLUDE YOUR PRO RATA SHARE OF THE GROSS INCOME TO THE ENTITY/TRUST)

- ☐ \$0 - \$499 ☒ \$10,001 - \$100,000
☐ \$500 - \$1,000 ☐ OVER \$100,000
☐ \$1,001 - \$10,000

3. LIST THE NAME OF EACH REPORTABLE SINGLE SOURCE OF INCOME OF \$10,000 OR MORE (attach a separate sheet if necessary)

Various clients, Don Chapin Co.
Associated Companies, etc.

4. INVESTMENTS AND INTERESTS IN REAL PROPERTY HELD BY THE BUSINESS ENTITY OR TRUST

Check one box:

- ☐ INVESTMENT ☐ REAL PROPERTY

Name of Business Entity or
Street Address or Assessor's Parcel Number of Real Property

Description of Business Activity or
City or Other Precise Location of Real Property

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| FAIR MARKET VALUE
<input type="checkbox"/> \$2,000 - \$10,000
<input type="checkbox"/> \$10,001 - \$100,000
<input type="checkbox"/> \$100,001 - \$1,000,000
<input type="checkbox"/> Over \$1,000,000 | IF APPLICABLE, LIST DATE:
<u> </u> / <u> </u> / <u>04</u>
ACQUIRED DISPOSED |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|

NATURE OF INTEREST
☐ Property Ownership/Deed of Trust ☐ Stock ☐ Partnership

☐ Leasehold _____ Yrs. remaining ☐ Other _____

☐ Check box if additional schedules reporting investments or real property are attached

Comments: _____

1. BUSINESS ENTITY OR TRUST

DBA Electric
Name
Address

Check one
☐ Trust, go to 2 ☒ Business Entity, complete the box, then go to 2

GENERAL DESCRIPTION OF BUSINESS ACTIVITY <u>Electrical Contractor</u>	
FAIR MARKET VALUE <input type="checkbox"/> \$2,000 - \$10,000 <input type="checkbox"/> \$10,001 - \$100,000 <input type="checkbox"/> \$100,001 - \$1,000,000 <input checked="" type="checkbox"/> Over \$1,000,000	IF APPLICABLE, LIST DATE: <u> </u> / <u> </u> / <u>04</u> ACQUIRED DISPOSED
NATURE OF INVESTMENT <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> <u>Corporation</u> Other	
YOUR BUSINESS POSITION <u>Director</u>	

2. IDENTIFY THE GROSS INCOME RECEIVED (INCLUDE YOUR PRO RATA SHARE OF THE GROSS INCOME TO THE ENTITY/TRUST)

- ☒ \$0 - \$499 ☐ \$10,001 - \$100,000
☐ \$500 - \$1,000 ☐ OVER \$100,000
☐ \$1,001 - \$10,000

3. LIST THE NAME OF EACH REPORTABLE SINGLE SOURCE OF INCOME OF \$10,000 OR MORE (attach a separate sheet if necessary)

Various clients, Don Chapin Co.
Associated Companies, etc.

4. INVESTMENTS AND INTERESTS IN REAL PROPERTY HELD BY THE BUSINESS ENTITY OR TRUST

Check one box:

- ☐ INVESTMENT ☐ REAL PROPERTY

Name of Business Entity or
Street Address or Assessor's Parcel Number of Real Property

Description of Business Activity or
City or Other Precise Location of Real Property

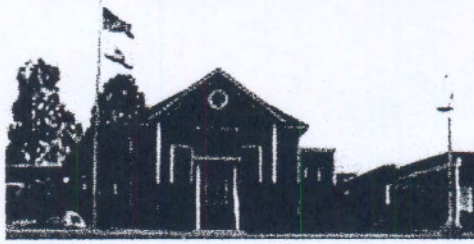
- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| FAIR MARKET VALUE
<input type="checkbox"/> \$2,000 - \$10,000
<input type="checkbox"/> \$10,001 - \$100,000
<input type="checkbox"/> \$100,001 - \$1,000,000
<input type="checkbox"/> Over \$1,000,000 | IF APPLICABLE, LIST DATE:
<u> </u> / <u> </u> / <u>04</u>
ACQUIRED DISPOSED |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|

NATURE OF INTEREST
☐ Property Ownership/Deed of Trust ☐ Stock ☐ Partnership

☐ Leasehold _____ Yrs. remaining ☐ Other _____

☐ Check box if additional schedules reporting investments or real property are attached

