

MEASURE A BOND BUILDING FUND OF  
GARDEN GROVE UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2012



**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
For the Year Ended June 30, 2012  
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## **FINANCIAL SECTION**

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**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Introduction and Citizens' Oversight Committee Member Listing  
June 30, 2012**

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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, 2012, the principal balance outstanding Election of 2010, Series A & B bond was \$128,988,548.

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, 2012, all of whom were appointed by the District's Board of Education with two year terms of office:

<u>Name</u>	<u>Representation</u>	<u>Education Code Section</u>	<u>Term</u>
Barbara Barker	Active in a Senior Citizens' Organization, Com.-at-Large	15282(a)(2)	2011-13
Bernice Flatebo	Parent of Child Enrolled in District	15282(a)(5)	2011-14
Daniel McLeith	Active in a Business Organization	15282(a)(1)	2011-13
Jeffery Trader	Community -at- Large	15282(a)	2011-13
Joan Mildenstein	Community -at- Large	15282(a)	2011-14
John Bankson	Community -at- Large	15282(a)	2011-13
Lac T. Nguyen	Parent of Child Enrolled in District	15282(a)(4)	2011-14
Larry Dabalack	Community -at- Large	15282(a)	2011-13
Lila Held	Active in a Taxpayers' Organization/ Snr. Citizens' Org.	15282(a)(3)	2011-14
Nicolas Constantino	Community -at- Large	15282(a)	2011-13
Peter Florin	Active in a Business Organization	15282(a)(1)	2011-14
Robert Tucker	Community -at- Large	15282(a)	2011-14
Ted Stevens Jr.	Parent of Child Enrolled in District and Active in a Parent-Teacher Organization	15282(a)(5)	2011-13

## INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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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

We have audited the accompanying balance sheet of the Measure A Bond Building Fund of Garden Grove Unified School District (the "District") as of June 30, 2012, and the related statement of revenues, expenditures and changes in fund balance for the fiscal year ended June 30, 2012. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1A, the financial statements present only the individual Measure A Bond Building Fund, consisting of the net construction proceeds of 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure A Bond Building Fund of Garden Grove Unified School District as of June 30, 2012, and the results of its operations for the year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2012 on our consideration of Garden Grove Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated November 10, 2012 on our consideration of Garden Grove Unified School District's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure A Bond Building Fund for the year ended June 30, 2012 and should be considered in assessing the results of our financial audit.

*Christy White Associates*

San Diego, California  
November 10, 2012

**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Balance Sheet  
June 30, 2012**

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<b>ASSETS</b>	
Cash in county treasury	\$ 112,198,636
Accounts receivable	41,514
Due from other funds	11,210
	<hr/>
<b>Total Assets</b>	<b>\$ 112,251,360</b>
	<hr/>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 1,082,301
Due to other funds	6,501
	<hr/>
<b>Total Liabilities</b>	<b>1,088,802</b>
	<hr/>
<b>Fund Balance</b>	
Restricted for:	
Capital projects	111,162,558
	<hr/>
Total Fund Balance	111,162,558
	<hr/>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 112,251,360</b>
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**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, 2012**

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<b>REVENUES</b>	
Interest income	\$ 583,048
	<hr/>
<b>Total Revenues</b>	583,048
	<hr/>
<b>EXPENDITURES</b>	
Facilities acquisition and construction	2,810,964
	<hr/>
<b>Total Expenditures</b>	2,810,964
	<hr/>
<b>Excess (Deficiency) of Revenues     Over (Under) Expenditures</b>	(2,227,916)
	<hr/>
<b>Net Change in Fund Balance</b>	(2,227,916)
	<hr/>
<b>Fund Balance, July 1, 2011</b>	113,390,474
	<hr/>
<b>Fund Balance, June 30, 2012</b>	\$ 111,162,558
	<hr/>



**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2012**

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**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).

**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2012**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Accounting**

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

The financial statements 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.

**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2012**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

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.

**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2012**

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**NOTE 2 – CASH AND INVESTMENTS**

**Summary of Cash and Investments**

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as cash in county treasury for \$112,198,636.

**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.

*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.

**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2012**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**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:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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. The District maintains an investment with the Orange County Investment Pool with a fair value of approximately \$112,206,876 and an amortized book value of \$112,198,636. The weighted average maturity for this pool as of June 30, 2012 was 289 days.

**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2012**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**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, 2012 amounting to \$41,514 consists of interest earned on the District's investment in the County Treasury.

