

Proposition V Bond Oversight Committee Annual Report



May, 2014

Lakeside Union School District

LAKESIDE UNION SCHOOL DISTRICT

PROPOSITION V BOND OVERSIGHT COMMITTEE

ANNUAL REPORT

PROPOSITION V

On November 4, 2008 voters of the Lakeside Union School District (District) approved ballot Proposition V, authorizing the issuance of general obligation bonds in the amount of \$79,550,000. The first series of bonds was issued on April 23, 2009 in the amount of \$21,833,149. The second series of bonds was issued on September 22, 2010 in the amount of \$12,982,209. The total of these two sets of bonds is \$34,815,358.

Principal and interest on the bonds are to be paid by revenue from an annual tax levied on taxable property within the District. The highest tax rate which would be required to be levied to fund principal and interest payments on the bonds was estimated in Proposition V to annually be \$30 per \$100,000 of assessed valuation of taxable property.

BOND OVERSIGHT COMMITTEE

Proposition V specifies that the District's governing body, the Board of Education (Board), shall establish an Independent Citizens' Oversight Committee (Committee) pursuant to Education Code section 15278. Proposition V further specifies that the function of the Committee is to ensure that bond proceeds are expended only on the school facilities projects listed in Proposition V.

The District's General Obligation Bonds Policies & Regulations, Section 5, states that the Committee shall inform the public, at least annually in a written report: (1) as to whether Proposition V bond funds have been expended consistent with Proposition V; (2) that no bond proceeds have been used for teacher, administrative salaries, or other school operating expenses; (3) that an annual independent performance audit and financial audit have been performed by an independent consultant selected by the District.

PURPOSE OF BONDS

The specific purpose of the bonds is set forth in Appendix A-1 of the Proposition V ballot measure.

Appendix A-1 lists the District schools and for each of these schools specifies the projects to be funded by Proposition V. For each of the six elementary schools and each of the two middle schools the following projects are to be funded by Proposition V:

Technology: modernize technology infrastructure;

Classroom Improvements: expand, equip and furnish science labs; equip and furnish classrooms to modern standards, including instructional technology

Construction: improve existing multi-purpose classroom for up to date safety and instructional standards, bathroom improvements, outdoor classroom

Energy Improvements: Improve energy efficiency

Miscellaneous Facility Needs: school site and playground improvements to improve cost-effectiveness, energy efficiency and student safety

New Construction: new portable classroom for Arts & Science and new multi-purpose classroom

Safety and Security: install security cameras, replacement of fencing, emergency call out system, improve outside lighting. For the two middle schools, upgrading the fire alarm panel was also approved

Community Use Joint Project: for Tierra del Sol only, build community gymnasium with YMCA

Other School Facility Projects: various other projects were identified for other facilities, including the Barona Indian Charter School, River Valley High, District Central Kitchen, District Office, East County Academy of Learning, Maintenance & Operations, and the Community.

Proposition V specifies that bond proceeds may be used only for the construction, reconstruction and/or rehabilitation of school facilities including the furnishing and equipping of school facilities, or for the acquisition or lease of real property for school facilities. Proposition V further specifies that bond proceeds may not be used for any other purpose, including teacher salaries, administrator salaries, or for other school operating expenses.

ANNUAL AUDITS

Proposition V requires that the Board conduct an annual, independent performance audit to ensure that the bond proceeds have been expended only on the school facilities projects listed in Proposition V. To discharge this duty, the Board retained the services of Wilkinson Hadley King & Co LLP (WHK). By Independent Auditor's Report On Performance, dated February 26, 2014, WHK advised it: (a) performed a walkthrough of various sites of the District to verify that Proposition V funds expended for the year ended June 30, 2013 were for valid facilities acquisition and construction purposes; (b) tested expenditures to determine whether Proposition V funds were spent solely on voter and Board approved school facilities projects as set forth in the bond Project list and Provision V ballot measure language, testing included a sample of payroll and vendor payments, totaling approximately \$3,831,129 or 89% of total expenditures for the year, and \$2,425,625 of capital outlay expenditures which was 88% of capital outlay expense; and (c) reviewed Board minutes for approval of construction contracts and change orders to determine compliance with District policy and laws relating to bidding and contracting. WHK found no instances where expenditures tested were not in compliance with Proposition V and applicable laws; construction work performed was consistent with the Bond Project List; and there were no instances where the District was out of compliance with respect to public contracting and bidding laws.

