

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

COUNTY OF LOS ANGELES

AUDIT REPORT

June 30, 2008

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT
AUDIT REPORT
June 30, 2008**

CONTENTS

	<u>Page</u>
Introduction and Citizens' Bond Oversight Committee Member Listing.....	1
Independent Auditor's Report.....	2
FINANCIAL STATEMENT	
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to Financial Statement.....	5
OTHER AUDITOR'S REPORTS	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10
Independent Auditor's Report on Performance.....	12
Schedule of Findings and Recommendations.....	14

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT
Introduction and Citizens' Bond Oversight Committee Member Listing
June 30, 2008**

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 currently being used to build the new Cabrillo Elementary School.

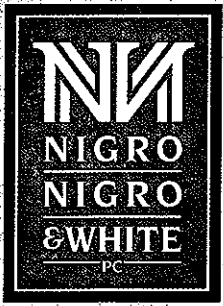
On June 12, 2007, the voters of Wiseburn School District approved by more than two-thirds vote Measure A, authorizing the issuance and sale of \$32,600,000 of general obligation bonds. On August 9, 2007, the District issued 2007 Series A general obligation bonds in the amount of \$20,056,687. The issue 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, 2008, the principal balance outstanding was \$20,374,600, which includes \$317,913 of accreted interest on the capital appreciation bonds.

On August 21, 2008, the District issued 2008 Series A general obligation bonds in the amount of \$12,540,713. Upon 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, 2008:

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



A Professional
Accountancy Corporation

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

INDEPENDENT AUDITOR'S 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 year ended June 30, 2008. 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

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.

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As discussed in Note 1A, the financial statement referred to above presents only the individual Measure A Bond Building Fund and is not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

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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 year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 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.

Rigo Rigo & White, PC

San Diego, California
January 5, 2009

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008**

REVENUES	
Interest income	\$ 692,535
Total Revenues	<u>692,535</u>
EXPENDITURES	
Facility acquisition and construction	9,374,619
Total Expenditures	<u>9,374,619</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,682,084)</u>
OTHER FINANCING SOURCES AND USES	
Proceeds from long-term debt	20,056,687
Total Other Financing Sources and Uses	<u>20,056,687</u>
Net Change in Fund Balance	11,374,603
Fund Balance, July 1, 2007	<u>-</u>
Fund Balance, June 30, 2008	<u><u>\$ 11,374,603</u></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, 2008**

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, 2008

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. All encumbrances are liquidated as of June 30.

E. Deposits and Investments

In accordance with Education Code Section 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 the financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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, 2008**

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 – DEPOSITS

Deposits as of June 30, 2008 consist of the following:

Cash in county treasury	\$	13,977,156
Total	\$	<u>13,977,156</u>

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, and obligations with first priority security; and collateralized mortgage obligations.

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT**
Notes to Financial Statement
June 30, 2008

NOTE 2 – DEPOSITS (continued)

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 its County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the District's 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.

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 District maintains an investment with the Los Angeles County Investment Pool with a fair value at June 30, 2008 of approximately \$13,961,652 and an amortized book value of \$13,977,156. The weighted average maturity for the Los Angeles County Investment Pool is 556 days as of June 30, 2008.

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 credit rating organization. The investments of the Los Angeles 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.

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT
Notes to Financial Statement
June 30, 2008**

NOTE 3 – MEASURE A GENERAL OBLIGATION BONDS

At June 30, 2008, the principal balance outstanding on the District’s Measure A general obligation bonds, including accreted interest to date, was \$20,374,600.

- 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 a stated interest rate ranging between 4.0% and 5.0% and fully maturing on August 1, 2032. At June 30, 2008, the principal balance outstanding was \$20,374,600, which includes \$317,913 of accreted interest on the capital appreciation bonds.

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

Fiscal Year	Principal **	Interest *	Total
2008-09	\$ 110,000	\$ 270,641	\$ 380,641
2009-10	100,000	283,856	383,856
2010-11	35,000	279,856	314,856
2011-12	50,000	278,456	328,456
2012-13	35,000	276,456	311,456
2014-2018	285,000	1,355,880	1,640,880
2019-2023	550,000	1,278,792	1,828,792
2024-2028	7,553,294	5,172,309	12,725,603
2029-2033	11,338,393	26,246,607	37,585,000
Total	\$ 20,056,687	\$ 35,442,853	\$ 55,499,540

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

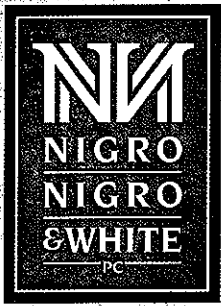
** Principal excludes \$317,913 of accreted interest on the capital appreciation bonds.

NOTE 4 – CONSTRUCTION COMMITMENTS

As of June 30, 2008, the District had construction commitments outstanding of \$7,653,042.

NOTE 5 – SUBSEQUENT EVENT

On August 21, 2008, the District issued \$12,540,713 in general obligation bonds, 2008 Series A, from the 2007 Election. The 2008 Series A bond issuance brought the cumulative Measure A bond issuance to the voter-approved Measure A authorization of \$32.6 million.



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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
Elizabeth Nigro, CPA
Christy White, CPA

We have audited the financial statement of the Measure A Bond Building Fund of Wiseburn School District for the year ended June 30, 2008, and have issued our report thereon dated January 5, 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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Internal Control Over Financial Reporting

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

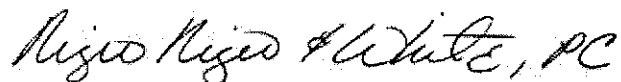
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies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

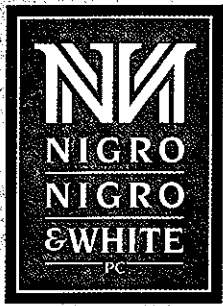
Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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
January 5, 2009



A Professional
Accountancy Corporation

Jeff Nigro, CPA
Elizabeth Nigro, CPA
Christy White, CPA

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Wiseburn School District
Hawthorne, California

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

We have audited the financial statement of the Measure A Bond Building Fund of Wiseburn School District (the "District") for the year ended June 30, 2008 and have issued our report thereon dated January 5, 2009. 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.

In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the District's Measure A general obligation bonds for the fiscal 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 of the sale of the Measure A bonds were only used for the purposes set forth in the ballot language and not for any other purpose.

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

1. We verified that bond proceeds were deposited in the District's name and invested in accordance with applicable legal requirements.
2. We sampled seven contracts and verified compliance with the Public Contract Code bid requirements, board approvals, that invoices paid were within the contract terms and change orders were approved.

3. We tested payments made to the construction management company and reviewed the terms of the contract.
4. We tested approximately \$2.6 million in Measure A bond fund invoices paid in the 2007-08 fiscal year. This relates to our testing of nine separate vendor payments within the District's Measure A subfund (Fund 21.3) for validity, allowability and accuracy.
5. We inspected the new Cabrillo Elementary school site where 2007-08 construction work was performed and verified that the construction work performed was in accordance with Measure A purposes.

Our audit of compliance made for the purposes 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 A bond proceeds as listed and tested above.

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

Rigo Rueda & White, PC

San Diego, California
January 5, 2009

**MEASURE A BOND BUILDING FUND
OF WISEBURN SCHOOL DISTRICT
Schedule of Findings and Recommendations
June 30, 2008**

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 year ended June 30, 2008.