**NOTE 4 – CONSTRUCTION COMMITMENTS**

The Measure A Bond Building Fund had \$176,705 in outstanding construction commitments as of June 30, 2012.

**NOTE 5 – INTERFUND ACTIVITIES**

Due to/due from other funds as of June 30, 2012 consisted of:

- Due from the General Fund to the Building Fund in the amount of \$11,210 to reimburse for expenditures incurred.
- Due from the Building Fund to the General Fund in the amount of \$2,415 to reimburse for expenditures incurred.
- Due from the Building Fund to the Internal Service Fund in the amount of \$4,086 for premium contributions.

**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2012**

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**NOTE 6 – MEASURE A GENERAL OBLIGATION BONDS**

As of June 30, 2012, 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, 2011	Additions	Deletions	Outstanding June 30, 2012*
2010 Series A	9/23/2010	2.00-5.00	2022	\$ 11,900,160	\$ 12,107,264	\$ 281,284	\$ 1,500,000	\$ 10,888,548
2010 Series B	9/23/2010	5.00-6.13	2041	118,100,000	118,100,000	-	-	118,100,000
				\$ 130,000,160	\$ 130,207,264	\$ 281,284	\$ 1,500,000	\$ 128,988,548

*\*Amount includes \$488,388 in accreted interest on capital appreciation bonds as of June 30, 2012*

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.

The annual requirements to amortize all Measure A general obligation bonds payable outstanding as of June 30, 2012, are as follows:

**Election 2010, Series A**

Year Ended June 30,	Principal*	Interest	Amount
2013	\$ 1,500,000	\$ 264,000	\$ 1,764,000
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
2018-22	4,325,160	4,471,090	8,796,250
Total	\$ 10,400,160	\$ 5,337,840	\$ 15,738,000

*\*Principal amount excludes accreted interest of \$488,388 as of June 30, 2012.*

**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2012**

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**NOTE 6 – MEASURE A GENERAL OBLIGATION BONDS (continued)**

Year Ended June 30,	Election 2010, Series B			Net Amount Payable by Taxpayers
	Principal	Interest	BAB Cash Subsidy	
2013	\$ -	\$ 7,123,720	\$ (2,493,302)	\$ 4,630,418
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
2018-22	-	35,618,600	(12,466,510)	23,152,090
2023-27	10,000,000	34,410,605	(12,043,712)	32,366,893
2028-32	25,500,000	29,346,965	(10,271,438)	44,575,527
2033-37	39,800,000	19,496,230	(6,823,681)	52,472,549
2038-41	42,800,000	5,449,570	(1,907,350)	46,342,220
Total	\$ 118,100,000	\$ 159,940,570	\$ (55,979,201)	\$ 222,061,369

**NOTE 7 – MEASURE A – EXPENDITURES BY SITE**

Site	Amount
ALAMITOS	\$ 5,283
ALLEN	24,193
ANTHONY	18,916
BARKER	3,001
BELL	29,028
BOLSA	74,771
BROOKHURST	32,205
BRYANT	3,399
CARRILLO	9,794
CARVER	51,276
CHAPMAN	43,748



MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2012

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

Site	Amount
CLINTON	20,786
COOK	5,530
CROSBY	4,032
DISTRICT OFFICE	259,707
DOIG	39,924
EISENHOWER	106,191
ENDERS	28,174
EVANS	4,444
EXCELSIOR	126,653
FITZ	21,441
GARDEN GROVE	97,422
GARDEN PARK	58,290
GAYLANE	11,467
GILBERT	1,561
HARE	31
HAZARD	36,063
HERITAGE	68,990
HILL	37,049
IRVINE	13,159
JORDAN	4,672
JORDAN SLC	12,841
LA QUINTA	49,732
LAKE	2,509
LAWRENCE	5,295
LINCOLN	50,808
LOS AMIGOS	99,949
M&O	10,003
MARK TWAIN	11,053
MARSHALL	39,348
MCGARVIN	4,407
MITCHELL	2,392
MONROE	59,654
MORNINGSIDE	12,352
MURDY	36,837

**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2012**

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

<u>Site</u>	<u>Amount</u>
NEWHOPE	120,471
NORTHCUTT	139,278
PACIFICA	38,936
PAINE	31,861
PARKVIEW	16,826
PATTON	77,168
PETERS	23,806
POST	22,867
RALSTON	3,855
RANCHO ALAMITOS	76,856
RIVERDALE	9,904
ROSITA	15,934
RUSSELL	20,921
SANTIAGO	103,810
SIMMONS	91,540
SKYLARK	4,636
STANFORD	3,639
STANLEY	19,304
VIOLETTE	122,093
WAKEHAM	11,127
WALTON	7,322
WARREN	96,050
WOODBURY	98,771
ZEYEN	15,610
	<hr/>
<b>Total</b>	<b>\$ 2,810,964</b>

