

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

AUDIT REPORT

JUNE 30, 2014

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, 2014**

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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, 2014**

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%. On September 25, 2013, Election of 2010, Series C of the Measure A bond authorization was issued. Series C consisted of \$119,995,000 of current interest bonds with stated interest rates of 3.00% to 5.25% and maturing through August 1, 2040. As of June 30, 2014, the principal balance outstanding Election of 2010, Series A, B, and C bonds was \$245,970,316, including accreted interest.

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, 2014, 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)	2013-15
Bernice Flatebo	Parent-Teacher Organization	Member	15282(a)(5)	2014-16
Jeffery Trader	Community -at- Large	Member	15282(a)	2013-15
Joan Mildenstein	Active in Senior Citizens' Organization	Member	15282(a)(2)	2014-16
Kevin Condon	Community -at- Large	Member	15282(a)	2014-16
Lactan Nuygen	Active in a Senior Citizens' Organization, Com.-at-Large	Member	15282(a)(2)	2014-16
Lila Held	Active in a Taxpayers' Organization/ Snr. Citizens' Org.	Member	15282(a)(3)	2014-16
Peter Florin	Active in a Business Organization	Member	15282(a)(1)	2014-16
Jennifer Sieve	Parent-Teacher Organization	Member	15282(a)	2013-15
Robert Tucker	Community -at- Large	Member	15282(a)	2014-16
Ted Stevens Jr.	Parent of Child Enrolled in District and Active in a Parent-Teacher Organization	Chairman	15282(a)(5)	2013-15
Thuong Nguyen	Community -at- Large	Member	15282(a)	2014-16

INDEPENDENT AUDITORS' REPORT

Christy White, CPA

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Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

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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 of Garden Grove Unified School District (the "District") as of and for the year ended June 30, 2014, 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, 2014, 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 December 22, 2014 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 December 22, 2014 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, 2014 and should be considered in assessing the results of our financial audit.



San Diego, California
December 22, 2014

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Balance Sheet
June 30, 2014**

ASSETS	
Cash in county treasury	\$ 182,000,006
Accounts receivable	59,376
Due from other funds	<u>10,823,500</u>
Total Assets	<u>\$ 192,882,882</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 8,919,245
Due to other funds	<u>7,434</u>
Total Liabilities	<u>8,926,679</u>
Fund Balance	
Restricted for:	
Capital projects	<u>183,956,203</u>
Total Fund Balance	<u>183,956,203</u>
Total Liabilities and Fund Balance	<u>\$ 192,882,882</u>

**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, 2014**

REVENUES	
Interest income	\$ 456,692
Total Revenues	<u>456,692</u>
EXPENDITURES	
Facilities acquisition and construction	<u>32,020,211</u>
Total Expenditures	<u>32,020,211</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(31,563,519)</u>
OTHER FINANCING SOURCES / USES	
Proceeds from long-term debt	<u>119,995,000</u>
Total Other Financing Sources / Uses	<u>119,995,000</u>
Net Change in Fund Balance	88,431,481
Fund Balance, July 1, 2013	<u>95,524,722</u>
Fund Balance, June 30, 2014	<u>\$ 183,956,203</u>

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014**

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, and C 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, 2014**

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, 2014**

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, 2014 are classified in the accompanying financial statements as cash in county treasury for \$182,000,006.

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, 2014**

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, 2014**

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 \$181,820,409 and an amortized book value of \$182,000,006. The weighted average maturity for this pool as of June 30, 2014 was 519 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. The investments in the County Treasury are not required to be rated. As of June 30, 2014, the pooled investments in the County Treasury were rated AAAM.

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, 2014 amounting to \$59,376 consists of interest earned on the District's investment in the County Treasury.

NOTE 4 – CONSTRUCTION COMMITMENTS

The Measure A Bond Building Fund had \$89,757,213 in outstanding construction commitments as of June 30, 2014.

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 5 – INTERFUND ACTIVITIES

Due to/due from other funds as of June 30, 2014 consisted of:

- Due from the General Fund to the Building Fund in the amount of \$1,115,010 to reimburse for expenditures incurred.
- Due from the Building Fund to the General Fund in the amount of \$414 to reimburse for expenditures incurred.
- Due from the Building Fund to the Internal Service Fund in the amount of \$7,020 to reimburse for expenditures incurred.
- Due from the Capital Facilities Fund to the Building Fund in the amount of \$618,696 to reimburse for expenditures incurred.
- Due from the County School Facilities Fund to the Building Fund in the amount \$9,089,794 to reimburse for expenditures incurred.

