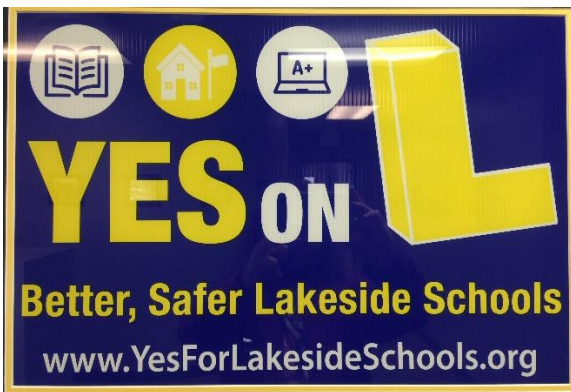




Bond Oversight Committee Annual Report



Fiscal Year Ending
June 30, 2016

Lakeside Union School District

LAKESIDE UNION SCHOOL DISTRICT
BOND OVERSIGHT COMMITTEE
ANNUAL REPORT

HISTORY – Proposition V and Measure L

Proposition V and Measure L, hereinafter referred to as “bond measures”, have separate histories but are related. 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 were issued on September 22, 2010 in the amount of \$12,982,209. The total amount 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. In 2014, the Board of Trustees of the District found and determined that, due to State law limitations imposed on the issuance of bonds under Proposition V, the balance of funds pending issuance would not be able to be acquired. Action was taken to put Measure L on the November 2014 ballot for up to \$31 million to allow the continued financing of the projects urgently needed. The ballot measure passed.

The highest tax rate which would be required to be levied to fund principal and interest payments on the bonds is estimated to annually be \$30 per \$100,000 of assessed valuation of taxable property.

Additionally, the passage of Measure L allowed the district to structure the bond sales in a fiscally responsible way that will also provide for ongoing funding for the replacement of technology (primarily iPad devices for student use). The purchase of technology is now done using low interest, short-term bonds, with a three-year payback period. The term of the financing allows the length of repayment to match the useful life of the asset purchased, which saves taxpayers from paying years of debt payments for out-of-date equipment. The facility work approved in Measure L is still being financed with longer term debt, typical in a school district general obligation bond issuance.

BOND OVERSIGHT COMMITTEE

The bond measures specify 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. The bond measures further specify that the function of the Committee is to ensure that bond proceeds are expended only on the school facilities projects listed in each bond measure.

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 bond funds have been expended consistent with the bond language; (2) that no bond proceeds have been used for teacher, administrative salaries, or other school operating expenses; and (3) that an annual independent performance audit and financial audit have been performed by an independent consultant selected by the District.

PURPOSE OF LAKESIDE UNION SCHOOL DISTRICT BOND FUNDS

Bond proceeds will be used for the District's public schools and school projects to modernize, replace, renovate, construction, equip, furnish, rebuild, supplement and otherwise improve District facilities to meet student educational needs. The specific purpose of the bonds is set forth in the bond measure's ballot language.

The ballot measure lists the District schools and specifies the types of projects to be funded by the bond measures. The following project types are included and described more fully in the ballot measure:

- 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 "Eucalyptus Hills", Maintenance & Operations, and the Community.

The bond measures specify 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. The bond measures further specify that bond proceeds may not be used for any other purpose, including teacher salaries, administrator salaries, or for other school operating expenses.

ANNUAL AUDITS

The bond measures require 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 the bond measures. To discharge this duty, the Board retained the services of Wilkinson Hadley King & Co LLP (WHK).

Performance Audit: By Independent Auditor's Report On Performance, dated April 21, 2017, WHK advised it: (a) tested expenditures to determine whether bond funds were spent solely on voter and Board approved school facilities projects as set forth in the bond Project list and ballot measure language, which included a sample of payroll and vendor payments, totaling approximately \$1,988,297 or approximately 91% of total expenditures for the year. (b) reviewed the District's Board minutes for approval of construction contracts and change orders to determine compliance with District policy and laws relating to bidding and contracting. (c) WHK found no instances where expenditures tested were not in compliance with the bond measures 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.

