LAKESIDE UNION SCHOOL DISTRICT

PROPOSITION V AND MEASURE L
BUILDING FUND (21-39)

GENERAL OBLIGATION BONDS

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2017

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Introduction

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS

Introduction And Citizens' Oversight Committee Member Listing

On November 4, 2008 the Lakeside Union School District was successful under Proposition V in obtaining authorization from the District voters to issue up to $79,550,000 in General Obligation Bonds pursuant to a 55% vote in a bond election. On November 4, 2014, Lakeside Union School District was successful under Measure L in obtaining authorization from the District voters to issue up to $31,000,000 in General Obligation Bonds pursuant to a 55% vote in a bond election. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November, 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent audit of the proceeds from the sale of the bonds until all of the proceeds have been expended.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Independent Citizens' Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

The Lakeside Union School District Proposition V and Measure L Independent Citizens' Oversight Committee as of June 30, 2017 was comprised of the following members:

Name	Position	Term Expiration
Michael McGrath	Chair-Business Owner/Parent/PTA Member	December 2018
Jose Gonzales	Vice Chair-Business Owner	December 2018
Ariel Kagan	Member-Business Owner	June 2018
Jan McMillan	Member-AARP	June 2018
Nick Marinovich	Member-San Diego Tax Payer's Assocation	June 2019
David Suter	Member-At-Large, Parent	June 2019
*Vacant	Member-At-Large	

*The District has solicited and advertised in the local media for the open position as of June 30, 2017.

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report

Governing Board Members and
Citizens' Oversight Committee
Lakeside Union School District
Lakeside, California

Report on the Financial Statements

We have audited the accompanying financial statements of Proposition V and Measure L Building Fund (21-39) of Lakeside Union School District, which comprise the balance sheet as of June 30, 2017, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

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 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 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 opinion.

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Emphasis of Matter

Scope of Opinion

As discussed in Note B, the financial statements present only the Building Fund (21-39) which is specific to Proposition V and Measure L and is not intended to present fairly the financial position and results of operations of Lakeside Union School District in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition V and Measure L Building Fund (21-39) of Lakeside Union School District as of June 30, 2017, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, on our consideration of Lakeside Union 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 Lakeside Union School District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated March 30, 2018 on our consideration of the District's compliance with the requirements of Proposition 39 with regards to the Proposition V and Measure L Building Fund (21-39). That report is an integral part of our audit of the District's Proposition V and Measure L Building Fund (21-39) for the fiscal year ended June 30, 2017 and should be considered in assessing the results of our financial audit.

Wilkinson Hadley King & Co., LLP

El Cajon, California
March 30, 2018

This section of Lakeside Union School District's (District) Proposition V and Measure L Building Fund annual financial and performance audit report presents management's discussion and analysis of the Bond Program during the year ending June 30, 2017. Readers should also review the financial statements and notes to the basic financial statements included in the audit report to enhance their understanding of the Proposition V and Measure L Bond Program's financial and program performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's Proposition V and Measure L Building Fund basic financial statements. The Fund's financial statements comprise three components: 1) management's discussion and analysis; 2) the Building Fund's financial statements; and 3) the performance audit required by law.

The District accounts for Proposition V and Measure L activity in the District's Building Fund (Fund 21-39). The Building Fund is a governmental fund type accounted for on a modified accrual basis of accounting that does not include fixed assets or long-term liabilities.

On November 4, 2008, the voters of the Lakeside Union School District community voted to approve Proposition V to authorize the District to issue up to $79.5 million of general obligation bonds to finance certain specified capital projects and facilities. In 2009 and 2010, the District issued two series of these bonds, in the amount of 34.8 million to fund projects. In November 2014, the voters approved the reauthorization of $31 million of general obligation bonds with the passage of Measure L. A portion of Measure L bonds were issued in 2015 that provide for district technology purchases. In 2018, the district plans to issue a second series of Measure L bonds to complete facility projects.

