

**MEASURE A BOND BUILDING FUND OF
GARDEN GROVE UNIFIED
SCHOOL DISTRICT**

AUDIT REPORT

JUNE 30, 2013

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
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For the Year Ended June 30, 2013**

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FINANCIAL SECTION

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Introduction and Citizens' Oversight Committee Member Listing
June 30, 2013**

Garden Grove Unified School District is located in Orange County, California. The District was established on July 1, 1965 and is comprised of an area of approximately 28 square miles. The District is currently operating 46 elementary schools, 10 intermediate schools, 7 high schools, 2 continuation high schools, 2 special education facilities and 2 adult education centers.

In June 2010, the District's voters approved by more than the required 55% favorable vote, Measure A, authorizing the issuance and sale of general obligation bonds, not to exceed \$250,000,000. The passage of Proposition 39 in June 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

The Proposition 39 bonds were issued by the District, through the County of Orange. On September 23, 2010, Election of 2010, Series A & B of the Measure A bond authorization was issued. Series A consisted of capital appreciation bonds and current interest bonds with an initial par amount of \$11,900,160 with stated interest rates of 2.00% to 5.00% and maturing through August 1, 2021, and Series B which consisted of \$118,100,000 in Federally Taxable - Build America Bonds with stated interest rates of 5.00% to 6.13%. As of June 30, 2013, the principal balance outstanding Election of 2010, Series A & B bond was \$127,641,651.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure A including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Oversight Committee had the following members as of June 30, 2013, all of whom were appointed by the District's Board of Education with two year terms of office:

Name	Representation	Title	Education Code Section	Term
Barbara Barker	Active in a Senior Citizens' Organization, Com.-at-Large	Vice-Chairman	15282(a)(2)	2011-13
Bernice Flatebo	Parent-Teacher Organization	Member	15282(a)(5)	2011-14
Jeffery Trader	Community -at- Large	Member	15282(a)	2011-13
Joan Mildestein	Active in Senior Citizens' Organization	Member	15282(a)(2)	2011-14
Lac T. Nguyen	Parent of Child Enrolled in District	Member	15282(a)(4)	2011-14
Lila Held	Active in a Taxpayers' Organization/ Snr. Citizens' Org.	Member	15282(a)(3)	2011-14
Peter Florin	Active in a Business Organization	Member	15282(a)(1)	2011-14
Jennifer Sieve	Parent-Teacher Organization	Member	15282(a)(5)	2013-15
Robert Tucker	Community -at- Large	Member	15282(a)	2011-14
Ted Stevens Jr.	Parent of Child Enrolled in District and Active in a Parent-Teacher Organization	Chairman	15282(a)(5)	2011-13

INDEPENDENT AUDITORS' REPORT

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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*Licensed by the California
State Board of Accountancy*

Governing Board Members and
Measure A Citizens' Oversight Committee
Garden Grove Unified School District
Garden Grove, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure A Bond Building Fund of Garden Grove Unified School District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Measure A Bond Building Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Measure A general obligation bonds as issued by the District, through the County of Orange, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure A Bond Building Fund of Garden Grove Unified School District as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2013 on our consideration of the Measure A Bond Building Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure A Bond Building Fund's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated September 22, 2013 on our consideration of the Measure A Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Proposition 39 Bond Building Fund for the fiscal year ended June 30, 2013 and should be considered in assessing the results of our financial audit.

Christy White Associates

San Diego, California
September 22, 2013

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Balance Sheet
June 30, 2013**

ASSETS

Cash in county treasury	\$	85,332,345
Accounts receivable		23,137
Due from other funds		18,873,637

Total Assets \$ 104,229,119

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	8,694,124
Due to other funds		10,273

Total Liabilities 8,704,397

Fund Balance

Restricted for:		
Capital projects		95,524,722

Total Fund Balance 95,524,722

Total Liabilities and Fund Balance \$ 104,229,119

**MEASURE A BOND BUILDING FUND
 GARDEN GROVE UNIFIED SCHOOL DISTRICT
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended June 30, 2013**

REVENUES	
Interest income	\$ 399,761
Total Revenues	<u>399,761</u>
EXPENDITURES	
Facilities acquisition and construction	16,029,243
Total Expenditures	<u>16,029,243</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,629,482)</u>
OTHER FINANCING SOURCES / USES	
Interfund transfer-out	(8,354)
Total Other Financing Sources / Uses	<u>(8,354)</u>
Net Change in Fund Balance	(15,637,836)
Fund Balance, July 1, 2012	<u>111,162,558</u>
Fund Balance, June 30, 2013	<u>\$ 95,524,722</u>

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

On June 8, 2010 the District voters authorized \$250,000,000 in general obligation bonds (Measure A) to provide Garden Grove Unified School District students with competitive classrooms and school facilities, improve student health/safety, qualify for \$200,000,000 in State funds, shall Garden Grove Unified School District repair, renovate, acquire, construct and equip classrooms, sites, school facilities, make earthquake safety improvements, repair/replace aging roofs, plumbing, heating/ventilation systems, upgrade electrical wiring, fire, and security equipment.

