

**MEASURES "S" AND "A" GENERAL OBLIGATION
BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2014**



**MEASURES “S” AND “A” GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**

For the Fiscal Year Ended June 30, 2014

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Financial Section

INDEPENDENT AUDITORS' REPORT

To the Governing Board and
Measures "S" and "A" Bond Oversight Committee
San Gabriel Unified School District
San Gabriel, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measures "S" and "A" General Obligation Bond Building Fund of San Gabriel Unified School District, as of and for the fiscal years ended June 30, 2014 and 2013, and the related notes to the 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.

Auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measures "S" and "A" General Obligation Bond Building Fund of San Gabriel Unified School District, as of June 30, 2014 and 2013, and the changes in financial position thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

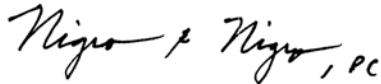
Our audit was conducted for the purpose of forming opinions on the financial statements that comprise Measures "S" and "A" General Obligation Bond Building Fund of San Gabriel Unified School District's financial statements as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measures "S" and "A" General Obligation Bond Building Fund and do not purport to, and do not, present fairly the financial position of the San Gabriel Unified School District, as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2015 on our consideration of the District'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 District's internal control over financial reporting and compliance.



Murrieta, California
January 5, 2015

**MEASURES "S" AND "A" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**

Balance Sheet

June 30, 2014 and 2013

	2014			2013
	Measure "S"	Measure "A"	Totals	
ASSETS				
Cash	\$ 4,228,900	\$ 28,941,010	\$ 33,169,910	\$ 17,761,449
Accounts receivable	13,048	102,098	115,146	35,268
Total Assets	<u>\$ 4,241,948</u>	<u>\$ 29,043,108</u>	<u>\$ 33,285,056</u>	<u>\$ 17,796,717</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 8,011	\$ 1,456,742	\$ 1,464,753	\$ 1,554,226
Fund Balances				
Restricted for capital projects	<u>4,233,937</u>	<u>27,586,366</u>	<u>31,820,303</u>	<u>16,242,491</u>
Total Liabilities and Fund Balances	<u>\$ 4,241,948</u>	<u>\$ 29,043,108</u>	<u>\$ 33,285,056</u>	<u>\$ 17,796,717</u>

**MEASURES "S" AND "A" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**
*Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2014 and 2013*

	2014			2013
	Measure "S"	Measure "A"	Totals	
REVENUES				
Interest earnings	\$ 54,679	\$ 96,679	\$ 151,358	\$ 149,971
Other local revenues	-	-	-	12
Total Revenues	54,679	96,679	151,358	149,983
EXPENDITURES				
Current:				
Plant services:				
Classified salaries & benefits	-	143,189	143,189	141,134
Materials & supplies	4,573	161,646	166,219	536,626
Services	189,215	106,159	295,374	540,203
Capital outlay	23,026	6,813,323	6,836,349	6,317,442
Debt service:				
Debt issuance costs	-	393,160	393,160	-
Total Expenditures	216,814	7,617,477	7,834,291	7,535,405
OTHER FINANCING SOURCES (USES)				
Interfund transfers in		-	-	2,143,082
Proceeds from sale of bonds	-	22,997,960	22,997,960	-
Premiums on debt issuance	-	153,170	153,170	-
Total Other Financing Sources (Uses)	-	23,151,130	23,151,130	2,143,082
Net Change in Fund Balances	(162,135)	15,630,332	15,468,197	(5,242,340)
Fund Balances, Beginning of Year, Original	4,388,409	11,854,082	16,242,491	21,484,831
Adjustments for restatements	7,663	101,952	109,615	-
Fund Balances, Beginning of Year, Restated	4,396,072	11,956,034	16,352,106	21,484,831
Fund Balances, End of Year	\$ 4,233,937	\$ 27,586,366	\$ 31,820,303	\$ 16,242,491

**MEASURES “S” AND “A” GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District voters authorized the issuance of two General Obligation Bonds. The first bond issuance was authorized on March 5, 2002 for \$46,045,000 under the Measure “S” bond election. The purpose of the Measure “S” bond funds is for constructing, reconstructing, rehabilitating and replacing school facilities, including the furnishing and equipping of school facilities, and the acquisition or leasing of real property for school facilities.

The second bond was authorized on February 5, 2008 under the Measure “A” election. The voters authorized the District to issue up to \$65,075,000. The proceeds of the bonds are being used to finance construction, modernization of facilities, furnishing and equipping school facilities and upgrading of technology.