In November of 2016, the Lakeside Union School District Board of Trustees approved the refinancing of $17 million of Proposition V bonds. Refinancing the series A bonds from the 2008 bond measure is projected to save taxpayers approximately $2.5 million. This latest bond refunding results in the district taking advantage of historically low interest rates while also reducing tax rates, which is a 'win-win' for the district and its taxpayers.

FINANCIAL HIGHLIGHTS

- The fund balance for Proposition V and Measure L Building Fund is $699,019 as of June 30, 2017, which is approximately $284,694 lower than the balance on June 30, 2016 as projects and technology purchases were completed.
- Revenues consisted of interest earned and other local income. Revenue totaled $34,470 as of June 30, 2017 as compared to $9,427 in June 2016.
- Expenditures and other outgo as of June 30, 2017 totaled $669,678 as compared to almost $2.2 million in June 2016.

Balance Sheet

The District's Proposition V and Measure L Building Fund balance as of June 30, 2017 was $699,019 (see Table below).

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L
GENERAL OBLIGATION BONDS
June 30, 2017

	Building Fund		Total % Change over 2015-16
	2015-16	**2016-17**	
Cash	$ 1,027,812	$ 702,824	-31.6%
Accounts Receivable	$ 2,221	$ 2,230	0.4%
Due from Other Funds	$ 5,646	$ -	-100.0%
Total Assets	$ 1,035,679	$ 705,054	-31.9%
Accounts payable	$ 12,785	$ 5,946	-53.5%
Due to Other Funds	$ 39,181	$ 89	-99.8%
Total Liabilities	$ 51,966	$ 6,035	-88.4%
Fund Balance	$ 983,713	$ 699,019	-28.9%
Total Liabilities and Fund Balance	$ 1,035,679	$ 705,054	-31.9%

Long-Term Debt

At the end of the year, Lakeside Union School District had $48,852,658 in long-term debt outstanding. This is an increase from the prior year of $1,808,005.

	Building Fund		Total % change over 15-16
	2015-16	**2016-17**	
General Obligation Bonds Payable			
Due within one year	$ 1,328,030	$ 1,914,035	44.1%
Due in more than one year	45,716,623	46,938,623	2.7%
Total General Obligation Bonds Payable	**$ 47,044,653**	**$ 48,852,658**	3.8%

Fund Balance

The interest income reported represents funds earned on the cash held by the San Diego County Treasurer. The total expenditures of $669,678 are only for Proposition V and Measure L voter authorized expenses (see Table below).

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L
GENERAL OBLIGATION BONDS
Comparison - 2016/17 to 2015/16 Fiscal Year

	Building Fund		Total % Change over 2015-16
Revenues	**2015-16**	**2016-17**	
Interest	$ 7,909	$ 9,168	15.9%
Other local revenue	$ 1,518	$ 25,302	1566.8%
Total revenues	**$ 9,427**	**$ 34,470**	265.7%
Expenditures			
Classified Salaries	$ 30,473	$ 4,736	-84.5%
Taxes and employee benefits	$ 11,470	$ 2,486	-78.3%
Material and supplies	$ 1,574,248	$ 215,499	-86.3%
Services/other operating	$ 45,121	$ 384,664	752.5%
Capital outlay	$ 528,826	$ 62,293	-88.2%
Total expenditures	**$ 2,190,138**	**$ 669,678**	-69.4%
Other Sources (Uses)			
Proceeds for sale of bonds	$ -	$ 17,815,000	100.0%
Interest expense	$ -	$ (2,052,368)	-100.0%
Bond principal repayment	$ -	$ (17,350,000)	-100.0%
Other uses	$ -	$ 1,937,882	100.0%
Total Other Sources	$ -	$ 350,514	100.0%
Net Change in Fund Balance	**$ (2,180,711)**	**$ (284,694)**	-86.9%
Fund Balance as of June 30	**$ 983,713**	**$ 699,019**	**-28.9%**

PROPOSITION V AND MEASURE L BUILDING FUND PROJECT- YEAR IN REVIEW

During the 2016-17 fiscal year, the following projects were completed at the Lakeside Union School District:

- Purchased 400 student iPads and protective cases for 3rd grade. The old models were not compatible for state testing.
- District Boardroom received technology upgrades to include two monitors and a sound system.
- Lindo Park school office was remodeled including paint, flooring, and furniture.
- Began paying consultants to develop a Long Range Master Facility Plan to inform project decisions when the next bonds are sold.
- $350,514 was attributed to the fees related to the refinancing of the 2008 series A bonds.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the existing circumstances that could affect its financial health in the future:

- Possible increases in building costs during construction

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's Proposition V and Measure L Building Fund finances to demonstrate the District's accountability for the funding it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Services Department at Lakeside Union School District, 12335 Woodside Avenue, Lakeside, CA 92040, or call 619-390-2640.

Financial Statements

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS

Balance Sheet
June 30, 2017

ASSETS		
Current Assets		
Cash and cash equivalents	$	702,824
Accounts receivable		2,230
Total Current Assets		705,054
TOTAL ASSETS	$	705,054
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable	$	5,946
Due to other funds		89
Total Current Liabilities		6,035
Fund Balance		
Restricted for capital projects		699,019
Total Fund Balance		699,019
TOTAL LIABILITIES AND FUND BALANCE	$	705,054

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS

Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2017

REVENUES	
Interest income	$ 9,168
Other local income	25,302
TOTAL REVENUES	34,470
EXPENDITURES	
Classified salaries	4,736
Taxes and employee benefits	2,486
Materials and supplies	30,240
Noncapitalized equipment	185,259
Professional and consulting services	384,664
Capital Outlay:	
Building improvements	44,996
Equipment	17,297
TOTAL EXPENDITURES	669,678
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(635,208)
OTHER FINANCING SOURCES (USES):	
Proceeds from sale of bonds	17,815,000
Other sources	1,937,882
Debt service - principal	(17,350,000)
Debt service - interest	(2,052,368)
TOTAL OTHER FINANCING SOURCES (USES)	350,514
NET CHANGE IN FUND BALANCE	(284,694)
FUND BALANCE, BEGINNING OF YEAR	983,713
FUND BALANCE, END OF YEAR	$ 699,019

The accompanying notes are an integral part of this statement.

A. Definition of the Fund

The Building Fund (21-39) was formed to account for renovation of schools for Lakeside Union School District (District), through expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2008.

B. Summary of Significant 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 V and Measure L Building Fund (21-39) as defined in Note A and are not intended to present fairly the financial position and results of operations of Lakeside Union 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 Funds are maintained on the modified accrual basis of accounting. 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.

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. 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.

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflow of resources are recorded in accordance with GASB Statement numbers 63 and 65. Deferred outflows of resources and deferred inflow of resources are shown on the statement of net position for the government-wide statements on Lakeside Union School District's audit report dated December 14, 2017. Deferred outflows of resources and deferred inflow of resources are not reported on the fund financials.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

Changes in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50 Pension Disclosures.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution – administered through trusts that meet the following criteria:

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 77 - Tax Abatement Disclosures

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

2. The gross dollar amount of taxes abated during the period.

3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member**.** The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No**.** 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68**.** Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

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, 2017, the portion of cash in the San Diego County Treasury attributed to Building Fund (21-39) was $702,824. The fair value of Building Fund (21-39)'s portion of this pool as of that date, as provided by the pool sponsor, was $702,824. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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 their County Treasurer (Education Code Section 41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as 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 the 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.

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

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 other 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.

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. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty'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. 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. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, 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. 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 pool.

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.

D. Accounts Receivable

As of June 30, 2017 accounts receivable consisted of:

	Accounts Receivable
Local Sources:	
Interest	$ 2,231
Total Accounts Receivable	$ 2,231

All receivables are expected to be collected within one year and as such no allowance for doubtful accounts has been established.

E. Accounts Payable

As of June 30, 2017 accounts payable consisted of:

	Accounts Payable
Vendors payable	$ 5,876
Pension related benefits	70
Total Accounts Payable	$ 5,946

F. Interfund Balances and Activities

Balances due to and due from other funds at June 30, 2017, consisted of the following:

	Amount	Purpose
Due to General Fund	$ 89	Reimbursement of OPEB expenditures

All amounts due are scheduled to be repaid within one year.

