

**MEASURE A BOND BUILDING FUND OF
WISEBURN SCHOOL DISTRICT**

AUDIT REPORT

**For the Fiscal Year Ended
June 30, 2009**

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended June 30, 2009
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MEASURE A BOND BUILDING FUND OF WISEBURN SCHOOL DISTRICT

Introduction and Citizens' Bond Oversight Committee Member Listing

June 30, 2009

Wiseburn School District (the "District") was established in 1896 and is comprised of an area of approximately 6 ½ square miles located in Los Angeles County, California. The boundaries are within the city limits of Hawthorne, El Segundo, and a portion of the unincorporated area of Los Angeles County. No boundary changes were made during the current year. The District is operating three elementary schools and one middle school. Funds received from the sale of Measure A bonds are being used for District facilities purposes, including building the new Cabrillo Elementary School and Burnett Elementary School expansion.

On June 12, 2007, the voters of Wiseburn School District approved by more than two-thirds vote Measure A, authorizing the issuance and sale of \$32,600,000 of general obligation bonds. On August 9, 2007, the District issued 2007 Series A general obligation bonds in the amount of \$20,056,687. The issue consists of current interest and capital appreciation bonds with stated interest rates ranging between 4.0% and 5.0% and fully maturing on August 1, 2032. At June 30, 2009, the principal balance outstanding was \$19,946,687.

On August 21, 2008, the District issued 2008 Series A general obligation bonds in the amount of \$12,540,713. The issue consists of current interest and capital appreciation bonds with stated interest rates ranging between 3.0% and 4.5% and fully maturing on August 1, 2033. At June 30, 2009, the principal balance outstanding was \$12,540,713. With the issuance of the 2008 Series A bonds, the cumulative Measure A bond issuance was \$32,597,400, reaching the voter-approved Measure A bond authorization of \$32.6 million.

As required by the Measure A ballot language, the District must conduct an annual audit to ensure that funds have been expended according to the ballot language 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 Measure A ballot language also requires the formation of a Citizens' Bond Oversight Committee to ensure the proper expenditure of bond funds.

The District's Measure A Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2009:

- Roger Banuelos
- Andrew Goslin
- Daniel Juarez
- Russell Kehl
- Anne Kershner
- Brian Meath
- Cindy Parsons



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Accountancy Corporation

Measure A Citizens' Bond Oversight Committee and
Governing Board Members of
Wiseburn School District
Hawthorne, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of revenues, expenditures and changes in fund balance of the Measure A Bond Building Fund of Wiseburn School District (the "District") for the fiscal year ended June 30, 2009. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Jeff Nigro, CPA

Elizabeth Nigro, CPA

Christy White, CPA

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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 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement presents only the individual Measure A Bond Building Fund, consisting of the net construction proceeds of the Measure A 2007 Series A and 2008 Series A general obligation bonds as issued by the District, through the County of Los Angeles, 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 statement referred to above presents fairly, in all material respects, the results of operations of the Measure A Bond Building Fund of Wiseburn School District for the fiscal year ended June 30, 2009, 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 23, 2009, on our consideration of Wiseburn 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.

Miguel Miguel & White, PC

San Diego, California
November 23, 2009

Financial Section

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2009**

REVENUES	
Interest income	\$ 411,670
Total Revenues	<u>411,670</u>
EXPENDITURES	
Bond issuance costs	416,834
Facilities acquisition and construction	10,645,101
Total Expenditures	<u>11,061,935</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,650,265)</u>
OTHER FINANCING SOURCES	
Premium on issuance of long-term debt	416,834
Proceeds from long-term debt	12,557,299
Total Other Financing Sources	<u>12,974,133</u>
Net Change in Fund Balance	2,323,868
Fund Balance, July 1, 2008	<u>11,374,603</u>
Fund Balance, June 30, 2009	<u>\$ 13,698,471</u>

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

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT**
Notes to Financial Statement
June 30, 2009

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Wiseburn School District (the "District") was established in 1896 and is comprised of an area of approximately 6 ½ square miles located in Los Angeles County, California. The boundaries are within the city limits of Hawthorne, El Segundo, and a portion of the unincorporated area of Los Angeles County. No boundary changes were made during the current year. The District is operating three elementary schools and one middle school.

