

LA HABRA CITY SCHOOL DISTRICT

ORANGE COUNTY
LA HABRA, CALIFORNIA

FINANCIAL AND PERFORMANCE AUDIT
2012 ELECTION SERIES A
GENERAL OBLIGATION BOND
BUILDING FUND

JUNE 30, 2013

JLG
Jeanette L. Garcia & Associates
CERTIFIED PUBLIC ACCOUNTANT

LA HABRA CITY SCHOOL DISTRICT
 2012 ELECTION SERIES A
 GENERAL OBLIGATION BOND BUILDING FUND
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Financial Section



Jeanette L. Garcia,
CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education and Citizens' Oversight Committee
La Habra City School District
La Habra, California

We have audited the accompanying balance sheet of the 2012 Election Series A General Obligation Bond, Building Fund, of the La Habra City School District as of June 30, 2013, and the related statement of revenues, expenditures and changes in fund balance for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

As discussed in Note 1, the financial statements present only the individual General Obligation Bond, Building Fund, of the La Habra City School District and are not intended to present fairly the financial position of the La Habra City School District in conformity with generally accepted accounting principles.

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.

Auditor's Responsibility

Our responsibility is to express opinions 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 opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the transactions of the 2012 Election Series A General Obligation Bond, Building Fund, of the La Habra City School District, as of and for the year ended June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of the La Habra City School 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 La Habra City School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Jeanette L. Garcia + Associates".

Redlands, California
December 17, 2013

LA HABRA CITY SCHOOL DISTRICT
 2012 ELECTION SERIES A
 GENERAL OBLIGATION BOND BUILDING FUND
BALANCE SHEET
 JUNE 30, 2013

ASSETS

Cash (Note 2)	
Cash in County Treasury	\$ 5,404,301
Accounts Receivable (Note 3)	<u>1,618</u>
TOTAL ASSETS	\$ <u>5,405,919</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts Payable	\$ 230,499
Due to Other Funds	<u>19,584</u>
Total Liabilities	250,083
 Fund Balance	
Assigned	<u>5,155,836</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>5,405,919</u>

The Notes to Financial Statements are an integral part of this statement.

LA HABRA CITY SCHOOL DISTRICT
 2012 ELECTION SERIES A
 GENERAL OBLIGATION BOND BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>REVENUES</u>	
Local Revenue	\$ 147,174
Interest	12,089
	<hr/>
Total Revenues	159,263
	<hr/>
<u>EXPENDITURES</u>	
Plant Services	700
Facilities Acquisition and Construction	1,104,381
Other Outgo	3,700
	<hr/>
Total Expenditures	1,108,781
	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(949,518)
	<hr/>
<u>OTHER FINANCING SOURCES (USES)</u>	
Proceeds From Sale of Bonds	6,495,425
All Other Financing Uses	(114,717)
Other Uses	(842,952)
	<hr/>
Total Other Financing Sources (Uses)	5,537,756
	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	4,588,238
	<hr/>
<u>FUND BALANCE</u> - JULY 1, 2012	567,598
	<hr/>
<u>FUND BALANCE</u> - JUNE 30, 2013	\$ 5,155,836
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement.

LA HABRA CITY SCHOOL DISTRICT
2012 ELECTION SERIES A
GENERAL OBLIGATION BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the La Habra City School District conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and by the American Institute of Certified Public Accountants. The following is a summary of the significant accounting policies:

Reporting Entity

On November 6, 2012, the District voters authorized up to \$31 million in General Obligation Bonds for the purpose of financing the construction, acquisition, furnishing and equipping of District facilities, to fund capitalized interest through August 1, 2014, and to pay certain costs of issuance of the bonds. The measure was approved by more than 55% of the vote. In response, an advisory committee to the District's Governing Board and Superintendent, the Citizens' Bond Oversight Committee, was established. The Committee's oversight goals include: informing the public on the expenditures of Bond proceeds, reviewing expenditure reports to ensure that Bond proceeds are expended only for purposes set forth in the ballot measure, and ensuring compliance with conditions of the ballot measure.

On December 13, 2012, the District issued 2012 Election Series A General Obligation Bond in the amount of \$6,495,425.

The bond proceeds and uses are accounted for in the District's Building Fund. The statements presented are for the individual 2012 Election Series 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.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, 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 accompanying schedules are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

LA HABRA CITY SCHOOL DISTRICT
2012 ELECTION SERIES A
GENERAL OBLIGATION BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 Board of Education must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Education satisfied these requirements.

These budgets are revised by the District's Board of Education and District Superintendent during the year to give consideration to unanticipated income and expenditures. The final revised budget that is presented in the financial statements consists of the original Board approved documents plus all revisions, through June 30, 2013.

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.

Accounting Estimates

The presentation 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 (expenses) during the reporting period. Actual results could differ from those estimates.

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.