NOTE 6 – MEASURE A GENERAL OBLIGATION BONDS

As of June 30, 2014, 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			Outstanding June 30, 2014
					July 1, 2013	Additions	Deletions	
2010 Series A	9/23/2010	2.00-5.00	2022	\$ 11,900,160	\$ 9,541,651	\$ 333,665	\$ 2,000,000	\$ 7,875,316
2010 Series B	9/23/2010	5.00-6.13	2041	118,100,000	118,100,000	-	-	118,100,000
2010 Series C	9/25/2013	3.00-5.25	2041	119,995,000	-	119,995,000	-	119,995,000
					<u>\$ 127,641,651</u>	<u>\$ 120,328,665</u>	<u>\$ 2,000,000</u>	<u>\$ 245,970,316</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, 2014**

NOTE 6 – MEASURE A GENERAL OBLIGATION BONDS (continued)

Election of 2010, Series A & B (continued)

The annual requirements to amortize Measure A Series A & B general obligation bonds payable outstanding as of June 30, 2014, are as follows:

Year Ending June 30,	Election 2010, Series A			Total
	Principal	Interest		
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	1,100,000	27,500		1,127,500
2020 - 2022	2,125,160	4,374,840		6,500,000
Accretion	975,156	(975,156)		-
	<u>\$ 7,875,316</u>	<u>\$ 3,889,684</u>	<u>\$</u>	<u>11,765,000</u>

Year Ending June 30,	Election 2010, Series B			
	Principal	Interest	Subsidy	Total
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	-	7,123,720	(2,493,302)	4,630,418
2020 - 2024	3,400,000	35,457,175	(12,410,011)	26,447,164
2025 - 2029	15,300,000	32,970,490	(11,539,672)	36,730,818
2030 - 2034	31,000,000	25,928,055	(9,074,819)	47,853,236
2035 - 2039	45,700,000	14,305,845	(5,007,046)	54,998,799
2040 - 2041	22,700,000	1,412,965	-	24,112,965
Total	<u>\$ 118,100,000</u>	<u>\$ 145,693,130</u>	<u>\$ (50,498,058)</u>	<u>\$ 213,295,072</u>

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 6 – MEASURE A GENERAL OBLIGATION BONDS (continued)

Election of 2010, Series C

On September 25, 2013, Election of 2010, Series C of the Measure A bond authorization was issued. Series C consisted of \$119,995,000 of current interest bonds with stated interest rates of 3.00% to 5.25% and maturing through August 1, 2040.

The annual requirements to amortize Measure A, Series C general obligation bonds payable outstanding as of June 30, 2014, are as follows:

Year Ending June 30,	Election 2010, Series C		
	Principal	Interest	Total
2015	\$ -	\$ 5,512,077	\$ 5,512,077
2016	2,780,000	6,038,306	8,818,306
2017	-	5,989,656	5,989,656
2018	-	5,989,656	5,989,656
2019	-	5,989,656	5,989,656
2020 - 2024	3,345,000	29,779,031	33,124,031
2025 - 2029	14,720,000	27,371,031	42,091,031
2030 - 2034	24,910,000	22,707,828	47,617,828
2035 - 2039	46,620,000	13,922,313	60,542,313
2040 - 2041	27,620,000	1,488,638	29,108,638
Total	\$ 119,995,000	\$ 124,788,192	\$ 244,783,192

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 7 – MEASURE A – EXPENDITURES BY SITE