Exhibit D



CyM

Lagunita Elementary School District

975 San Juan Grade Road Salinas, California 93907 Marsha Filbin, Superintendent/Principal
(831) 449-2800 Fax (831) 449-9671 <http://teachsite.monterey.k12.ca.us/Lagunita>

January 30, 2006

Michael L. Jones
Acting District Manager
California Water Service Company
254 Commission Street
Salinas, CA 93901-3737

Dear Mr. Jones:

Lagunita Elementary School District has recently received special funding from the State Allocation Board in the amount of \$378,282 for the purpose of connecting the school campus at 975 San Juan Grade Road with water services from your company. The proposal involves extending a main line from your station 45-01 on San Juan Grade Road, to the school campus (approximately 8/10 of one mile), and installing a smaller connection line at the school buildings. Per the restrictions of our funding from the State Allocations Board, we have until December 15, 2006 to complete this project. Therefore, it is important for us to begin right away.

I understand that your company prefers to do the engineering design aspect of all such projects. I am requesting that you forward my request and all attached information to your engineering department so that the engineering process might begin.

I also understand that California Water Service Company has an approved list of contractors for such work. Once the engineering design is complete, we will need to accumulate at least three bids from such contractors so that the Lagunita School Board of Trustees may choose a contractor per Education Code guidelines. I would appreciate your help and advice in obtaining these bids.

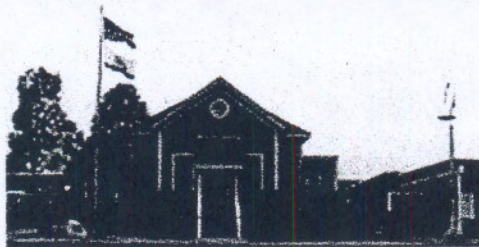
I look forward to working with you and your company on this project. It is an exciting advancement for the school district and we have every confidence in your company's expertise.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Marsha Filbin'.

Marsha Filbin
Superintendent/Principal

Exhibit E



Lagunita Elementary School District

975 San Juan Grade Road Salinas, California 93907 Marsha Filbin, Superintendent/Principal
(831) 449-2800 Fax (831) 449-9671 <http://reachsite.monterey.k12.ca.us/Lagunita>

February 8, 2006

copy

Michael L. Jones
Acting District Manager
California Water Service Company
254 Commission Street
Salinas, CA 93901-3737

Dear Mr. Jones,

I am enclosing the deposit of \$500 that we discussed in our meeting today. My understanding is that with this deposit, California Water Service Company will begin planning and development of the project to connect Lagunita Elementary School District with your public water utility.

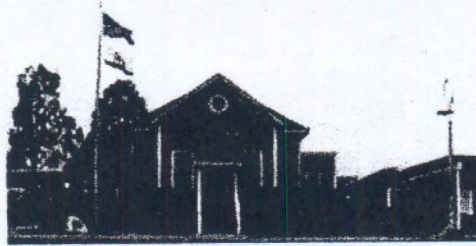
I enjoyed meeting with you and your company representatives today. Thank you for the very clear information that you shared.

Sincerely,

Marsha Filbin

Marsha Filbin
Superintendent/Principal

Exhibit F



Lagunita Elementary School District

975 San Juan Grade Road Salinas, California 93907 Marsha Filbin, Superintendent/Principal
(831) 449-2800 Fax (831) 449-9671 <http://teachsite.monterey.k12.ca.us/Lagunita>

April 18, 2006

Addendum to Invitation to Bid and Bidding Instructions Lagunita School Water Main Installation Project

TO: All Bidders

Please be advised that a few items have developed some questions that need to be addressed in your bids. Please consider this as notice that the items listed below must be included within your proposals for the complete water line work contemplated by the bid.

- Form 1518 is a form as provided by Cal Water Service Co. Each contractor may acquire the form from either Cal Water, or here at Lagunita School. The form **MUST** be included with the bid. Any bid received without the form may be rejected as non responsive. This form is the form that will be used by Cal Water to qualify each bidder to install Cal Water facilities.
- The payment of Prevailing Wages must also be included within your bids. This is a provision of Public Contracting Code and will include the requirement that Certified Payrolls be provided to the District prior to any payments being released to the contractor. This Prevailing Wage requirement will extend to any Subcontractors employed on the work as well.
- A bid bond must accompany your proposals. The bid bond should be on a bonding company standard bid bond form. Bonding companies used must meet requirements of California Bonding Companies and must be acceptable to the District. The amount of the bond is to be not less than ten percent of the total amount of the bid for the work.
- Bonds for Faithful Performance and Payment Bonds **MAY** be required of the prospective contractor and bidder. To determine the cost of potential bonding requirements, please indicate on your proposals an "ADD ALTERNATE" for the cost to furnish Performance and Payment Bonds. A determination of whether the bonds will be required will be made upon determining first the lowest responsible bidder.
- To alleviate confusion in the plans, it is the intention of the District to have the 2" service and the fire hydrant located just to the north east of the track. That will locate the service and hydrant adjacent to the paved driveway in the middle of the