Fund Balance Reserves and Designations

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within the fund balance categories below:

- Nondisposable – This is fund balance associated with revolving cash funds, inventories and prepaids.
- Restricted – This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Committed – This includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Education (the District's highest level of decision-making authority).
- Assigned – These funds are intended to be used by the government (District) for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – This is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

LA HABRA CITY SCHOOL DISTRICT
 2012 ELECTION SERIES A
 GENERAL OBLIGATION BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

When fund balance resources are available for a specific purpose in multiple classifications, the District would use the most restrictive funds first.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with County treasury balances for purposes of the Statement of Cash Flows.

2. CASH AND DEPOSITS

Cash at June 30, 2013, consisted of the following:

	Building Fund
Pooled Funds:	
Cash in County Treasury	\$ 5,404,301

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Orange County Treasury as part of the educational investment pool (\$3,316,046,608 as of June 30, 2013). 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. The District is considered to be an involuntary participant in the external investment pool. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The fair market value of this pool as of June 30, 2013, as provided by the pool sponsor, was \$3,309,453,081. The County is required by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

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 San Bernardino County Investment Pool with a fair value of approximately \$5,393,555 and an amortized book value of \$5,404,301. The average weighted maturity for this pool is 300 days.

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2013, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

LA HABRA CITY SCHOOL DISTRICT
 2012 ELECTION SERIES A
 GENERAL OBLIGATION BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not place limits on the amount it may invest in any one issuer. At June 30, 2013, the District had no concentration of credit risk.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 consist of the following:

	BUILDING FUND
Accounts Receivable	
Local Sources:	
Interest	\$ 1,618

4. BONDED DEBT

The outstanding 2012 Series A General Obligation Bonded debt at June 30, 2013, is the following:

Bond	Date of Bond	Year of Maturity	Rate of Interest	Amount of Original Issue	Bonds Outstanding July 1, 2012	Issued During Year	Matured During Year	Bonds Outstanding June 30, 2013
Series 2012A	12/13/12	2038	2.00 - 5.11%	\$ 6,495,425	\$ -	\$ 6,495,425	\$ -	\$ 6,495,425

LA HABRA CITY SCHOOL DISTRICT
 2012 ELECTION SERIES A
 GENERAL OBLIGATION BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

The annual requirement to amortize the Series 2012 general obligation bonds (issued 12/13/12) payable, outstanding at June 30, 2013, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 104,246	\$ 104,246
2015	-	94,750	94,750
2016	50,000	94,250	144,250
2017	-	94,250	94,250
2018	-	94,250	94,250
2019-2023	65,000	468,325	533,325
2024-2028	144,107	533,593	677,700
2029-3033	2,198,973	3,203,027	5,402,000
3034-3038	2,612,345	3,977,955	6,590,300
3039	<u>1,425,000</u>	<u>28,500</u>	<u>1,453,500</u>
Total	<u>\$ 6,495,425</u>	<u>\$ 8,693,146</u>	<u>\$ 15,188,571</u>

5. COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects.

<u>Capital Projects</u>	<u>Remaining Construction Commitments</u>	<u>Expected Date of Completion</u>
Roofing Project	\$ 266,430	August 1, 2013

Supplementary Information

LA HABRA CITY SCHOOL DISTRICT
2012 ELECTION SERIES A
GENERAL OBLIGATION BOND BUILDING FUND
BALLOT MEASURE

EXHIBIT A

“To modernize and improve classrooms and support facilities, upgrade libraries and science labs, increase student and teacher access to computers and modern classroom technology, improve student safety, replace leaky roofs and upgrade lighting, window, utility, heating, and ventilation systems to reduce annual operating costs, shall the La Habra City School District be authorized to issue up to \$31,000,000 in bonds, at legal interest rates, with an Independent Citizens’ Oversight Committee, annual audits, and no money for administrator salaries?”

Bonds - Yes

Bonds - No

LA HABRA CITY SCHOOL DISTRICT
2012 ELECTION SERIES A
GENERAL OBLIGATION BOND BUILDING FUND
BALLOT MEASURE

EXHIBIT B

FULL TEXT BALLOT PROPOSITION
OF THE LA HABRA CITY SCHOOL DISTRICT
BOND MEASURE O ELECTION NOVEMBER 6, 2012

The following is the full proposition presented to the voters by the La Habra City School District.

“To modernize and improve classrooms and support facilities, upgrade libraries and science labs, increase student and teacher access to computers and modern classroom technology, improve student safety, replace leaky roofs and upgrade lighting, window, utility, heating, and ventilation systems to reduce annual operating costs, shall the La Habra City School District be authorized to issue up to \$31,000,000 in bonds, at legal interest rates, with an Independent Citizens’ Oversight Committee, annual audits, and no money for administrator salaries?”

