

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
FINANCIAL AUDIT  
JUNE 30, 2009**

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
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**INDEPENDENT AUDITOR'S REPORT**

P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA

Aubrey W. King, CPA  
Richard K. Savage, CPA

**Board of Directors and  
Citizens' Oversight Committee  
Lemon Grove School District  
Lemon Grove, California**

We have audited the accompanying financial statements of the Building Fund of Lemon Grove School District as of and for the year ended June 30, 2009 as listed in the table of contents. 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governments* issued by the American Institute of Certified Public Accountants and the standards applicable to financial audits 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note B, the financial statements present only the Building Fund specific to Proposition W and are not intended to present fairly the financial position and results of operations of Lemon Grove School District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund of Lemon Grove School District as of June 30, 2009, and the results of its operations for the year 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 a report dated January 13, 2010 on our consideration of the District's internal control over the Building Fund financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts governing the bond funds. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
January 13, 2010

**FINANCIAL STATEMENTS**

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
BALANCE SHEET  
JUNE 30, 2009**

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Investments	\$ 739,680
Accounts Receivable	<u>1,214</u>
<b>TOTAL ASSETS</b>	<u>740,894</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	<u>-</u>
<b>FUND BALANCE</b>	
Undesignated	<u>740,894</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 740,894</u>

The accompanying notes are an integral part of these financial statements.

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>REVENUES</b>	
Interest Income	\$ 1,220
<b>TOTAL REVENUES</b>	<u>1,220</u>
<b>EXPENDITURES</b>	
Debt Service-Interest	170,875
Debt Service-Principal	<u>4,089,734</u>
<b>TOTAL EXPENDITURES</b>	<u>4,260,609</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>(4,259,389)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from Sale of Bonds	<u>5,000,000</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>5,000,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>740,611</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>283</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 740,894</u>

The accompanying notes are an integral part of these financial statements.

**LEMON GROVE SCHOOL DISTRICT  
 BUILDING FUND-GENERAL OBLIGATION BONDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE-BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Interest Income	\$ 1,220	\$ 1,220	\$ -
Other Local Revenues	-	-	-
<b>TOTAL REVENUES</b>	<u>1,220</u>	<u>1,220</u>	<u>-</u>
<b>EXPENDITURES</b>			
Debt Service-Interest	170,875	170,875	-
Debt Service-Principal	4,089,734	4,089,734	-
<b>TOTAL EXPENDITURES</b>	<u>4,260,609</u>	<u>4,260,609</u>	<u>-</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	(4,259,389)	(4,259,389)	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds From Sale of Bonds	5,000,000	5,000,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	5,000,000	5,000,000	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>740,611</u>	<u>740,611</u>	<u>-</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>283</u>	<u>283</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 740,894</u>	<u>\$ 740,894</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**A. Definition of the Fund**

In November 2008, the Building Fund was formed to account for property acquisition and construction of new schools as well as renovation of current schools for the Lemon Grove School District (District), through expenditures of General Obligation Bonds Election of 2008, Series A. The fund is one of the Capital Project Funds of the District.

A portion of the proceeds of the Series A Bonds will be applied to acquire property which was originally leased to the District in connection with the Refunding Certificates of Participation (1998 Financing Project). In addition, a portion of the Series A bonds will be used to purchase certain property which was originally financed under a sublease/option agreement dated as of November 1, 2004, with Public Property Financing Corporation of California, which was originally entered in to finance solar panel facilities.

**B. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

*Fund Structure*

The accompanying financial statements are used to account for the transactions of the Building Fund specific to Proposition W as defined in Note A and are not intended to present fairly the financial position and results of operations of Lemon Grove School District in conformity with accounting principles generally accepted in the United States of America.

*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 Building Fund is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.



**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**B. Summary of Significant Accounting Policies (Continued)**

*Budgets and Budgetary Accounting*

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

*Encumbrances*

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

*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 reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

*Cash in County Treasury*

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the San Diego 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 fair value, in accordance with the requirements of GASB Statement No. 31.

Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**B. Summary of Significant Accounting Policies (Continued)**

*Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

*Fund Balance Reserves and Designations*

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

**C. Cash and Investments**

*Cash in County Treasury*

The District maintains significantly all of its cash in the San Diego County Treasury as part of the common investment pool. As of June 30, 2009, the portion of cash in county treasury attributed to the Building Fund was \$739,680. The fair value of the Building Fund's portion of this pool as of that date, as provided by the pool sponsor, was \$739,680. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

*Analysis of Specific Deposit and Investment Risks*

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. *Credit Risk*

Credit Risk is the risk that an issuer or their counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only 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. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**C. Cash and Investments (Continued)**

b. *Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. *Concentration of Credit Risk*

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. *Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. *Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

f. *Investment Accounting Policy*

The district is required by GASB statement No. 31 to disclose its policy for determining which investments, if any are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts using a cost-based measure; however, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value.

The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**D. General Obligation Bonds**

On March 24, 2009, the District issued \$5,000,000, Election 2008, Series A General Obligation Bonds in order to finance the construction of new schools, classrooms, and instructional facilities in addition to financing the repair and renovation of existing schools. The bonds mature on August 1, 2033 and yield an interest rate of 4.00-5.00 percent. At June 30, 2009, Series A General Obligation Bonds totaling \$5,000,000 were still outstanding. In addition, a portion of the proceeds was applied to refunding certificates of participation in the amount of \$2.43 million and purchase property (solar panels) that was originally financed under a sublease/option agreement in the amount of \$1,659,734.

The outstanding bonded debt of the District as of June 30, 2009 is as follows:

<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amounts Outstanding Issue</u>	<u>Amounts Outstanding July 1, 2008</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Amounts Outstanding June 30, 2009</u>
3/24/09	4.00-5.00%	8/1/33	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000
3/24/09	Premium	8/1/33	38,796	-	38,796	-	38,796
Totals			<u>\$ 5,038,796</u>	<u>\$ -</u>	<u>\$ 5,038,796</u>	<u>\$ -</u>	<u>\$ 5,038,796</u>

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2009 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 191,150	\$ 191,150
2011	180,000	270,756	450,756
2012	280,000	259,257	539,257
2013	-	252,256	252,256
2014	-	252,256	252,256
2015-2019	115,000	1,252,375	1,367,375
2020-2024	340,000	1,214,559	1,554,559
2025-2029	1,985,000	905,988	2,890,988
2030-2034	2,100,000	266,500	2,366,500
Totals	<u>\$ 5,000,000</u>	<u>\$ 4,865,097</u>	<u>\$ 9,865,097</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of Directors and  
Citizens Oversight Committee  
Lemon Grove School District  
Lemon Grove, California**

We have audited the financial statements of the Building Fund of Lemon Grove School District (District) for the year ended June 30, 2009, and have issued our report thereon dated January 13, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Building Fund's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District'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 prevented or detected by the District'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 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 District's Building Fund 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 management, the Citizens Oversight Committee, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkinson Audley King & Co., LLP*

El Cajon, California  
January 13, 2010

**LEMON GROVE SCHOOL DISTRICT**  
**BUILDING FUND-GENERAL OBLIGATION BONDS**  
**AGREED-UPON PROCEDURES**  
**PERFORMANCE REPORT**  
**JUNE 30, 2009**



**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
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**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**Board of Directors and  
Citizens' Oversight Committee  
Lemon Grove School District  
Lemon Grove, California**

We have performed the agreed-upon procedures enumerated in Exhibit A, which were agreed to by Lemon Grove School District of San Diego County, solely to assist the users in identifying findings and recommendations in the areas with respect to the Proposition W, General Obligation Bonds, Election 2008, Series A, General Obligation Refunding Bonds for the period ended June 30, 2009. This engagement to perform agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants and meets the compliance requirements to perform an "audit" as outlined in subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated results, findings and recommendations are described in this report as Exhibits A and B, respectively.