An oversight committee to the District's Governing Board and Superintendent, called the Citizens' Oversight Committee (COC), was established pursuant to the requirements of State law and the provisions of the Measure A bond. The COC is required by state law to actively review and report on the proper expenditure of taxpayers' money for school construction. The COC provides oversight and advises the public whether the District is spending the Measure A Bond funds for school capital improvements within the scope of projects outlined in the Measure A Bond project list. In fulfilling its duties, the COC reviews, among other things, the District's annual performance and financial audits of Measure A activity.

The statements presented are for the individual Measure A Bond Building Fund of the District, consisting of the net construction proceeds of Election of 2010, Series A & B general obligation bonds as issued by the District, through the County of Orange, and are not intended to be a complete presentation of the District's financial position or results of operations. There are no related parties or component units included in this financial statement presentation.

B. Accounting Policies

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

C. Basis of Accounting

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

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

D. Encumbrances

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

E. Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains a portion of its cash in the Orange County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

F. Use of Estimates

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

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Budgets and Budgetary Accounting (continued)

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

H. Fund Balance

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance in Measure A Bond Building Fund is considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as cash in county treasury for \$85,332,345.

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2013**

NOTE 2 – CASH AND INVESTMENTS (continued)

Policies and Practices (continued)

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

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies examples of the investment types permitted in the investment policy:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
Agency Obligations	5 years	None	25%
Local Agency Obligations	5 years	15%	10%
Bankers’ Acceptances	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	40%	10-15%
Reverse Repurchase Agreements	92 days	20%	10%
Local Agency Investment Fund (LAIF)	N/A	10%	10%
Corporate Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	15%	10%
Bond Funds	N/A	2.5%	2.5%
Pass-Through Securities	5 years	20%	5%

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury.

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2013**

NOTE 2 – CASH AND INVESTMENTS (continued)

Interest Rate Risk (continued)

The District maintains an investment with the Orange County Investment Pool with a fair value of approximately \$85,150,413 and an amortized book value of \$85,332,345. The weighted average maturity for this pool as of June 30, 2013 was 380 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments within the Orange County Investment Pool are rated at least A by Moody's Investors Service.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013 amounting to \$23,137 consists of interest earned on the District's investment in the County Treasury.

NOTE 4 – CONSTRUCTION COMMITMENTS

The Measure A Bond Building Fund had \$67,388,723 in outstanding construction commitments as of June 30, 2013.

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2013**

NOTE 5 – INTERFUND ACTIVITIES

Due to/due from other funds as of June 30, 2013 consisted of:

- Due to the General Fund from the Building Fund in the amount of \$1,164 to reimburse for expenditures incurred.
- Due to the Internal Service Fund from the Building Fund in the amount of \$9,109 to reimburse for expenditures incurred.
- Due to the Building Fund from the Capital Facilities Fund in the amount of \$668,391 to reimburse for expenditures incurred.
- Due to the Building Fund from the School Facilities Fund in the amount \$18,205,246 to reimburse for expenditures incurred.

NOTE 6 – MEASURE A GENERAL OBLIGATION BONDS

As of June 30, 2013, the principal balance outstanding on the District’s Measure A general obligation bonds is indicated as follows:

Bond Issue	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2012	Additions	Deletions	Outstanding June 30, 2013
2010 Series A - Current Int.	9/23/2010	2.00-5.00	2022	\$ 11,900,160	\$ 10,888,548	\$ 153,103	\$ 1,500,000	\$ 9,541,651
2010 Series B - Current Int	9/23/2010	5.00-6.13	2041	118,100,000	118,100,000	-	-	118,100,000
				<u>\$ 130,000,160</u>	<u>\$ 128,988,548</u>	<u>\$ 153,103</u>	<u>\$ 1,500,000</u>	<u>\$ 127,641,651</u>

Election of 2010, Series A & B

On September 23, 2010, Election of 2010, Series A & B of the Measure A bond authorization was issued. Series A consisted of capital appreciation bonds and current interest bonds with an initial par amount of \$11,900,160 with stated interest rates of 2.00% to 5.00% and maturing through August 1, 2021, and Series B which consisted of \$118,100,000 in Federally Taxable - Build America Bonds with stated interest rates of 5.00% to 6.13%. The District is eligible for cash subsidy payments on the Build America Bonds equal to 35% of the interest payable on the Series B Bonds.