G. General Obligation Bonds

2008 General Obligation Bonds

In April 2009, the District issued $21,833,149 of 2008 Election, Series A, General Obligation Bonds. The Series A Bonds were authorized at an election of the registered voters of the District held on November 8, 2008 which authorized a total of $79,550,000 principal amount of general obligation bonds to finance new construction and additions to and modernization of the school facilities for the District.

The Series A bonds were the first issue pursuant to such authorization and consisted of $20,050,000 in current interest bonds with interest rates ranging from 3.00% to 5.00% and annual maturities from August 2012 through August 2033, and $1,783,149 in capital appreciation bonds with interest rates ranging from 5.67% to 6.03% and annual maturities from August 2024 through August 2027. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year commencing August 1, 2009.

In September 2010, the District issued $12,982,09 of 2008 Election, Series B, General Obligation Bonds. The Series B Bonds were authorized at an election of the registered voters of the District held on November 8, 2008 which authorized a total of $79,550,000 principal amount of general obligation bonds to finance new construction and additions to and modernization of school facilities for the District.

The Series B bonds were the second issue pursuant to such authorization and consisted of $12,982,209 in capital appreciation bonds with interest rates ranging from 6.14% to 6.49% and annual maturities from August 2034 through August 2050. Interest on the bonds accrues from the date of delivery and is payable as accreted interest beginning August 1, 2034 and through the maturity date August 1, 2050.

2014 General Obligation Bonds

In April 2015, the District issued $2,900,000 of 2014 Election, Series A, General Obligation Bonds. The Series A Bonds were authorized at an election of the registered voters of the District held on November 4, 2014 which authorized a total of $31,000,000 principal amount of general obligation bonds to finance new construction and additions to and modernization of school facilities for the District. The bonds have an interest rate of 1.36% and maturities from August 2016 to August 2018. Interest on the bond accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2016.

2015 General Obligation Refunding Bonds

In June 2015, the District issued $6,185,000 of Series 2015A, General Obligation Refunding Bonds. The Refunding Bonds were issued to refund a portion of the District’s outstanding General Obligation Bonds, 2008 Election, Series B and to pay costs of issuance of the Series 2015A Refunding Bonds. The Bonds consisted of current interest bonds with interest rates ranging from 2.00% to 5.00% with annual maturities from August 2017 through August 2033. Interest on the bond accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2016.

2016 General Obligation Refunding Bonds

In November 2016, the District issued $17,815,000 of Series 2016, General Obligation Refunding Bonds. The Refunding Bonds were issued to refund a portion of the District’s outstanding General Obligation Bonds, 2008 Election, Series A and to pay costs of issuance of the Series 2016 Refunding Bonds. The Bonds consisted of current interest bonds with interest rates ranging from 2.00% to 5.00% with annual maturities from August 2016 through August 2033. Interest on the bond accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2017.

The outstanding bonded debt of Proposition V and Measure L Building Fund (21-39) is as follows:

Description	Date of Issuance	Interest Rate	Maturity Date	Original Issue Amount	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2008 Election, Series A	4/23/2009	3.00-6.03%	8/1/2033	$ 21,833,149	$ 21,033,149	$ -	$ 17,695,000	$ 3,338,149	$ 420,000
2008 A Premium	4/23/2009		8/1/2033	846,769	609,678	-	512,917	96,761	12,174
2008 A Accreted Interest	4/23/2009		8/1/2027	-	1,178,034	240,513	-	1,418,547	-
Total 2008 Election, Series A				$ 22,679,918	$ 22,820,861	$ 240,513	$ 18,207,917	$ 4,853,457	$ 432,174
2008 Election, Series B	9/22/2010	6.14-6.49%	8/1/2050	$ 12,982,209	$ 10,690,031	$ -	$ -	$ 10,690,031	$ -
2008 B Premium	9/22/2010		8/1/2050	338,737	278,929	-	-	278,929	-
2008 B Accreted Interest	9/22/2010		8/1/2050	-	4,250,185	971,686	-	5,221,871	-
Total 2008 Election, Series B				$ 13,320,946	$ 15,219,145	$ 971,686	$ -	$ 16,190,831	$ -
2014 Election, Series A	4/7/2015	1.36%	8/1/2018	$ 2,900,000	$ 2,900,000	$ -	$ 885,000	$ 2,015,000	$ 984,000
Total 2014 Series A				$ 2,900,000	$ 2,900,000	$ -	$ 885,000	$ 2,015,000	$ 984,000
2015 Refunding Bonds	6/9/2015	2.00-4.00%	8/1/2035	$ 6,185,000	$ 6,185,000	$ -	$ 65,000	$ 6,120,000	$ 100,000
2015 Discount	6/9/2015		8/1/2035	(80,353)	(80,353)	-	(841)	(79,512)	(1,299)
Total 2015 Refunding Bonds				$ 6,104,647	$ 6,104,647	$ -	$ 64,159	$ 6,040,488	$ 98,701
2016 Refunding Bonds	11/2/2016	2.00-5.00%	8/1/2033	$ 17,815,000	$ -	$ 17,815,000	$ -	$ 17,815,000	$ 360,000
2016 Premium	11/2/2016		8/1/2033	1,937,882	-	1,937,882	-	1,937,882	39,160
Total 2016 Refunding Bonds				$ 19,752,882	$ -	$ 19,752,882	$ -	$ 19,752,882	$ 399,160
		TOTAL		$ 64,758,393	$ 47,044,653	$ 20,965,081	$ 19,157,076	$ 48,852,658	$ 1,914,035

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2017 is as follows:

Year Ended June 30	Principal	Interest	Accreted Interest	Total
2018	$ 1,864,000	$ 990,268	$ -	$ 2,854,268
2019	1,651,000	951,716	-	2,602,716
2020	685,000	919,456	-	1,604,456
2021	550,000	895,306	-	1,445,306
2022	660,000	869,556	-	1,529,556
2023-2027	3,765,686	3,911,755	2,749,314	10,426,755
2028-2032	11,627,463	2,812,785	1,187,537	15,627,785
2033-2037	11,093,266	355,150	9,201,734	20,650,150
2038-2042	3,490,436	-	18,714,997	22,205,433
2043-2047	2,080,991	-	15,745,828	17,826,819
2048-2052	2,510,338	-	26,577,351	29,087,689
Total	$ 39,978,180	$ 11,705,992	$ 74,176,761	$ 125,860,933

Accreted interest represented in the table is inclusive of amounts that have accrued as of June 30, 2017. Accreted interest represented in the repayment schedule is inclusive of all amounts that will be repaid.

H. Bond Premium

Bond premium arises when the market rate of interest is lower than the stated interest rate on the bond**.** Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond.

Bond discount arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) requires that the discount decrease the face value of the bond and then amortize the discount over the life of the bond.

The District has issued bonds at a premium and at a discount. The premiums and discounts are being amortized over the life of the debt using the effective interest rate method.

Premiums and discounts issued on the debt resulted in an effective interest rate as follows:

	2008 Series A Bonds	2008 Series B Bonds	2015 Refunding Bonds	2016 Refunding Bonds
Total Interest Payments on Bonds	$ 23,929,697	$ 79,073,622	$ 3,328,219	$ 8,717,336
Less Bond (Premium)/Discount	(846,769)	(338,737)	80,353	(1,937,882)
Net Interest Payments	$ 23,082,928	$ 78,734,885	$ 3,408,572	$ 6,779,454
Par Amount of Bonds	$ 21,833,149	$ 12,982,209	$ 6,185,000	$ 17,815,000
Periods	21	38	20	15
Effective Interest Rate	5.034%	15.960%	2.756%	2.537%

I. Construction Commitments

As of June 30, 2017 the Building Fund (21-39) did not have any construction commitments.

J. Pension Plans

The following information presented below is the District's government-wide pension plan amounts for CalPERS. As of June 30, 2017, the bond fund was 0.054% of the District's total Public Employee's Retirement System expenditures.