school campus. Regardless of how many feet of pipe is shown on the plans, the pipeline must be terminated at this point with the service and hydrant. Please include the total footage of main line pipe to be 4170 lineal feet. This does not include the crossings for the hydrant. Should the bidders have any questions about this location, please contact the school for a site visit.

Please include a copy of this addendum with your bid proposal. This addendum should be signed as indicated by the bidders, which signature will attest that this information was used in the preparation of bids.

The bid date and time have remained the same.

Sincerely,

Marsha Filbin
Principal and Administrator

The bidder, _____ having received this addendum, reviewed the site, and prepared their bid, hereby confirms that the bid enclosed herewith does include information included within this addendum, and is complete as contemplated by the plans and specifications.

Date _____ By _____ Title _____

Exhibit G

Lagunita School

Board of Trustees **Regular Meeting**

TIME: 5:00 P.M.
PLACE: LAGUNITA SCHOOL
DATE: Tuesday, April 25, 2006

Board Minutes

- I. Call to Order** – Don Chapin, Board President, called the meeting to order at 5:01 pm.
- II. Quorum Established** – Present were Don Chapin, Board President; Ernest Howard, Clerk; Chuck Shearn, newly appointed Trustee; and Marsha Filbin, Secretary to the Board. Quorum was established. Members of the community that were present were Mike Roads, George Lopez, Kris Van Gelder, and Donna Avila.
- III. The Pledge of Allegiance**
- IV. Actions**
- A. Newly appointed Trustee Chuck Shearn was sworn into office by Board President Don Chapin.
 - B. The minutes of March 28, 2006 were approved. H/S 3-0
 - C. Warrants in the amount of \$3,232.56 from the General Fund were approved. A warrant for \$21,865 from the Deferred Maintenance fund was approved. S/H3-0 President Don Chapin excluded himself from voting on Invoice #2015 for fuel from Don Chapin Co. in February.
 - D. The Board opened sealed bids for two upcoming deferred maintenance projects.
 - Abandonment of two water wells. There were two bids.
Maggioria Bros. -- \$6,790 per well = \$13,580
Salinas Pump – well #1, \$7745.56, well #2, \$8145.56 = \$15,891.12
Because of differences in wording in the two bids, the Board was unsure if these were equal bids. Chuck Shearn moved to authorize Don Chapin as Board representative and Marsha Filbin as District representative to meet with the bidders to clarify the bids. Their information will come back to the Board. ***The bid award on this project will be determined at the next meeting. S/H 3-0***
 - California Water utility expansion project: The Board's authority to award a bid on this project extends only to the base bid for an 8" water main and a performance bond. The Board received three qualified bids.
Monterey Peninsula Engineering -- \$345,150 base bid, \$2,500 bond = \$347,650
Granite Construction -- \$348,981 base bid, \$2,614 bond = \$351,595
Don Chapin Co. -- \$309,700 base bid, \$2,000 bond = \$311,700.
The apparent low bidder was identified as the Don Chapin Co. Chuck Shearn would like to go over the bid with the apparent low bidder to identify any exclusion that might be in the bid. If the bid does meet the District's needs, then the award will go to the apparent low bidder. S/H 2-0 President Don Chapin excluded himself from the opening of these bids and the discussion of award.
- V. New Business**
- A. Administrator Marsha Filbin presented a preliminary budget for 2006-2007. The finalized budget will come before the Board for approval at the June 27, 2006 meeting.

- B. Marsha Filbin presented and discussed the proposed calendar for the 2006-2007 school year. The calendar was constructed with input from the teaching staff. The Board approved the proposed calendar. H/S 3-0
- C. The Board reviewed the preferred field trip list. Proposed changes to the list were the deletion of the Sugarloaf Hike (because permission to hike on the property can no longer be obtained) and the addition of a 7th/8th grade trip to a rock climbing gym. H/S 3-0
- D. The school administrator reported to the School Board that, pursuant to Williams Uniform Complaint procedures, no complaints have been filed with the school district in the 1st calendar quarter of 2006.

VI. Old Business

A. Grounds and Maintenance

- Water project – based upon completion of the bid process, the District may now apply for the release of the Hardship Funding that was awarded by the State Allocations Board for this project.