On June 12, 2007, the voters of the District approved by more than two-thirds vote Measure A, authorizing the issuance and sale of \$32,600,000 of general obligation bonds for the purpose of: building a new Cabrillo Elementary School; constructing, acquiring, and improving school facilities; and making the District eligible to receive \$4,000,000 in state matching funds.

An advisory committee to the District's Governing Board and Superintendent, called the Measure A Citizens' Bond Oversight Committee, was established. The Committee's oversight goals include: ensuring expenditures are within the language of the ballot measure, and advising the District's Governing Board on various projects.

The statement presented is for the individual Measure A Bond Building Fund of the District and are not intended to be a complete presentation of the District's financial position or results of operations.

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
OF WISEBURN SCHOOL DISTRICT
Notes to Financial Statement
June 30, 2009**

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 statement. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statement is 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 Los Angeles 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
OF WISEBURN SCHOOL DISTRICT
Notes to Financial Statement
June 30, 2009**

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.

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

The Measure A Bond Building Fund held \$13,831,752 in the county treasury as of June 30, 2009.

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 its 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
OF WISEBURN SCHOOL DISTRICT**

Notes to Financial Statement

June 30, 2009

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 some 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>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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. The Measure A Bond Building Fund maintains an investment with the Los Angeles County Investment Pool with a fair value of approximately \$13,895,746 and an amortized book value of \$13,831,752. The weighted average maturity for this pool as of June 30, 2009 was 495 days.

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT
Notes to Financial Statement
June 30, 2009**

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. The investments within the Los Angeles County Investment Pool are rated A or higher 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 – CONSTRUCTION COMMITMENTS

The Measure A Bond Building Fund had construction commitments of \$3,840,000 as of June 30, 2009.

NOTE 4 – MEASURE A GENERAL OBLIGATION BONDS

As of June 30, 2009, the principal balance outstanding on the District's Measure A general obligation bonds was \$32,487,400.

- On August 9, 2007, the District issued 2007 Series A general obligation bonds in the amount of \$20,056,687. The issue consists of current interest and capital appreciation bonds with stated interest rates ranging between 4.0% and 5.0% and fully maturing on August 1, 2032.
- On August 21, 2008, the District issued 2008 Series A general obligation bonds in the amount of \$12,540,713. The issue consists of current interest and capital appreciation bonds with stated interest rates ranging between 3.0% and 4.5% and fully maturing on August 1, 2033.

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT
Notes to Financial Statement
June 30, 2009**

NOTE 4 – MEASURE A GENERAL OBLIGATION BONDS (continued)

The annual requirements to amortize all Measure A general obligation bonds payable outstanding as of June 30, 2009, are as follows:

Fiscal Year	Principal	Interest *	Total
2009-10	\$ 100,000	\$ 499,154	\$ 599,154
2010-11	35,000	516,881	551,881
2011-12	50,000	515,481	565,481
2012-13	95,000	513,481	608,481
2013-14	105,000	510,281	615,281
2015-19	1,840,000	2,437,905	4,277,905
2020-24	4,655,000	1,840,188	6,495,188
2025-29	12,220,569	14,140,470	26,361,039
2030-34	13,386,831	35,998,169	49,385,000
Total	<u>\$ 32,487,400</u>	<u>\$ 56,972,010</u>	<u>\$ 89,459,410</u>

* Interest includes compounded interest related to the capital appreciation bonds.

Other Independent Auditors' Reports



A Professional
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Measure A Citizens' Bond Oversight Committee and
Governing Board Members of
Wiseburn School District
Hawthorne, 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**

Jeff Nigro, CPA
Eltzabeth Nigro, CPA
Christy White, CPA

We have audited the financial statement of the Measure A Bond Building Fund of Wiseburn School District for the fiscal year ended June 30, 2009, and have issued our report thereon dated November 23, 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.