Proposition V also requires that the Board conduct an annual, independent financial audit of the bond proceeds until all of those proceeds have been spent for the school facilities projects listed in Proposition V. By Independent Auditor's Report, dated February 26, 2013, WHK advised it had audited the financial statements of Proposition V for fiscal year ending on June 30, 2013 and that, in its opinion, the financial statements reviewed presented fairly the financial position of the Proposition V building fund as of June 30, 2013. WHK advised that, as of June 30, 2013, the Proposition V Building Fund (21-39) Balance Sheet disclosed a fund balance, legally restricted for capital projects, of \$10,159,113.

PROJECT UPDATES FOR SCHOOL YEAR ENDING JUNE 2013

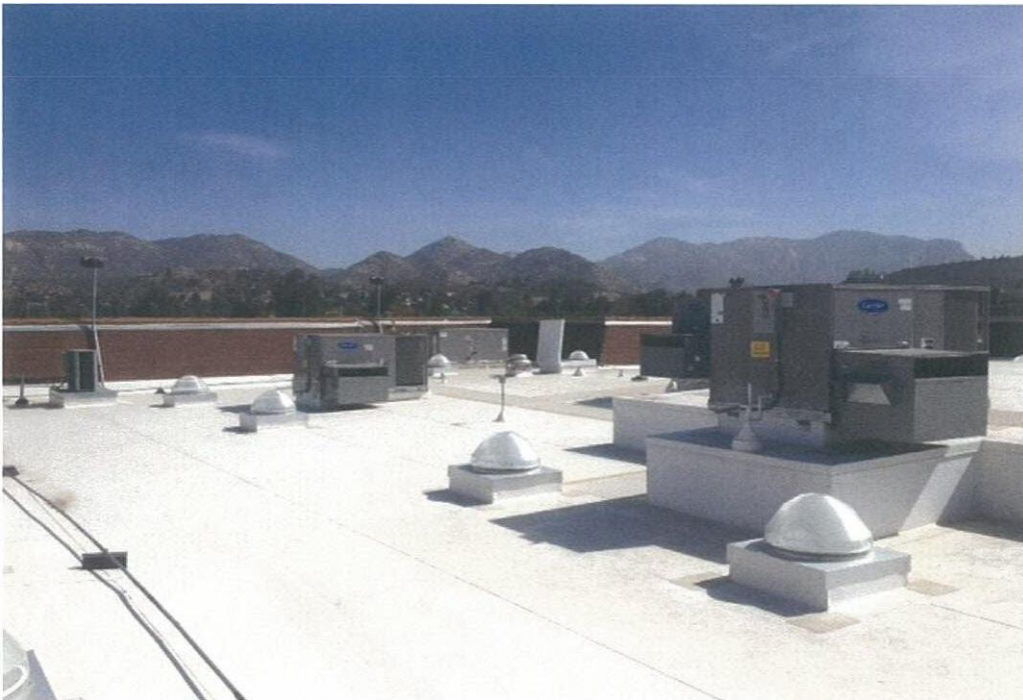
Technology :

The entire District phone system and its infrastructure was replaced with a multi-function IP phone system.

Construction/Miscellaneous Facility Needs/Safety & Security:

The heating and air conditioning system for Tierra Del Sol Middle School (TDS) was replaced with energy efficient units; TDS lighting systems were replaced with energy efficient light fixtures; Sala Tube Skylighting was installed in each TDS classroom, thereby reducing electricity costs; all TDS roofs were modified to support the new heating/air conditioning units installed on those roofs; the front entry area of the school was reconstructed to comply with the federal Americans with Disabilities Act (ADA) requirements, and to improve security measures.

Riverview Elementary School and Lakeside Farms Elementary School each had walkways and ramps installed to comply with ADA requirements.





Classroom Improvements:

Modernized, portable classrooms were installed at Lemon Crest Elementary School, Lakeview Elementary School, Lakeside Farms Elementary School and Lakeside Middle School to accommodate increases in student enrollments at each of those schools. A total of 400 iMacs were installed in classrooms throughout the District.





Miscellaneous Facility Needs:

All elementary school outdoor play equipment areas were updated with wood fiber to make these play areas safer for students. New, updated play equipment was installed at Lemon Crest Elementary School, Lakeview Elementary School, Undo Park Elementary School and Lakeside Farms elementary School. All of the new equipment was inspected and certified as compliant with California playground safety regulations.



CONCLUSION

Based on the information in the above-described reports, it is the Committee's opinion that, for the fiscal year ending June 30, 2013: (1) bond proceeds have been expended only on the school facilities projects listed in Proposition V; and (2) bond proceeds have not been used for any other purpose, including teacher salaries, administrator salaries, or for other school operating expenses.