**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2012**

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**NOTE 8 – MEASURE A – EXPENDITURES BY OBJECT**

**Building Fund Expenditures by Object**

<b>Expenditure</b>	<b>Object Code</b>	<b>Amount</b>
Classified Salaries	2000-2999	\$ 68,834
Employee Benefits	3000-3999	30,758
Books and Supplies	4000-4999	9,354
Services and Other Operating Expenditures	5000-5999	141,518
Capital Outlay	6000-6999	<u>2,560,500</u>
<b>TOTAL EXPENDITURES</b>		<b><u>\$ 2,810,964</u></b>

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**OTHER INDEPENDENT AUDITORS'  
REPORTS**

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**INDEPENDENT AUDITORS' 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**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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

We have audited the 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, 2012, and have issued our report thereon dated November 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Garden Grove Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Garden Grove Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Garden Grove Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Garden Grove Unified School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Licensed by the California  
State Board of Accountancy

### Compliance and Other Matters

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

This report is intended solely for the information and use of the District's Governing Board, the Measure A Citizens' Oversight Committee, management, others within the entity, and the taxpayers of Garden Grove Unified School District, and is not intended to be and should not be used by anyone other than these specified parties.

*Christy White Associates*

San Diego, California  
November 10, 2012

## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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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

We have audited the financial statements of the Measure A Bond Building Fund of the Garden Grove Unified School District (the "District") as of and for the year ended June 30, 2012 and have issued our report thereon dated November 10, 2012. Our audit was made in accordance with generally accepted auditing standards in the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

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, 2012. 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

## Internal Control Evaluation (continued)

### 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 2011-12 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 unqualified opinion was expressed on the financial statements.

## Facilities Site Walk

### Procedures Performed:

We performed a facilities site walk for the year ended June 30, 2012 on September 12, 2012. Upon visiting the three sites, Northcutt, Patton and Chapman, 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 three sites visited were interim schools for Monroe, Garden Park and Bell Intermediate. All three schools were in session during the site walk and the campuses supported the additional students with no problems.

## Test of Expenditures

### Procedures Performed:

The following performance tests of expenditures and transfers were performed:

We tested approximately \$1.3 million (46%) of the 2011-12 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, 2012, we reviewed all the Lease-Leaseback contracts. These contracts included Heritage, Woodbury, Wakeham, Simmons, Northcutt, Excelsior, Eisenhower, and Brookhurst. The general contractors contracted included G.B. Construction, Pinner Construction Co., M. Wilson Company Contractors, and Bernard 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 would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied, in all material respects, with the compliance requirements for the Measure A General Obligation Bond as listed and tested above.

This report is intended solely for the information and use of the Measure A Citizens' Bond Oversight Committee, the District's Governing Board, management, and the taxpayers of Garden Grove Unified School District and is not intended to be and should not be used by anyone other than these specified parties.

*Christy White Associates*

San Diego, California  
November 10, 2012

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**SCHEDULE OF FINDINGS AND  
RECOMMENDATIONS**

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**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Schedule of Findings and Recommendations  
For the Year Ended June 30, 2012**

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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, 2012.

**MEASURE A BOND BUILDING FUND  
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2012**

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**FINDING 2011-1: CITIZENS' OVERSIGHT COMMITTEE**

**Criteria:** Education Code Section 15282(a) states that the citizens' oversight committee must consist of at least seven members and must be comprised of the following members: one member shall be active in a business organization representing the business community located within the district, one member shall be active in a senior citizens' organization, one member shall be active in a bona fide taxpayers' organization, one member shall be the parent or guardian of a child enrolled in the district, and one member shall be both a parent or guardian of a child enrolled in the district and active in a parent-teacher organization, such as the Parent Teacher Association or school site council.

**Condition:** The Citizens' Oversight Committee does not currently have a member representing a bona fide taxpayers' organization. As a result, the committee does not have all of the required representation.

**Questioned Costs:** None

**Effect:** The District is out of compliance with Education Code Section 15282(a).

**Cause:** There are very few new applicants to fill open positions.

**Recommendation:** The District should continue performing its due diligence in seeking out new members to ensure that the correct representation is present on the Citizens' Oversight Committee.

**Status:** Implemented.