B. Lagunita Administrator's Report

The administrator had no items to report that were not already discussed in the body of the meeting.

C. School Site Council Report

At the last meeting, the Council heard reports from the Disaster Preparedness Committee and the Social Studies Textbook Adoption Committee. The Council also encouraged the teaching staff to plan more parent-involvement activities that reflect the school curriculum. Parents will be invited to a "Reader's Café" literacy event in May. George Lopez compiled information from the Parent/Staff/and Student surveys that were collected in March and presented that information to the Board. The Council intends to use the survey information to help them identify areas that need improvement. The Council will share the information with parents as well.

D. Lagunita Parent Teacher Club Report

The club last met on April 18, 2006. There were 15 people in attendance. The club has \$5,400 in bank accounts. Of that, \$2,000 will go toward the purchase of updated learning software for all the classrooms. Upcoming events: STAR snacks, Book Fair, and the annual BBQ fundraiser with new auction items. The club needs new child care providers for next year. They need to find a babysitting class; and they have asked the upper grade teachers for recommendations on students to be babysitters. The club's next meeting is scheduled for May 8, 2006. May 15 is the last day for the School Cents fundraising competition. Lagunita is currently in third place. We may earn \$1,000 or \$1,500 from the Northridge Mall.

VII. Information and Proposals

A. Community Input

There was none.

B. Letters and Information

None.

VIII. Future Planning

The next regularly scheduled Board meeting will be Tuesday, May 23, 2006 at 6:00 pm.

IX. Closed Session

The Board went into closed session at 6:38 pm.


- During closed session, the Board discussed proposed teacher contracts for the 2006-07 school year. The Board directed the Administrator to present the contracts to teachers for their review and acceptance. S/H 3-0
- The Board voted an increase of \$17,500 to the current \$5,000 administrative stipend. The new stipend amount will equal \$22,500. S/H 3-0
- The Board voted increases in some classified wages. H/S 2-0

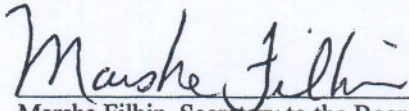
The Board came out of closed session at 7:27 pm.

X. Adjournment

The meeting was adjourned at 7:27 pm.

Approved by the Governing Board of
Lagunita School District



Ernest Howard, Clerk of the Board

Marsha Filbin, Secretary to the Board

Exhibit H

May 22, 2006

Marsha Filbin, Principal
Lagunita Middle School
975 San Juan Grade Road
Salinas, CA 93907

Re: Lagunita Middle School
Project - 15224

Dear Ms. Filbin:

Per our engineering department, the *revised* estimated the cost, including taxes, of the above project to be \$417,483. See attached sheet for detailed breakdown.

This estimate is based upon current costs and materials, obtained through regular sources. Installation of water facilities will be after storm drain and sanitary sewers, but prior to other utilities or improvements such as street paving, sidewalks, driveways, etc. All excess spoil IN TRACT is to remain trenchside and all excess spoil OFF TRACT is to be removed.

IF YOU WISH CAL WATER TO COMPLETE THIS INSTALLATION:

- Remit payment of \$416,983 (your deposit of \$22,365 has been deducted from the total).
- Provide 3 copies of the recorded map.
- Agreement- The following information is required, in writing, to prepare the agreement:
1) Names of the parties with whom the agreement is to be made, 2) Description of contracting parties, 3) Address to which notices to applicant should be sent, and 4) Name and address of single party to receive refunds if applicable. The agreement must be prepared, signed and returned prior to start of construction. See attached Rule 15 for details.

IF YOU ELECT TO HIRE YOUR OWN QUALIFIED CONTRACTOR:

Before construction begins:

- Pick up detailed plans and specifications.
- Provide installing contractor's name, insurance and license information. See attached Form 1518.
- Materials must be on-site and inspected by CWS.
- Pay remaining deposits (\$23,865.00)* (see attached Detailed Cost Estimate).

A. Construction Overhead-----\$44,730

D. Special Facility Fee-----	\$0
E. Other (work by CWS) -----	\$0
F. Total Deposits Required (Sub-Total) -----	\$46,230
G. Less Advance Deposit-----	<\$22,365>
H. Total Balance Due-----	\$23,863.00

Before tie-in of new facilities:

- Provide 3 copies of the recorded map.
- Agreement-The following information is required, in writing, to prepare the agreement: 1) Names of the parties with whom the agreement is to be made, 2) Description of contracting parties, 3) Address to which notices to applicant should be sent, and 4) Name and address of single party to receive refunds, if applicable. *The agreement must be prepared, signed and returned prior to tie-in.* See attached Rule 15 for details.