Both bonds passed under the provisions of Proposition 39. To comply with the requirements, an oversight committee must be established to ensure that the school bond funds are invested as voters intended. The District’s Governing Board expanded the duties of the existing Long Range Facilities Master Plan Committee to include the oversight responsibilities. The Committee was established in 1998 to provide recommendations to the Governing Board. The Committee’s oversight goals include: advising on bond construction priorities, reviewing school bond construction plans, verifying that project plans are in alignment with the budget, and ensuring compliance with conditions of Measure “S” and Measure “A” bond authorizations.

The bond proceeds and uses are accounted for in the District’s Bond Building Fund. The statements presented are for the individual Measures “S” and “A” General Obligation Bond Building Fund and are not intended to be a complete presentation of the District’s financial position or results of operations.

B. Accounting Policies

The San Gabriel Unified School District accounts for its financial transactions in accordance with the policies and procedures of the 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.

The financial statements of Measures “S” and “A” and Election 2008 General Obligation Bond Building Fund 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 when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due in the District’s Bond Interest and Redemption Fund.

**MEASURES "S" AND "A" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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. All encumbrances are liquidated as of June 30.

E. 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.

NOTE 2 – CASH

Cash at June 30, 2014 and 2013 is reported at fair value and consisted of the following:

	<u>2014</u>	<u>2013</u>
Pooled Funds:		
Cash in County Treasury	\$ 33,169,910	\$ 15,547,000
Deposits:		
Cash with fiscal agent	<u>-</u>	<u>2,214,449</u>
Total Cash	<u>\$ 33,169,910</u>	<u>\$ 17,761,449</u>

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2014 and 2013, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**MEASURES "S" AND "A" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2014

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable in the amount of \$115,146 and \$35,268 represent amounts due from the Los Angeles County Treasurer for interest earnings for the quarters ended June 30, 2014, and 2013, respectively.

NOTE 4 – GENERAL OBLIGATION BONDS

Election of 2002 – Measure "S"

An election of the registered voters of the District was held on March 5, 2002, of which more than 55 percent of the persons voting on the proposition voted to authorize the issuance and sale of \$46,045,000 principal amount of general obligation bonds. The bonds are being issued to renovate and modernize school facilities.

Election of 2008 – Measure "A"

On February 5, 2008 District voters authorized the District to issue up to \$65,075,000 general obligation bonds by more than fifty-five percent of the vote. The proceeds of the bonds are being used to finance construction and modernization of facilities.

Refunding Bonds

In 2005 and 2012, the District issued refunding bonds to refinance previously issued general obligation bonds. The net proceeds of the refunding bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. As of June 30, 2014, the principal balance outstanding on the defeased debt amounted to \$1,475,000.

The general obligation bonds issued as of June 30, 2014 were as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance July 1, 2013	Additions	Deductions	Balance, June 30, 2014
Measure "S"								
2002 A	6/12/2002	2/1/2027	3.0% - 5.375%	\$ 28,432,600	\$ 1,112,600	\$ -	\$ -	\$ 1,112,600
2002 B	11/18/2004	8/1/2029	2.5% - 4.625%	6,778,892	5,068,892	-	70,000	4,998,892
2002 C	7/10/2007	8/1/2032	3.75% - 4.75%	10,832,878	10,667,878	-	110,000	10,557,878
				<u>46,044,370</u>	<u>16,849,370</u>	<u>-</u>	<u>180,000</u>	<u>16,669,370</u>
Measure "A"								
2008 A	8/12/2008	8/1/2033	3.0% - 5.5%	20,548,245	18,088,245	-	340,000	17,748,245
2008 B	5/8/2012	8/1/2037	2.0% - 5.97%	16,003,464	16,003,464	-	605,000	15,398,464
2008 C	12/19/2013	8/1/2041	4.75% - 5.35%	22,997,960	-	22,997,960	-	22,997,960
				<u>59,549,669</u>	<u>34,091,709</u>	<u>22,997,960</u>	<u>945,000</u>	<u>56,144,669</u>
Refunding Bonds								
2005 Refunding	1/6/2005	8/1/2025	3.0% - 5.0%	17,955,000	16,955,000	-	800,000	16,155,000
2012 Refunding	3/22/2012	8/1/2024	2.0% - 4.5%	6,475,000	6,410,000	-	10,000	6,400,000
2012 Refunding (B)	5/8/2012	8/1/2025	2.0% - 3.25%	2,840,000	2,790,000	-	125,000	2,665,000
				<u>27,270,000</u>	<u>26,155,000</u>	<u>-</u>	<u>935,000</u>	<u>25,220,000</u>
					<u>\$ 77,096,079</u>	<u>\$ 22,997,960</u>	<u>\$ 2,060,000</u>	<u>\$ 98,034,039</u>