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2013**

NOTE 6 – MEASURE A GENERAL OBLIGATION BONDS (continued)

Election of 2010, Series A & B (continued)

The annual requirements to amortize all Measure A general obligation bonds payable outstanding as of June 30, 2013, are as follows:

Election 2010, Series A

Year Ending				
June 30,	Principal	Interest	Total	
2014	\$ 2,000,000	\$ 209,000	\$ 2,209,000	
2015	1,000,000	157,250	1,157,250	
2016	575,000	134,000	709,000	
2017	1,000,000	102,500	1,102,500	
2018	1,100,000	68,750	1,168,750	
2019 - 2023	3,225,160	4,402,340	7,627,500	
Accretion	641,491	(641,491)	-	
Total	\$ 9,541,651	\$ 4,432,349	\$ 13,974,000	

Election 2010, Series B

Year Ending				
June 30,	Principal	Interest	Subsidy	Total
2014	\$ -	\$ 7,123,720	\$ (2,493,302)	\$ 4,630,418
2015	-	7,123,720	(2,493,302)	4,630,418
2016	-	7,123,720	(2,493,302)	4,630,418
2017	-	7,123,720	(2,493,302)	4,630,418
2018	-	7,123,720	(2,493,302)	4,630,418
2019 - 2023	1,500,000	35,581,100	(12,453,385)	24,627,715
2024 - 2028	12,600,000	33,779,575	(11,822,851)	34,556,724
2029 - 2033	28,200,000	27,719,335	(9,701,767)	46,217,568
2034 - 2038	42,700,000	16,995,005	(5,948,252)	53,746,753
2039 - 2041	33,100,000	3,123,235	(1,093,132)	35,130,103
Total	\$ 118,100,000	\$ 152,816,850	\$ (53,485,897)	\$ 217,430,953

MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 7 – MEASURE A – EXPENDITURES BY SITE

Site	Amount
Alamitos Intermediate	\$ 53
Allen Elementary	10,304
Anthony Elementary	(7,892)
Barker Elementary	15,955
Bell Intermediate	1,453,611
Bolsa Grande High School	8,062
Brookhurst Elementary	1,233,756
Bryant Elementary	79,221
Business Services	4,489,763
Carrillo Elementary	3,509
Carver Elementary	11,674
Chec/Modrnztn Interim Housing	223,390
Clinton/Mendenhall Elementary	110,623
Cook Elementary	22,622
Crosby Elementary	21,423
Doig Intermediate	(23,900)
Eisenhower Elementary	247,024
Enders Elementary	911,773
Evans Elementary	79,713
Excelsior Elementary	187,870
Faylane Elementary	4,878
Fitz Intermediate	(5,514)
Garden Grove High School	77,966
Garden Park Elementary	1,562,299
Gilbert Elementary	13,825
Hazard Elementary	60,234
Heritage Elementary	158,517
Hill Elementary	2,493
Irvine Intermediate	(199)
Jordan Intermediate	277
Jordan Slc	(8,772)
La Quinta High School	17,206
Lake Intermediate	49
Lawrence Elementary	78,914
Lincoln Continuation Hs	46,353

(Continued on the next page)

MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 7 – MEASURE A – EXPENDITURES BY SITE (continued)

Site	Amount
Los Amigos High School	\$ 962
Maintenance & Operations	29,412
Mark Twain Special Ed Center	9,459
Marshall Elementary	66,430
Mc Garvin Intermediate	721
Mitchell Elementary	83,057
Monroe Elementary	1,250,187
Morningside Elementary	40,514
Murdy Elementary	6,803
Newhope Elementary	166,059
Northcutt Elementary	116,687
Pacifica High School	21,868
Paine Elementary	(737)
Parkview Elementary	6,313
Patton Elementary	14,381
Peters K-3	63,844
Post Elementary	(3,754)
Ralston Intermediate	48
Rancho Alamitos High School	(8,543)
Riverdale Elementary	19,974
Rosita Elementary	65,467
Russell Elementary	66,262
Santiago High School	7,865
Simmons Elementary	1,199,504
Skylark Elementary	62,558
Stanford Elementary	18,639
Stanley Elementary	1,256
Sunnyside Elementary	47,682
Violette Elementary	14,946
Wakeham Elementary	1,242,433
Walton Intermediate	54
Warren Elementary	86,152
Woodbury Elementary	200,468
Zeyen Elementary	53,547
Total	\$ 16,037,597

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2013**

NOTE 8 – MEASURE A – EXPENDITURES BY OBJECT

Building Fund Expenditures by Object

Expenditure	Object Code	Amount
Classified Salaries	2000-2999	\$ 98,130
Employee Benefits	3000-3999	58,257
Books and Supplies	4000-4999	179,675
Services and Other Operating Expenditures	5000-5999	157,385
Capital Outlay	6000-6999	15,535,796
Other Outgo - Transfers out	7000-7999	<u>8,354</u>
TOTAL EXPENDITURES		<u>\$ 16,037,597</u>

