

**MEASURE "S" GENERAL OBLIGATION
BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT
AUDIT REPORT
June 30, 2008**

MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF SAN
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AUDIT REPORT
June 30, 2008

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A Professional
Accountancy Corporation

To the Board of Trustees and
Measure "S" Bond Oversight Committee
San Gabriel Unified School District
San Gabriel, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of the Measure "S" General Obligation Bond Building Fund (the "Fund") of San Gabriel Unified School District (the "District") as of June 30, 2008, and the related statement of revenues, expenditures and changes in fund balance as of and for the year ended June 30, 2008. 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.

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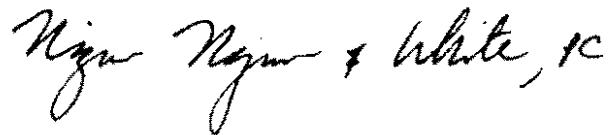
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial and performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 "S" General Obligation Bond Building Fund 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 "S" General Obligation Bond Building Fund of San Gabriel Unified School District, as of June 30, 2008, and the results of its operations for the period then ended 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 January 30, 2009 on our consideration of the Measure "S" General Obligation Bond Building Fund of San Gabriel Unified School District's internal control over financial reporting and 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 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.

A handwritten signature in cursive script that reads "Niza Nizam & White, PC".

Murrieta, California
January 30, 2009

Financial Section

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**

Balance Sheet

June 30, 2008

ASSETS	
Cash	\$ 507,727
Investment	2,540,637
Accounts receivable	<u>10,185</u>
Total Assets	\$ <u>3,058,549</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 34,771
 Fund Balance	
Unreserved	<u>3,023,778</u>
Total Liabilities and Fund Balance	\$ <u>3,058,549</u>

The notes to the financial statements are an integral part of this statement.

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2008**

REVENUES	
Interest earnings	\$ 235,406
Other local revenue	8,122
	<hr/>
Total Revenues	243,528
	<hr/>
EXPENDITURES	
Classified salaries	93,936
Benefits	30,675
Materials and supplies	115,766
Services and other operating expenditures	475,490
Capital outlay	1,111,012
Other outgo - debt issuance costs	362,878
	<hr/>
Total Expenditures	2,189,757
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,946,229)
	<hr/>
OTHER FINANCING SOURCES (USES)	
Proceeds from general obligation bonds	10,832,878
Bond issuance premium	362,878
Transfer to escrow agent for defeased debt	(4,599,631)
Interfund transfer out	(231,594)
	<hr/>
Total Other Financing Sources (Uses)	6,364,531
	<hr/>
Net Change in Fund Balance	4,418,302
	<hr/>
Fund Balance, June 30, 2007	(1,394,524)
	<hr/>
Fund Balance, June 30, 2008	\$ 3,023,778
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On March 5, 2002 the District voters authorized \$46,045,000 in General Obligation Bonds (Measure "S") for the purpose of 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. In response, an advisory committee to the District's Governing Board and Superintendent, the Measure "S" Bond Oversight Committee, was established. 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".

On June 12, 2002 the District issued the first series of bonds, Series A, in the amount of \$28,432,600. On November 18, 2004 the District issued the second series of bonds, Series 2004B, in the amount of \$6,778,892. On January 6, 2005 the District issued Refunding Bonds in the amount of \$17,955,000. On July 10, 2007, the District issued the third series of the bonds, Series 2004C, in the amount of \$10,832,878. The bond proceeds and uses are accounted for in the District's Bond Building Fund. The statements presented are for the individual Measure "S" 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 the Measure "S" 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.

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**
Notes to Financial Statements
June 30, 2008

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 – DEPOSITS AND INVESTMENTS

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.

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

Notes to Financial Statements

June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 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 and in Money Market Mutual Fund U.S. Treasury Fund obligations. The District maintains an investment with the Los Angeles County Investment Pool with a fair value of approximately \$507,168 and an amortized book value of \$507,727. The average weighted maturity for this pool is 556 days. In addition, the District maintains an investment in Citizens Business Bank valued at \$2.5 million. Fair value for these investments approximates amortized cost.

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 investment with the Los Angeles County Investment Pool is rated at least A by Moody's Investor 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 in the amount of \$10,185 represents the amount due from the Los Angeles County Treasurer for interest earnings for the quarter ended June 30, 2008.