**MEASURES "S" AND "A" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2014

NOTE 4 – GENERAL OBLIGATION BONDS (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2014 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014-15	\$ 2,325,000	\$ 3,040,853	\$ 5,365,853
2015-16	2,590,000	2,893,077	5,483,077
2016-17	2,500,000	2,805,621	5,305,621
2017-18	2,437,768	2,653,540	5,091,308
2018-19	3,106,073	2,649,724	5,755,797
2019-24	19,752,971	12,965,054	32,718,025
2024-29	20,648,054	20,475,530	41,123,584
2029-34	21,944,373	23,860,981	45,805,354
2034-39	9,369,221	19,629,811	28,999,032
2039-42	13,360,580	1,159,883	14,520,463
Total	<u>\$ 98,034,039</u>	<u>\$ 92,134,074</u>	<u>\$ 190,168,113</u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2014, the District had commitments with respect to unfinished capital projects of approximately \$6.3 million to be paid from a combination of State and local funds.

NOTE 6 – ADJUSTMENTS FOR RESTATEMENTS

During the fiscal year, the District reconciled its Payroll Clearance Fund, which required adjustments to other funds to account for liabilities that were erroneously recognized in prior years. The adjustments in the Measures "S" and "A" General Obligation Bond Building Fund amounted to \$7,663 and \$101,952, respectively, for a total of \$109,615.

Supplementary Information

**MEASURES "S" AND "A" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014

	<u>Measure "S"</u>	<u>Measure "A"</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash paid for operating expenses	<u>\$ (235,738)</u>	<u>\$ (7,578,411)</u>	<u>\$ (7,814,149)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	<u>45,162</u>	<u>26,318</u>	<u>71,480</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of bonds	<u>-</u>	<u>23,151,130</u>	<u>23,151,130</u>
Net increase (decrease) in cash	(190,576)	15,599,037	15,408,461
Cash, July 1, 2013	<u>4,419,476</u>	<u>13,341,973</u>	<u>17,761,449</u>
Cash, June 30, 2014	<u>\$ 4,228,900</u>	<u>\$ 28,941,010</u>	<u>\$ 33,169,910</u>

Other Independent Auditors' Reports

**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**

To the Governing Board and
Measures "S" and "A" Bond Oversight Committee
San Gabriel Unified School District
San Gabriel, 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 Measures "S" and "A" General Obligation Bond Building Fund of San Gabriel Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Gabriel Unified School District'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 San Gabriel Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Gabriel Unified School District'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 District'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

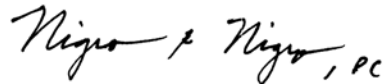
As part of obtaining reasonable assurance about whether San Gabriel Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Findings 2014-1 and 2014-2.

San Gabriel Unified School District's Responses to Findings

San Gabriel Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. San Gabriel Unified School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Murrieta, California
January 5, 2015

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

To the Governing Board and
Measures "S" and "A" Bond Oversight Committee
San Gabriel Unified School District
San Gabriel, California

We have examined the San Gabriel Unified School District's compliance with the performance requirements for the Proposition 39 Measures "S" and "A" General Obligation Bonds for the fiscal year ended June 30, 2014, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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.

Objectives

The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- The expenditures charged to the San Gabriel Unified School District Building Fund are documented.
- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measures "S" and "A".
- Any discrepancies or weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens' Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

Scope of the Audit

The scope of our performance audit covered the fiscal period from July 1, 2013 to June 30, 2014. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were also included within the scope of our audit. Expenditures incurred subsequent to June 30, 2014 were not reviewed or included within the scope of our audit or in this report.