1. General Information About the Pension Plan

   a. Plan Descriptions

   Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on their website.

   b. Benefits Provided

   CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

   The Plan's' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	CalPERS	
Hire Date	Before Jan. 1, 2013	On or After Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years	5 years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.5%*	1.0-2.5%*
Required Employee Contribution Rates (at June 30, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

d. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for the plan was:

	District Share of CalPERS	Bond Share of CalPERS
Contributions - Employer	$ 930,466	$ 3,434
Total Contributions	$ 930,466	$ 3,434

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of the plan as follows:

	District Proportionate Share of Net Pension Liability	Bond Proportionate Share of Net Pension Liability
CalPERS	$ 12,809,389	$ 47,275
Total Net Pension Liability	$ 12,809,389	$ 47,275

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and June 30, 2017 was as follows:

	District Share CalPERS	Bond Share CalPERS
Proportion - June 30, 2016	0.0658%	0.0009%
Proportion - June 30, 2017	0.0648%	0.0002%
Change in Proportion	-0.0010%	-0.0007%

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	District Share of CalPERS	Bond Share of CalPERS
Change in Net Pension Liability (Asset)	$ 3,115,066	$ (89,765)
Increase/(Decrease) resulting from changes in Deferred Outflows and Deferred Inflows of Resources for:		
Contributions - Employer made subsequent to measurement date	(227,870)	2,781
Difference between actual & expected experiences	(58,578)	1,341
Changes in assumptions	(160,209)	(2,265)
Changes in proportionate shares	177,679	75,272
Net difference between projected and actual earnings	(2,288,141)	(13,732)
Total Pension Expense	$ 557,947	$ (26,368)

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	District Share of CalPERS		Bond Share of CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,158,336	$ -	$ 653	$ -
Differences between actual and expected experience	654,654	-	7,085	-
Changes in assumptions	-	(480,624)	-	(6,794)
Changes in employer's proportionate share	215,257	(111,880)	-	(99,806)
Net difference between projected and actual earnings	3,269,132	(1,222,395)	24,538	(23,402)
Total	$ 5,297,379	$ (1,814,899)	$ 32,276	$ (130,002)

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

	District Share of CalPERS			Bond Share of CalPERS		
Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Effect On Expenses	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Effect On Expenses
2018	$ 2,347,430	$ (799,376)	$ 1,548,054	$ 10,493	$ (40,451)	$ (29,958)
2019	1,189,094	(799,375)	389,719	9,840	(40,451)	(30,611)
2020	1,189,097	(188,178)	1,000,919	9,840	(28,750)	(18,910)
2021	571,758	(27,970)	543,788	2,103	(20,350)	(18,247)
Total	$ 5,297,379	$ (1,814,899)	$ 3,482,480	$ 32,276	$ (130,002)	$ (97,726)

c. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumption:

	CalPERS	
Valuation Date	June 30, 2015	
Measurement Date	June 30, 2016	
Actuarial Cost Method	Entry Age - Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	
Inflation	2.75%	
Payroll Growth	3.00%	
Projected Salary Increase	3.20%-10.80%	(1)
Investment Rate of Return	7.65%	(2)
Mortality	0.00125%-0.45905%	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Industry standard published by the Society of Actuaries

d. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalPERS The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for CalPERS.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalPERS

Asset Class	Assumed Allocation 6/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	District Share of CalPERS	Bond Share of CalPERS
1% Decrease	6.65%	6.65%
Net Pension Liability	$ 19,111,679	$ 70,534
Current Discount Rate	7.65%	7.65%
Net Pension Liability	$ 12,809,389	$ 47,275
1% Increase	8.65%	8.65%
Net Pension Liability	$ 7,561,492	$ 27,907