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In planning and performing our audit, we considered Wiseburn 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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Wiseburn School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wiseburn School District's internal control over financial reporting.

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 - Community Associations Institute
 - California Society of Municipal Finance Officers Association

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 reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

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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 statement will not be prevented or detected by the entity's internal control.

Our consideration of 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 in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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 the Measure A Bond Building Fund of Wiseburn School District's financial statement is 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 A Citizens' Bond Oversight Committee, the District's Governing Board, management, and the taxpayers of Wiseburn School District and is not intended to be and should not be used by anyone other than these specified parties.



San Diego, California
November 23, 2009



*A Professional
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Jeff Nigro, CPA
Elizabeth Nigro, CPA
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Hawthorne, California

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

We have audited the financial statement of the Measure A Bond Building Fund of the Wiseburn School District (the "District") for the fiscal year ended June 30, 2009 and have issued our report thereon dated November 23, 2009. Our audit was made in accordance with generally accepted auditing standards 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.

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 performance audit, we performed an audit for compliance as required in the performance requirements for the Measure A General Obligation Bond for the fiscal year ended June 30, 2009. The objective of the audit of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds from the sale of the Measure A Bond were only used for the purposes set forth in the Measure A ballot measure and not for any other purpose.

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 abuse regarding Measure A projects
- Ensure adequate separation of duties exists in the accounting for Measure A funds
- Prevent material misstatements in the financial statement
- Ensure expenditures are allocated to the proper fund(s)

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 fiscal year 2008-09 financial statement balances for the Measure A Bond Fund are not materially misstated.

Results of Procedures Performed:

The results 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 statement.

Facilities Site Walk

Procedures Performed:

We performed a site walk on May 26, 2009 to verify that Measure A funds expended for the fiscal year ended June 30, 2009 were for valid facilities acquisition and construction purposes. NNW toured the new Cabrillo Elementary site, which was completed in the 2008-09 year.

Results of Procedures Performed:

As of the date of our site walk, the new Cabrillo Elementary School was completed, with classes in session. The school's buildings were completed, with audio/visual and computer equipment installed. Landscaping, parking, walkway canopies, and play structures had been installed or completed.

Test of Expenditures

Procedures Performed:

We tested expenditures to determine whether Measure A funds were spent solely on voter and Board approved school facilities projects (as set forth in the Measure A ballot measure language). The expenditure test included a sample of 15 payments totaling \$1.4 million, or 12% of total expenditures for fiscal year 2008-09, including bond issuance costs.

Results of Procedures Performed:

We found the expenditures tested to be in compliance with the terms of the Measure A ballot measure, without exception.

Test of Contracts and Bid Procedures

Procedures Performed:

For the fiscal year ended June 30, 2009, NNW performed testing of 3 contracts to determine compliance with District policy and Public Contract Code provisions related to contracting and bidding:

- Project: New Cabrillo Elementary School, Canopy Shelter
Original Contract Award Amount: \$1,161,000
- Project: New Cabrillo Elementary School, Plumbing and Site Utilities
Original Contract Award Amount: \$2,672,600
- Project: New Cabrillo Elementary School, Earthwork and Paving
Original Contract Award Amount: \$790,000

Test of Contracts and Bid Procedures (continued)

Results of Procedures Performed:

We found that the contracts tested followed proper bidding procedures, and were awarded in all cases to the lowest responsible bidder.

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

In our opinion, the District complied 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 Wiseburn School District and is not intended to be and should not be used by anyone other than these specified parties.

Nigel Nigro & White, PC

San Diego, California

November 23, 2009

Findings and Responses Section

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2009**

We found Wiseburn School District's accounting systems to be functioning efficiently and effectively to account for the Measure A Bond Building Fund. In addition, our tests resulted in no findings and recommendations related to the financial and performance audit of the Measure A Bond Building Fund for the fiscal year ended June 30, 2009.