<u>Site</u>	<u>Amount</u>
Alamitos Intermediate	\$ 133,821
Allen Elementary	47,316
Anthony Elementary	121,010
Barker Elementary	636,889
Bell Intermediate	689,386
Bolsa Grande High School	409,354
Brookhurst Elementary	828,788
Bryant Elementary	2,300,295
Business Services	2,198,862
Carrillo Elementary	64,219
Carver Elementary	71,801
Chec/Modrnztn Interim Housing	38,622
Clinton/Mendenhall Elementary	1,472,528
Cook Elementary	81,448
Costs of Issuance	1,057,674
Crosby Elementary	250,900
Doig Intermediate	87,914
Eisenhower Elementary	204,460
Enders Elementary	1,303,875
Evans Elementary	948,159
Excelsior Elementary	125,598
Faylane Elementary	47,534
Fitz Intermediate	79,338
Garden Grove High School	898,323
Garden Park Elementary	125,883
Gilbert Elementary	78,959
Hazard Elementary	257,648
Heritage Elementary	715,259
Hill Elementary	98,719
Irvine Intermediate	129,828
Jordan Intermediate	115,715
Jordan SLC	37,007
La Quinta High School	524,178
Lake Intermediate	99,530
Lawrence Elementary	745,374
Lincoln Continuation HS	595

(Continued on the next page)

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

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

<u>Site</u>	<u>Amount</u>
Los Amigos High School	\$ 357,814
Maintenance & Operations	8,314
Mark Twain Special Ed Center	28,841
Marshall Elementary	1,618,390
Mc Garvin Intermediate	93,646
Mitchell Elementary	979,548
Monroe Elementary	420,123
Morningside Elementary	384,436
Murdy Elementary	359,170
Newhope Elementary	354,466
Northcutt Elementary	117,370
Pacifica High School	471,432
Paine Elementary	104,648
Parkview Elementary	87,879
Patton Elementary	97,716
Peters Elementary	346,918
Post Elementary	29,941
Ralston Intermediate	114,809
Rancho Alamitos High School	929,208
Riverdale Elementary	228,903
Rosita Elementary	656,075
Russell Elementary	1,391,273
Santiago High School	262,578
Simmons Elementary	672,425
Skylark Elementary	481,222
Stanford Elementary	56,668
Stanley Elementary	39,709
Sunnyside Elementary	353,875
Violette Elementary	213,306
Wakeham Elementary	882,758
Walton Intermediate	155,553
Warren Elementary	839,208
Woodbury Elementary	133,455
Zeyen Elementary	1,721,725
Total	\$ 32,020,211

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 8 – MEASURE A – EXPENDITURES BY OBJECT

Expenditure	Object Code	Amount
Classified Salaries	2000-2999	\$ 372,716
Employee Benefits	3000-3999	134,674
Books and Supplies	4000-4999	526,125
Services and Other Operating Expenditures	5000-5999	1,358,844
Capital Outlay	6000-6999	<u>29,627,852</u>
TOTAL EXPENDITURES		<u>\$ 32,020,211</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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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, 2014, 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 December 22, 2014.

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.



San Diego, California
December 22, 2014

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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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, 2014, 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.

Objectives

In connection with our audit, we also performed an audit of compliance as required in the performance requirements for the Measure A General Obligation Bonds for the fiscal year ended June 30, 2014. 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
- 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 2013-14 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, 2014 on July 9, 2014. Upon visiting the three sites, Bryant, Marshall, and Russell, the auditor was able to see the construction that had been performed during the fiscal year. The following construction was noted during the site walk:

- Bryant Elementary School:
 - Concrete work
 - Paint
 - Interior gates
 - New doors
 - Drinking fountains
- Marshall Elementary School:
 - Concrete work
 - Paint
 - Interior gates
 - New doors
 - Drinking fountains
- Russell Elementary School:
 - Paint
 - Drinking fountains

Test of Expenditures

Procedures Performed:

The following performance tests of expenditures and transfers were performed:

We tested approximately \$19.7 million (72%) of the 2013-14 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, 2014, we reviewed all the Lease-Leaseback contracts. These contracts included Bryant, Rosita, Russell, Skylark, Warren, Zeyen, Clinton, Hazard, Evans, Lawrence, Marshall, Mitchell, Newhope, and Peters. The general contractors contracted included Construct 1, Neff Construction Co., Inc., and Paul C. Miller Construction Co., Inc.

Results of Procedures Performed:

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 Objectives section 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
December 22, 2014

**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, 2014**

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, 2014.

**MEASURE A BOND BUILDING FUND
GARDEN GROVE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2014**

There were no findings or questioned costs for the year ended June 30, 2013.