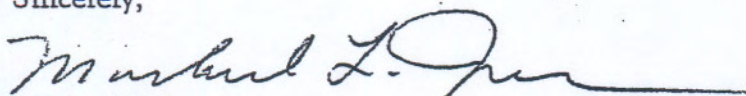
This estimate is submitted as preliminary information only. The figures and information contained herein are subject to execution of an agreement within (30) days of this date. Following completion of the project and determination of the final cost, any remaining funds will be returned to you, or if additional funds are required, they will be requested of you.

NOTE: *A pre-construction meeting will not be scheduled until this office has received all the required paperwork and deposits. Required paperwork is as follows:*

1. Form 1291 (Enclosed)
2. Form 1518 (Enclosed)
3. Copy of Contractor's License (Installing contractor must hold a Class A or Class C-34 License) (See Form 1518)
4. Certificate of Insurance (Contractor must have minimum insurance coverage of \$1,000,000.00 per occurrence, \$2,000,000.00 annual aggregate naming California Water Service Company as Additional Insured and Certificate Holder) (See Form 1518)
5. Total Deposits (Mentioned in letter)
6. Final cost of installation to be submitted upon completion of project

Should you have any questions or need additional information, please feel free to contact me at this office.

Sincerely,



Michael L. Jones
Assistant District Manager

Enclosures

pc: L. Przybyla

File- SLN-Project 15224

Exhibit I

DON CHAPIN

C O M P A N Y



560 Crazy Horse Canyon Road
Salinas, CA 93907-8434
Phone: 831-449-4273 • Fax: 831-449-0700

Invoice 20606103

Page No. -1-

Pay Application	Date	Terms	Contract
3	20 SEP 2006	NET 30 DAYS	206061

Contract Location

Job Cost Project # 206061
LAGUNITA SCHOOL WATER LINE
8" WATER MAIN
HEBERT RD./SAN JUAN GRADE
SALINAS, CA 93906

Customer 10119

LAGUNITA ELEMENTARY
SCHOOL DISTRICT
975 SAN JUAN GRADE ROAD
SALINAS, CA 93907

MAILED SEP 26 2006

Bid Item	Description	UOM	Estimated Quantity	Previous Quantity	Current Quantity	To Date Quantity	Unit Price	Current Amount	To Date Amount
1	BASE-BID 8 IN. C-900 LS		1.0000	1.0000	0.0000	1.0000	309700.0000	0.00	309,700.00
Total CONTRACT								0.00	309,700.00
901000000	AIR RELEASE VALVE	LS	1.0000	1.0000	0.0000	1.0000	6400.0000	0.00	6,400.00
901000000	ADD'L AC PER COUNTY	LS	1.0000	1.0000	0.0000	1.0000	6600.0000	0.00	6,600.00
Total EXTRA WORK								0.00	12,000.00
Total Base Contract								0.00	321,700.00
Total Contract And Change Orders								0.00	321,700.00

*extra work beyond
original bid*

Please return one copy with payment.

All invoices are due within 30 days from date of invoice. Past due invoices are subject to a late payment charge computed at 2.0% per month (24% annual percentage rate) on the past due amount.