**OTHER INDEPENDENT AUDITORS'
REPORTS**

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

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State Board of Accountancy*

Independent Auditors' Report

Governing Board Members and
Measure A Citizens' Oversight Committee
Garden Grove Unified School District
Garden Grove, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure A Bond Building Fund, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Measure A Bond Building Fund's basic financial statements, and have issued our report thereon dated September 22, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Measure A Bond Building Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Measure A Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure A Bond Building Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure A Bond Building Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White Associates

San Diego, California
September 22, 2013

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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State Board of Accountancy*

Governing Board Members and
Measure A Citizens' Oversight Committee
Garden Grove Unified School District
Garden Grove, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure A Bond Building Fund, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Measure A Bond Building Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the Measure A General Obligation Bonds for the fiscal year ended June 30, 2013. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds of the sale of the Measure A Bonds were only used for the purposes set forth in the Measure A ballot language and not for any other purpose, such as teacher and administrative salaries.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

Internal Control Evaluation

Procedures Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud or waste regarding Measure A projects, including budgetary controls
- Ensure adequate separation of duties exists in the fiscal services department for Measure A funds

Procedures Performed (continued):

- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper fund(s)
- To follow applicable regulations, including regulations related to bidding and contract management

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the year 2012-13 financial statement balances for the Measure A Bond Building Fund are not materially misstated.

Results of Procedures Performed:

The result of our audits tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unmodified opinion was expressed on the financial statements.

Facilities Site Walk

Procedures Performed:

We performed a facilities site walk for the year ended June 30, 2013 on July 9, 2013. Upon visiting the four sites, Wakeham, Garden Park, Enders, and Bell, the auditor was able to see the construction that had been performed during the summer. The auditor also noted the additions that had been made to handle the increase in students from the incoming schools. The following construction was noted during the site walk:

- Wakeham Elementary School:
 - American Disabilities Act (ADA) work for multipurpose room
 - Classrooms and Administrative offices painted and new carpet laid
- Garden Park Elementary
 - American Disabilities Act (ADA) work for school site
 - Exterior and interior paint for entire school
- Enders Elementary School
 - Construction performed to combine two school sites into one
 - American Disabilities Act (ADA) compliance work performed
 - Exterior painted throughout the entire school site
- Bell Intermediate
 - Asbestos abatements were made throughout the school site
 - Outdoor stage was created for student activities
 - American Disabilities Act (ADA) complaint bus drop off / pick up was created

Test of Expenditures

Procedures Performed:

The following performance tests of expenditures and transfers were performed:

We tested approximately \$9.5 million (59%) of the 2012-13 expenditures for validity, allowability and accuracy. Expenditures sampled in our test included payments made to architects, consultants, other vendors and payroll.

Results of Procedures Performed:

We found the expenditures and transfers tested to be in compliance with the terms of the Measure A ballot measure, Facilities Plan, and applicable State laws and regulations without exception.

Test of Contracts and Bid Procedures

Procedures Performed:

For the year ending June 30, 2013, we reviewed all the Lease-Leaseback contracts. These contracts included Bryant, Rosita, Russell, Skylark, Warren, Zeyen, Clinton, Hazard, Evans, Lawrence, Marshall, Michell, Newhope, and Peters. The general contractors contracted included G.B. Construction, Pinner Construction Co., M. Wilson Company Contractors, and Bernards Bros. All contracts were reviewed and appeared reasonable.

Citizens' Oversight Committee

Procedures Performed:

In accordance with AB (Assembly Bill) 1908 and Education Code Section 15278, the District is required to establish a bond oversight committee for Prop 39 bonds including one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers association, one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association.

Results of Procedures Performed:

The District successfully compiled a bond oversight committee with an active member from each of the required representations.

Our audit of compliance was made for the purposes set forth in the second and third paragraphs of this report and would not necessarily disclose all instances of noncompliance.

Opinion

In our opinion, based on the fieldwork described above as well as the other tests that we conducted, the District complied with the compliance requirements for the Measure A General Obligation Bonds as listed and tested above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on accountability requirements pursuant to the passage of Proposition 39 and the enactment of AB 1908 (Chapter 44, Statutes of 2000). Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
September 22, 2013

**SCHEDULE OF FINDINGS AND
RECOMMENDATIONS**

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2013**

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

We found Garden Grove Unified School District's accounting systems to be functioning efficiently and effectively to account for the Measure A Bond. In addition, our tests resulted in no findings and recommendations related to the financial and performance audit of the Measure A Bond for the year ended June 30, 2013.

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2013**

There were no findings or questioned costs for the year ended June 30, 2012.