PROJECT LIST

The District intends to use the proceeds of the Bonds to finance some or all of the below-listed projects for joint school and community use, upon voter approval:

1. Modernize, furnish, and equip classroom and support facilities
2. Improve student and teacher access to computers and modern classroom technology, upgrade technology infrastructure, including electrical wiring, wireless antennas, connectivity improvements, and necessary network infrastructure
3. Upgrade science classrooms, laboratories and equipment
4. Improve energy efficiency including lighting, window, utility, heating, energy management, and ventilation systems
5. Create and equip middle school academy facilities focused on enhanced instruction related to Math, Science, Arts and Humanities
6. Upgrade, reconstruct or build permanent library facilities and improve student learning and access to academic materials and upgrade technology systems
7. Modernize school facilities including repairing leaky roofs, and upgrading plumbing and drainage systems
8. Establish a technology fund for student and classroom technology including programmed replacements over time throughout the District
9. Make health and safety improvements to local schools, including the installation or upgrade of security systems, lighting, covered walkways, lunch areas, and handicap accessibility, where required
10. Improve playing fields and playground equipment, and expand community use of facilities
11. Reconfigure drop-off and pick-up areas, campus entryways, and parking lots to improve student safety and access
12. Address unforeseen conditions revealed by construction/modernization (*e.g.*, plumbing or gas line breaks, dry rot, seismic, structural, *etc.*)
13. Perform necessary site acquisition, preparation, restoration, or purchase of leased facilities in connection with new construction, renovation or remodeling
14. Fund deferred maintenance projects, including repairs pursuant to Education Code 17582 *et seq.*

LA HABRA CITY SCHOOL DISTRICT
2012 ELECTION SERIES A
GENERAL OBLIGATION BOND BUILDING FUND
BALLOT MEASURE

Each project is assumed to include its share of furniture, equipment, architectural, engineering, and similar planning costs and program/project management. Also in connection with the listed projects, the District intends to fund installation of signage and fencing; payment of the costs of preparation of all facility planning, facility studies, assessment reviews, facility master plan preparation and updates, environmental studies (including environmental investigation, remediation and monitoring), design and construction documentation, necessary demolition, temporary housing of dislocated District activities caused by construction projects and associated landscaping, irrigation and exterior painting.

Bond expenditures will be in compliance with the requirements of Article XIII A, Section 1(b)(3) of the State Constitution and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified at Education Code Sections 15264 and following).

Independent Citizens' Oversight Committee. The Board shall establish an Independent Citizens' Oversight Committee under Education Code Section 15278 and following to ensure bond proceeds are expended only on the school facilities appearing on the Project List. The committee will be established within 60 days of the date when the results of the election appear in the minutes of the Board.

Performance Audits. The Board shall conduct an annual, independent performance audit to ensure that the bond proceeds have been expended only on the school facilities appearing on the Project List.

Financial Audits. The Board shall conduct an annual, independent financial audit of the bond proceeds until all of those proceeds have been spent for the school facilities appearing on the Project List.

Special Bond Proceeds Account: Annual Report to Board. Upon approval of this measure and the sale of any bonds approved, the Board shall take all actions necessary to establish an account in which bond proceeds will be deposited. As long as any bond proceeds remain unexpended, the Superintendent of the District shall cause a report to be filed with the Board annually, stating (1) the amount of bond proceeds received and expended in that year, and (2) the status of any project funded or to be funded from bond proceeds. The report may relate to the calendar year, fiscal year, or other appropriate annual period as the Superintendent shall determine and may be incorporated in the annual budget, audit, or another appropriate and customary report to the Board.

No Administrator Salaries. Proceeds from the sale of bonds authorized by this measure shall be used only to finance or refinance the construction, reconstruction, renovation and/or rehabilitation of school facilities including the furnishing and equipping of school facilities or acquisition or lease of real property for school facilities and not for any other purpose, including administrator salaries.



Jeanette L. Garcia,
CPA

INDEPENDENT AUDITOR'S 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 Board of Education and Citizens' Oversight Committee
La Habra City School District
La Habra, 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 La Habra City School District for the 2012 Election Series A General Obligation Bond, Building Fund, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether La Habra City School District's financial statements are free from 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*.

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

A handwritten signature in cursive script that reads "Jeanette L. Garcia + Associates".

Redlands, California
December 17, 2013



AUDITOR'S REPORT ON STATE COMPLIANCE

Jeanette L. Garcia,
CPA

Board of Education and Citizen's Oversight Committee
La Habra City School District
La Habra, California

We have audited the accompanying financial statements of the 2012 Series A General Obligation Bond, Building Fund, of the La Habra City School District (the District) as of and for the year ended June 30, 2013. Our audit was made in accordance with auditing standards generally accepted in the United States of America; and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with specified requirements.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following requirements:

- Proceeds from the sale of the bonds are used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
- Proper bidding procedures have been observed/met.
- The District is in compliance with budget constraints per the Oversight Committee.
- Bond monies are used only on projects which were voter approved.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2013.

This report is intended solely for the information and use of the Citizen's Oversight Committee, Board of Education, management, and taxpayers of the La Habra City School District and is not intended to be and should not be used by anyone other than these specified parties.

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Redlands, California
December 17, 2013