WE ACCEPT VISA / MASTERCARD / DISCOVER • WE ACCEPT VISA / MASTERCARD / DISCOVER • WE ACCEPT VISA / MASTERCARD / DISCOVER

Exhibit J

Lagunita School

Board of Trustees

Regular Meeting

TIME: 6:30 P.M.
PLACE: LAGUNITA SCHOOL
DATE: Tuesday, November 28, 2006

Board Minutes

- I. Call to Order** – Don Chapin, Board President, called the meeting to order at 6:30 pm.
- II. Quorum Established** – Present were Don Chapin, Board President; Ernest Howard, Clerk; Chuck Shearn, Trustee; and Marsha Filbin, Secretary to the Board. Quorum was established. Members of the community present were Sheri Durgan and Michael Marshall.
- III. The Pledge of Allegiance**
- IV. Actions**
 - A. The minutes of October 24, 2006, were approved as presented. S/C 2-0. Clerk Ernest Howard abstained, because he was absent from the October meeting.
 - B. Warrants in the amount of \$9171.07 for general fund and \$301.80 for deferred maintenance were approved. H/S 3-0, with Mr. Chapin abstaining from approval of the one warrant for fuel from his company. Further warrants for the deferred maintenance fund in the amount of \$321,700.00 for the water main extension project were approved. S/H 2-0. Mr. Chapin abstained.
- V. New Business**
 - A. The board held its annual organizational meeting. It was moved, seconded, and approved that the Board will maintain its officers in their current positions. S/H 3-0 The Board also reaffirmed that its regularly scheduled meetings will be held on the fourth Tuesday of every month at 6:00 pm.
 - B. The Board passed Resolution #04/2006-2007 Designating Authorized Agent to Sign School Orders. All Board members and the Superintendent/Principal are authorized signers. S/H 3-0
 - C. The Board passed Resolution #05/2006-2007 Withdrawal of Membership in the Schools Excess Liability Fund JPA. H/S 3-0
- VI. Old Business**
 - A. **Grounds and Maintenance**
 - The Board reviewed informational quotes from the Don Chapin Company for the removal of tree roots and the resurfacing of the Sugarloaf Preschool playground. There was discussion of less expensive options for resurfacing the area. The Board suggested that preschool teacher Cathy Mills earmark \$10,000 of her Bingo donations funds to use toward the project and then the school district could fund the balance of possibly \$3,000. Marsha Filbin and Cathy Mills will continue to investigate possible, less costly, solutions for resurfacing the playground.
 - Mr. Bud Bauman and Mr. Michael Patterson are willing to donate their labor to repair the school building front steps. The school district will pay for all materials, which are expected to total under \$1,000.
 - In the water connection project, a final accounting of costs reveals that the district had \$392,046 available to spend, and spent \$383,394.
 - B. **Lagunita Administrator's Report**
 - First quarter ended and parent-teacher conferences were held. Awards were given for perfect attendance, honor roll, and Principal's honor roll.

- Halloween activities were held on a minimum day.
- Thanksgiving activities took on a new look this year with 90 minutes of rotational stations in which students learned about different aspects of the Thanksgiving holiday.
- Revenues to be received this year are currently projected at \$42,000 above amounts budgeted. Mrs. Filbin went over a budget update handout with the Board.

C. **School Site Council Report**

Marsha Filbin gave the report. The site council met on Tuesday, November 28, 2006. They discussed teachers' long-range teaching plans, reviewed local reading assessments for beginning 2006-2007, and discussed possible revisions to the Single Plan for Student Achievement. This year's committees have all met at least once and are at work on revising the Technology Plan, the Safe School Plan, and the Gifted and Talented Education application. The Disaster Preparedness committee is planning a realistic fire drill by the end of January, 2007. The Site Council continues to look for possible grants to fund special school programs. A particular need is in the area of computer hardware replacement.

D. **Lagunita Parent Teacher Club Report**

Sheri Durgan gave the report. The LPTC met on November 13, 2006, with 11 in attendance. Money in the bank equals \$5,980. Kids Go Shopping is planned for December 4, 5, and 6 in the school library. The club is also planning a Tamale Sale before the Winter Break.

VII. Information and Proposals

A. **Community Input**

There was none.

B. **Letters and Information**

- Mrs. Filbin shared information with the Board about tools for School Board Self-Evaluation.
- The Board looked at a chart comparing certificated salary schedules for Monterey County school districts. The Board would like to see a parity study of county districts' certificated pay schedules which includes benefit packages. It was suggested that the Board could study such a report in early spring, in case they wish to update the salary schedule prior to offering teacher contracts.
- The Board received the Monterey County Quarterly Treasurer's Report.
- The Board received a letter from MCOE stating that no mathematical or technical corrections were noted in the district's 2005-2006 unaudited financial report.

VIII. Future Planning

The next regular meeting was rescheduled to Tuesday, December 19, 2006, 6:00 pm, to accommodate the Christmas holiday.

IX. Closed Session

The Board went into closed session at 7:40 pm. During closed session, personnel issues and teacher evaluations were discussed. No actions were taken. The Board came out of closed session at 8:00 pm.

X. Adjournment

The meeting was adjourned at 8:00 pm.

Approved by the Governing Board of
Lagunita School District


Ernest Howard, Clerk of the Board

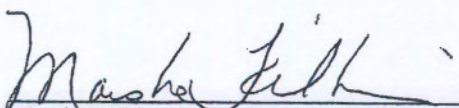

Marsha Filbin, Secretary to the Board

Exhibit K

December 14, 2006.

TO WHOM IT MAY CONCERN:

The purpose of this letter is to verify that California Water Service Company permits only specifically qualified contractors to work on water mains.