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2008

NOTE 4 – INTERFUND ACTIVITIES

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

A. Interfund Transfers

Interfund transfers for the 2007-08 fiscal year is as follows:

Building Fund transfer to Deferred Maintenance Fund for state match	<u>\$ 231,594</u>
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NOTE 5 – MEASURE "S" GENERAL OBLIGATION BONDS

The General Obligation Bonds are as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2007	Additions	Deductions	Balance, June 30, 2008
2002A	7/12/2002	2/1/2027	3.00 - 6.60%	\$ 28,432,600	\$ 12,002,600	\$ -	\$ 270,000	\$ 11,732,600
2004B	11/18/2004	8/1/2029	2.50 - 5.51%	6,778,892	6,728,892	-	5,000	6,723,892
2005Ref.	1/6/2005	8/1/2025	3.00 - 4.50%	17,955,000	17,435,000	-	75,000	17,360,000
2007C	7/10/2007	8/1/2032	3.75 - 6.01%	10,832,878	-	10,832,878	-	10,832,878
				<u>\$ 63,999,370</u>	<u>\$ 36,166,492</u>	<u>\$ 10,832,878</u>	<u>\$ 350,000</u>	<u>\$ 46,649,370</u>

**MEASURE "S" GENERAL OBLIGATION BOND BUILDING FUND OF
SAN GABRIEL UNIFIED SCHOOL DISTRICT**
Notes to Financial Statements
June 30, 2008

NOTE 5 – MEASURE "S" GENERAL OBLIGATION BONDS (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2008, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 430,000	\$ 1,581,122	\$ 2,011,122
2009-10	550,000	1,561,525	2,111,525
2010-11	665,000	1,556,537	2,221,537
2011-12	790,000	1,533,319	2,323,319
2012-13	925,000	1,508,384	2,433,384
2013-18	6,410,000	6,847,036	13,257,036
2018-23	13,670,000	5,204,027	18,874,027
2023-28	13,091,304	9,115,926	22,207,230
2028-32	10,118,066	17,593,972	27,712,038
	<u>\$ 46,649,370</u>	<u>\$ 46,501,848</u>	<u>\$ 93,151,218</u>

Of the \$11.2 million net proceeds from the general obligation bond, an amount of \$4.6 million was placed into an escrow fund to be held in an irrevocable trust with an escrow agent to provide for all future debt service payments on a portion of the Series A certificate of participation and the full amount of Series B certificate of participation. Because the funds are held for the purpose of paying defeased debt, the assets and related liabilities are not reflected in these financial statements, in accordance with GASB No. 7.

NOTE 6 – CONSTRUCTION COMMITMENTS

At June 30, 2008, the District had no commitments with respect to unfinished capital projects.

NOTE 7 – SUBSEQUENT EVENT

General Obligation Bonds

On August 12, 2008, the District issued Series A of the Election of 2008 general obligation bonds in the amount of \$20,548,245. The Election of 2008 general obligation bonds was approved by voters on February 5, 2008. The first debt service payment on the Series 2008A bonds is due February 1, 2009.

Other Independent Auditors' Reports



A Professional
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To the Board of Trustees and
Measure "S" Bond Oversight Committee
San Gabriel Unified School District
San Gabriel, California

**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**

We have audited the accompanying balance sheet of the Measure "S" General Obligation Bond Building Fund of San Gabriel Unified School District (the "District") as of June 30, 2008, and the related statement of revenues, expenditures and changes in fund balance as of and for the year ended June 30, 2008, and have issued our report thereon dated January 30, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

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Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

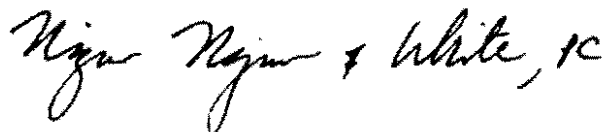
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure "S" General Obligation Bond Building Fund of 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 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 Measure "S" Bond Oversight Committee, the District Governing Board, management, and the taxpayers of San Gabriel Unified School District and is not intended to be and should not be used by anyone other than these specified parties.



Murrieta, California
January 30, 2009



A Professional
Accountancy Corporation

To the Board of Trustees and
Measure "S" Bond Oversight Committee
San Gabriel Unified School District
San Gabriel, California

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

We have audited the financial statements of the Measure "S" General Obligation Bond Building Fund of San Gabriel Unified School District (the "District") as of and for the year ended June 30, 2008, and have issued our report thereon dated January 30, 2009. Our audit was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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Christy White, CPA

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In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the Proposition 39 Measure "S" General Obligation Bond as of and for the year ended June 30, 2008. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that the proceeds from the sale of the bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, including teacher and administrator salaries and other operating expenses.

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 Measure "S" General Obligation Bond proceeds listed and tested above.

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

Murrieta, California
January 30, 2009