Financial Audit: The bond measures also require 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 each bond measure. By Independent Auditor's Report, dated April 21, 2017, WHK advised it had audited the financial statements of the bond measures for fiscal year ending on June 30, 2016, and that, in its opinion, the financial statements reviewed presented fairly the financial position of the Proposition V and Measure L building fund as of June 30, 2016. WHK advised that, as of June 30, 2016, the Bond Building Fund (21-39) Balance Sheet disclosed a fund balance, legally restricted for capital projects, of \$987,713.

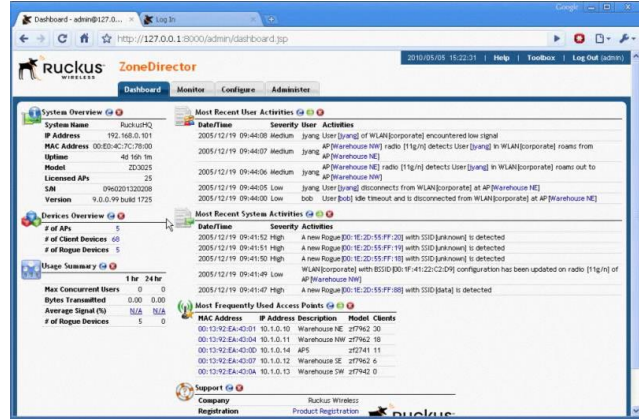
PROJECT UPDATES FOR FISCAL YEAR ENDING JUNE 30, 2016

Technology:

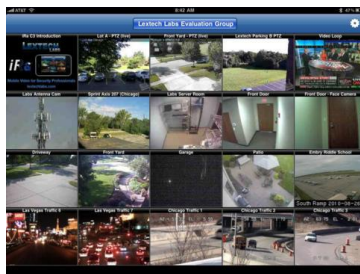
Devices and Technology Systems: iPad 1:1: The primary bond expenditure in 2015-16 was the purchase of 1,800 iPads to complete the one-to-one (1:1) iPad project initiative for grades 4-8, which provided these students with their own iPad. The iPads provide a myriad of learning opportunities. Students have been collaborating on projects; creating books and movies; investigating and researching topics; communicating with authors and other classrooms; and accessing digital content from anywhere.



Infrastructure: Wireless System: In order to meet the growing demands of mobile devices, the wireless infrastructure was switched from Xirrus to Ruckus Access Points. During this process, we also used a consultant to analyze our network setup and provide recommendations for changes that would best meet the needs of an iPad environment. The new wireless infrastructure is focused on providing maximum coverage for a large number of mobile devices. Its scalability makes it easy to add new units as our enrollment grows. The cost for the wireless upgrade was split between bond funds and e-Rate funds. E-Rate is a federal technology funding program.



District-Wide Security System Hardware: Security Cameras: The hardware and software for the security cameras was dependent on a Windows platform, and only accessible while on campus. To provide better coverage and support, we switched to On Net Surveillance Systems, Inc. (ONSSI).



This system provides the ability to archive 30 days of footage. It also provides for web based access so principals and designated staff can remotely check on the campus anytime/anywhere.

Computers and Peripheral Hardware: Teacher Workstations: In order for teachers to provide up-to-date, relevant learning opportunities for students, it is important for their technology to be reliable and current. 250 teacher laptops were purchased this year to replace laptops that had reached the end of their lifecycle. Older printers were updated so that they would be compatible with digital curriculum and intervention materials. Some classroom SMARTBoard PCs also received new video cards to handle the growing demand for streaming content.



BOND OVERSIGHT COMMITTEE STATEMENT & CONCLUSION

Based on the information in the above-described reports, it is the Committee's opinion that, for the fiscal year ending June 30, 2016: (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.