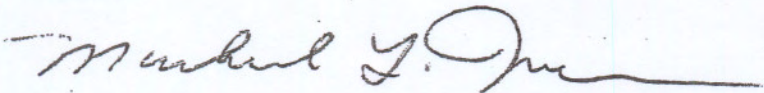
Lagunita School District's recent project involved the extension of a main line down San Juan Grade Road from our Station 45-01 to the school campus. For this water main project, the use of a specifically qualified contractor was required.

We informed Superintendent Filbin that the following companies were acceptable to California Water Service for this project:

- West Valley Engineering
- Granite Construction
- Don Chapin Company
- Monterey Peninsula Engineering

We subsequently employed West Valley Engineering to develop the engineering bid that California Water Service Company made on this project. The school district was at liberty to accept that bid or to hire another contractor from the list above.

Sincerely,



Michael L. Jones
Assistant District Manager

Exhibit L



CALIFORNIA WATER SERVICE COMPANY

1720 NORTH FIRST STREET • SAN JOSE, CA 95112-4598
(408) 367-8200

January 23, 2007

Lagunita Elementary School
975 San Juan Grade Road
Salinas, CA 93907

Re: Lagunita Middle School, Our Proj. SLN-15224

Regarding that certain water main extension agreement dated July 17, 2006 attached is our Form 1531, accepting the facilities installed by your contractor to serve Lagunita Middle School.

In accordance with paragraph 5 of the agreement, please furnish us with a statement of your actual cost of installing the water facilities. Attaching a copy of our Form 1531 to your transmittal letter, showing the installation cost of the items listed, would be satisfactory.

If you have any questions or need additional information regarding the cost statement, please contact me at (408) 367-8274.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Przybyla".

Linda Przybyla
Administrative Assistant
Operations

Enclosure

cc: Jim Smith

Nov-01

RECEIVE

JAN - 8 2007

ACCEPTANCE OF FACILITIES

District Salinas

Project No. 15224

Drawing No. SLN4757-R1

Under date of July 17 20 06, the undersigned and Lagunita Elementary School ("Subdivider") entered into an agreement providing, among other things, for the installation by the Subdivider or his contractor of certain facilities described therein for the service of water to a subdivision described therein, situated in the undersigned's Salinas district. The undersigned hereby acknowledges acceptance by it of the facilities described below installed pursuant to said agreement and confirms that said facilities so accepted by it have been installed in accordance with the specifications, Exhibit C to said agreement, but the foregoing acceptance and confirmation shall under no circumstances be deemed to constitute approval of the materials or workmanship involved in such facilities for purposes of paragraphs 4(c) or 8(d) of said agreement.

DESCRIPTION OF FACILITIES ACCEPTED:

<u>Length</u>	<u>Size</u>	<u>Type of Pipe</u>	<u>Location</u>
4195 FEET	12 INCH	DUCTILE IRON	From CWS STA. 45, North, San Juan Grade Rd.

OTHER FACILITIES ACCEPTED:

1 ea	6 INCH FIRE HYDRANT ASSEMBLY, CLOW 950	@ south driveway, Lagunita School
1 ea	2 INCH WATER SERVICE	@ south driveway, Lagunita School

FACILITIES NOT ACCEPTED:

Date: December 26, 2006

California Water Service Company

Michael G. Smith

By: Michael G. Smith

Its: Construction Superintendent

Exhibit M



DGS

State of California • Arnold Schwarzenegger, Governor
State and Consumer Services Agency

DEPARTMENT OF GENERAL SERVICES

Interagency Support Division

707 Third Street • West Sacramento, CA 95605 • (916) 376-1938 • Fax (916) 376-5018 • www.dgs.ca.gov

June 7, 2007

Ms. Marsha Filbin
District Superintendent
Lagunita Elementary School District
975 San Juan Grade Road
Salinas, CA 93907

Dear Ms. Filbin:

A concerned citizen has raised serious allegations of possible improprieties in the construction contracting of the Lagunita Elementary School District's Deferred Maintenance project, Application Number 40/66076-04-01.

Based on the allegation from this citizen, and the attached Lagunita School Board minutes from its April 25, 2006 meeting, the district may have been in violation of Education Code Section 35233 and Government Code Section 1090 when it initiated construction contracts for this project. These sections define conflict-of-interest laws and specify that members of school district governing boards are prohibited from being financially interested in any contract made by them in their official capacity, regardless of whether they actually participated personally in the execution of the contracts. Any contract entered into by the governing board of any school district by these means may be considered void.