Procedures Performed

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2014 for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measures "S" and "A" with regards to the approved bond projects list. We performed the following procedures:

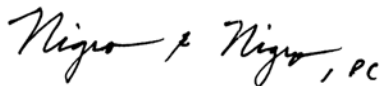
To meet our objectives, audit tests were performed and included, but were not limited to the following:

- We verified that bond funds were deposited in the District's name and invested in accordance with applicable legal requirements.
- We tested approximately \$6.0 million in bond fund invoices paid and \$69,000 in payroll related expenditures, for a total of nearly \$6.1 million. This represents about 78% of total fund expenditures. This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our test included payments made to the subcontractors, other vendors, and salaries for technology related services. Salaries tested were for employees whose duties were directly attributable to the bond projects.
- We reviewed the approved project listing as set out in the Measures "S" and "A" election documents.
- We visited construction sites at Jefferson Middle and McKinley Elementary Schools to ensure that expenditures made corresponded with the actual work performed at the site.
- We verified that funds from the Building Fund were expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Building Fund were only used for authorized expenditures.
- We reviewed a sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.
- We verified that the District did not exceed change order limitations in excess of 10% pursuant to Public Contract Code.

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

In our opinion, the District complied with the compliance requirements for the Measures "S" and "A" General Obligation Bonds proceeds listed and tested above, except as described in the findings and responses section of this report.

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



Murrieta, California
January 5, 2015

Findings and Responses

**MEASURES "S" AND "A" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**

Schedule of Audit Findings and Responses

June 30, 2014

Finding 2014-1: Citizens' Bond Oversight Committee Formation

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 groups: 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. 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 representations. In addition, one member has exceeded their term limit as they have served greater than three consecutive two-year terms.

Recommendation: The District should continue performing its due diligence in seeking out a new member to fill the vacancy and ensure that the correct representations are present on the Citizens' Bond Oversight Committee. In addition, the member exceeding the term limits should discontinue their service on the committee.

District Response: The Long-Range Facilities Master Plan Oversight Committee will actively recruit new members to serve the unrepresented group (member representing bona fide taxpayers' organization). The Committee will also ensure that members are not exceeding their term limits, and will recruit new members to replace any members who have exceeded their term.

Finding 2014-2: Unallowable Expenditure

During the review of the Long-Range Facilities Master Plan Oversight Committee Minutes, it was noted that the District paid the annual maintenance fee for the SmarteTools software program. SmarteTools is the District's accounting software program. While the expense is a technological expense, it is not attributable to classroom use as required by the project listing and does not improve student access to modern technology as required in the bond language. Additionally, the expense is a normal operating expense of the District, and will continue to be incurred on an ongoing basis after the bond funds are exhausted. Payment of operating expenses with bond funds are considered prohibited by the California Constitution, Article XIII A, Section 1(b)(3)(A), which states that bond proceeds are subject to restricted use and shall not be used for school operating expenses.

Recommendation: The expenditure was brought to the District's attention during the previous audit, but after the same expenditure had already been incurred in 2013-14. The charge has been corrected, but going forward, the District needs to ensure that it does not get charged again.

District Response: The Accounting Department will ensure that moving forward this cost does not get charged to the bond.

MEASURES “S” AND “A” GENERAL OBLIGATION BOND BUILDING FUND OF SAN GABRIEL UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2014

Original Finding No.	Finding	Recommendation	Current Status
<i>Finding 2013-1: Citizens’ Bond Oversight Committee Formation</i>	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 groups: 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. The Citizens’ Oversight Committee does not currently have a member representing a business organization. As a result, the committee does not have all of the required representations.	The District should continue performing its due diligence in seeking out a new member to fill the vacancy and ensure that the correct representations are present on the Citizens’ Bond Oversight Committee.	Implemented; However, see Finding 2014-1.
<i>Finding 2013-2: Unallowable Expenditures</i>	During the review of the Long-Range Facilities Master Plan Oversight Committee Minutes, it was noted that the District paid the annual maintenance fee for the SmarteTools software program. SmarteTools is the District's accounting software program. While the expense is a technological expense, it is not attributable to classroom use as required by the project listing and does not improve student access to modern technology as required in the bond language. Additionally, the expense is a normal operating expense of the District, and will continue to be incurred on an ongoing basis after the bond funds are exhausted. Payment of operating expenses with bond funds are considered prohibited by the California Constitution, Article XIII A, Section 1(b)(3)(A), which states that bond proceeds are subject to restricted use and shall not be used for school operating expenses.	The District should ensure that all items coded to the bond fund fall under the approved project listing for the Bond funds. During the payment process, there should be a second review of what is being applied to the bond fund to ensure that what is actually being processed for payment is applicable to the bond fund. Additionally, the District should reimburse the bond fund for the cost of the maintenance fee that was paid.	Not Implemented. See Finding 2014-2.