We were not engaged to, and did not, perform an audit of all financial statements of the District, the objective of which would be the expression of an opinion relating to the matters included in the agreed-upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

El Cajon, California  
January 14, 2010

**EXHIBITS**

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
AGREED-UPON PROCEDURES  
JUNE 30, 2009**

**Exhibit A**

The Lemon Grove School District requested that the following agreed-upon procedures be performed:

- A. Verify that a separate Building Fund of the District has been established to account for the receipt of proceeds and expenditures of the funds for the period July 1, 2008 through June 30, 2009.
- B. Through examination of the bond issue settlement statement and accounting records, verify that the net proceeds from the sale of the General Obligation Bonds were recorded in the separate fund of the District and any amounts set aside for debt service were deposited into the related Bond Interest and Redemption Fund.
- C. Selected at least 90 percent of the total expenditures for the year.  
  
Obtain supporting documentation (invoices, purchase orders, receiving documentation, contracts, etc.) and verify that the funds expended complied with the purpose that was specified to the registered voters of the District. Election materials, District resolutions, master plan, and other documents available at the District will be used to determine purpose of expenditures for this purpose.
- D. For those items selected in Item C, verify that the District's normal purchasing (including quotation and bid requirements) and accounts payable policies and procedures were complied with.

**SUPPLEMENTARY INFORMATION**

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2009**

**Exhibit B**

Based upon the performance of the agreed-upon procedures, as discussed in Exhibit A, the following results were noted:

**Agreed-Upon Procedure (A)**

*Procedure*

Verify that a separate Building Fund of the District has been established to account for the receipt of bond proceeds and expenditures of the funds for the period July 1, 2008 through June 30, 2009.

*Results*

There were no exceptions noted.

**Agreed-Upon Procedure (B)**

*Procedure*

Through examination of the bond issue settlement statement and accounting records, verify that the net proceeds from the sale of the General Obligation Bonds were recorded in the separate fund of the District and any amounts set aside for debt service were deposited into the related Bond Interest and Redemption Fund.

*Results*

There were no exceptions noted.

**Agreed-Upon Procedure (C)**

*Procedure*

Select at least 90 percent of the total expenditures for the year. Obtain supporting documentation (invoices, purchase orders, receiving documentation, contracts, etc.), and verify that the funds expended complied with the purpose that was specified to the registered voters of the District. Election materials, District resolutions, master plan, and other documents available at the District will be used to determine purpose of expenditures for this purpose.

*Results*

The expenditures observed satisfactorily complied with the guidelines defined in the ballot measure dated November 24, 2008. For the items not tested, nothing came to our attention to indicate that the District expenditures were not in compliance with the provisions/restrictions in the ballot measure.

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2009  
(Continued)**

**Agreed-Upon Procedure (D)**

*Procedure*

For those items selected in Item C, verify that the District's normal purchasing (including quotation and bid requirements) and accounts payable policies and procedures were complied with.

*Results*

There were no exceptions noted.

**LEMON GROVE SCHOOL DISTRICT  
BUILDING FUND-GENERAL OBLIGATION BONDS  
BONDS ISSUANCE  
JUNE 30, 2009**

**AUTHORITY FOR ISSUANCE**

The Bonds are issued pursuant to the provisions of Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the "Act") and other applicable law, and pursuant to a resolution adopted by the Board of Trustees of the District on March 12, 2009 (the "District Resolution") and a resolution adopted by the Board of Supervisors of the County on March 24, 2009 (the "Bond Resolution" and together with the District Resolution, the "Resolution"). The District received authorization at an election held on November 24, 2008, by an affirmative vote of 55 percent of the votes cast by eligible voters within the District (the "Authorization") to issue and not to exceed \$28,000,000 of General Obligation Bonds. The Bonds represent the first series of Bonds sold under the Authorization and the total issuance was \$5,000,000.

**PURPOSE OF ISSUE**

Pursuant to the Authorization, the proceeds of the Bonds will be used for acquisition and construction of school facilities projects such as construction of a joint-use library/media center. In addition, proceeds will be used to convert Lemon Grove Middle School into a math, science, and technology magnet school. Other uses of bond proceeds will be applied to acquire property which was originally leased to the District in connection with Refunding Certificates of Participation and to purchase property originally financed under a sublease/option agreement for purchase of solar panels.