We take this matter most seriously. Please provide a letter of explanation by **June 22, 2007** regarding the possible improprieties to:

Mr. David Zian, Chief of Fiscal Services
Office of Public School Construction
1130 K Street, Suite 400
Sacramento, CA 95814

Should you have any questions concerning this matter, please contact Mr. Zian via email at david.zian@dgs.ca.gov, or by telephone at (916) 322-9448.

Sincerely,

Rob Cook
Deputy Director
Department of General Services

MW:cp

cc: Monterey County Office of Education
Mr. David Zian, Chief of Fiscal Services
Project file – Application Number 40/66076-04-01

Appendix F

Study Agreement



CSIS California School Information Services

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
December 19, 2007

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Monterey County Office of Education hereinafter referred to as the COE, mutually agree as follows:

1. BASIS OF AGREEMENT

The Team provides a variety of services to school districts and county offices of education upon request. Based on the provisions of Education Code Section 1241.5 (b), a County Superintendent of Schools may review or audit the expenditures and internal controls of any school district in his or her county if he or she has reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination. The review or audit conducted by the county superintendent shall be focused on the alleged fraud, misappropriation of funds, or other illegal fiscal practices and shall be conducted in a timely and efficient manner. The basis of this review is to determine if sufficient documentation exists to further investigate the findings, or if there is evidence of criminal activity that should be reported to the local District Attorney's Office.

In accordance with Education Code Section 42638 (b): *If the county superintendent determines that there is evidence that fraud or misappropriation of funds has occurred, the county Superintendent shall notify the governing board of the school district, the State Controller, the Superintendent of Public Instruction, and the local district attorney.*

The COE has requested that the Team provide for the assignment of professionals to study specific aspects of the Lagunita Elementary School District. These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study pursuant to the provisions of Education Code Section 1241.5:

1. Review district policies and procedures related to Public Contract Code Sections 20111, 20116 & 22002. The review shall include an evaluation of independent contracts to determine whether district personnel or board members violated the Public Contract Code.
2. Evaluate the District's policies and purchasing procedures to determine if conflicts of interest existed in accordance with Government Code Section 1090 in the award of independent contracts by district personnel or board members.

B. Services and Products to be Provided

1. Orientation Meeting - The Team will conduct an orientation session at the County Office of Education and District to brief management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.
2. On-site Review - The Team will conduct an on-site review at the District office and at school sites if necessary; and will continue to review pertinent documents off-site.
3. Progress Reports - The Team will inform the District and COE of material issues as the review is performed.
4. Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the COE administration for review and comment.
5. Final Report - Sufficient copies of the final study report will be delivered to the COE following completion of the review.
6. Follow-Up Support - Subsequent to the completion of the study, the Team will meet with the COE as requested by the COE to discuss the findings and recommendations of the report

3. PROJECT PERSONNEL

The study team will be supervised by Anthony L. Bridges, Deputy Executive Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

- A. Debi Deal, FCMAT Intervention Specialist
- B. Consultants to be determined

Other equally qualified consultants will be substituted in the event one of the above noted individuals is unable to participate in the study.

4. PROJECT COSTS

The cost for studies requested pursuant to E.C. 42127.8 (d) (1) shall be:

- A. \$500.00 per day for each Team Member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. Based on the elements noted in section 2 A, the total cost of the study is estimated at \$10,000. The COE will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the COE. The cost of the review may qualify for reimbursement under the provisions of AB 139 reimbursement.
- C. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT services are payable to Kern County Superintendent of Schools-Administrative Agent.

5. RESPONSIBILITIES OF THE COE

- A. The COE will provide office and conference room space while on-site reviews are in progress.
- B. The COE will provide the following (if requested):
 - 1) A map of the local area
 - 2) Existing policies, regulations and prior reports addressing the study request
 - 3) Current organizational charts
 - 4) Current and four (4) prior year's audit reports
 - 5) Any documents requested on a supplemental listing
- C. The COE Administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with District pupils. The COE shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for key study milestones:

Orientation:	January 8, 2008
Staff Interviews:	To be determined
Exit Interviews:	To be determined
Preliminary Report Submitted	To be determined
Final Report Submitted	To be determined
Board Presentation	To be determined

7. CONTACT PERSON

Please print name of contact person: Garry Bousum, Associate Supt.
Monterey County Office of Education

Telephone 831 755-0300 FAX 408-753-7888

Internet Address gbousum@monterey.k12.ca.us

for Garry Bousum, Associate Supt 12-12-07

Nancy Kotowski, Ph.D, Superintendent Date
Monterey County Office of Education

Barbara Dean December 19, 2007

Barbara Dean, Deputy Administrative Officer Date
Fiscal Crisis and Management Assistance Team