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalPERS - District Share	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016	$ 47,123,802	$ 37,429,479	$ 9,694,323
Changes for the year:			
Adjustment for Change in Proportionate Share	(652,676)	(518,407)	(134,269)
Service cost	1,113,393	-	1,113,393
Interest	3,529,490	-	3,529,490
Differences between expected and actual experience	259,497	-	259,497
Changes in assumptions	-	-	-
Contributions - Employer	-	930,466	(930,466)
Contributions - Employee	-	552,024	(552,024)
Net plan to plan resource movement	-	6	(6)
Net investment income	-	192,960	(192,960)
Benefit payments, including refunds			-
of employee contributions	(2,300,388)	(2,300,388)	-
Administrative expenses	-	(22,411)	22,411
Net Changes	1,949,316	(1,165,750)	3,115,066
Balance at June 30, 2017	$ 49,073,118	$ 36,263,729	$ 12,809,389

CalPERS - Bond Share	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016	$ 666,147	$ 529,107	$ 137,040
Changes for the year:			
Adjustment for Change in Proportionate Share	(494,640)	(392,882)	(101,758)
Service cost	4,109	-	4,109
Interest	13,026	-	13,026
Differences between expected and actual experience	958	-	958
Changes in assumptions	-	-	-
Contributions - Employer	-	3,434	(3,434)
Contributions - Employee	-	2,037	(2,037)
Net plan to plan resource movement	-	-	-
Net investment income	-	712	(712)
Benefit payments, including refunds of employee contributions	(8,490)	(8,490)	-
Administrative expenses	-	(83)	83
Net Changes	(485,037)	(395,272)	(89,765)
Balance at June 30, 2017	$ 181,110	$ 133,835	$ 47,275

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

K. Postemployment Benefits Other Than Pension Benefits

The following information presented below is the District's government-wide liability for OPEB. As of June 30, 2017, the bond fund was 0.0149% of the District's OPEB contribution for the year.

1. Plan Description

The District currently provides retiree health benefits to 92 retired employees. In addition, 412 active employees are earning service credits towards eligibility for future retiree health benefits. To be eligible for retiree health benefits, an employee must retire from PERS on or after age 55 with at least 10 years of District eligible service. The District's financial obligation is to provide 100% of the cost for retiree-only medical premium (and dental premium for Classified employees) to the retirees' attainment of age 65. Some current retirees are eligible for lifetime benefits.

2. Benefit Plan Provisions

The postretirement health plans and the District's obligation vary by employee group as described below.

3. Classified Employees

The District provides retiree medical including prescription drug benefits and dental benefits to eligible retirees and their eligible dependents to the retirees' attainment of age 65. Eligibility for retiree medical and dental benefits requires retirement under PERS on or after age 55 with at least 10 years of District eligible service.

The District's contribution is 100% of the retiree-only medical and dental premium. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical and dental coverage on a self-paid basis. Spouse coverage ceases upon the death of the retiree.

4. Annual Required Contribution

The District's annual required contribution (accrual expense) for the year 2016-17 fiscal year is $1,554,201. The $1,554,201 is comprised of the present value of the benefits accruing in the fiscal year (normal cost with interest) plus a 26-year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability. Thus, it represents a means to expense the plan's liabilities in an orderly manner. The increase in the net OPEB obligation at the end of the fiscal year will reflect any actual contributions made by the District during the period for retiree health benefits including any pre-funding amounts. The following table shoes the components of the District's annual OPEB cost for the fiscal year ended June 30, 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

	District Wide	Bond Fund
Annual required contribution	$ 1,554,201	$ 231
Interest on net OPEB obligation	131,103	19
Adjustment to annual required contribution	(231,299)	(34)
Annual OPEB cost (expense)	1,454,005	216
Employer contributions	(583,183)	(87)
Increase in net OPEB obligation	870,822	129
Net OPEB obligation, beginning of year	3,277,612	487
Net OPEB obligation, end of year	$ 4,148,434	$ 616

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended June 30, 2015, 2016, and 2017 are as follows:

District Wide

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	$ 963,754	43.38%	$ 2,825,782
2016	963,754	53.12%	3,277,612
2017	1,454,005	40.11%	4,148,434

Bond Fund

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	$ 143	43.38%	$ 420
2016	143	53.12%	487
2017	216	40.11%	616

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

L. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

<u>GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions</u>

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

GASB Statement No. 81 - Irrevocable Split Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts --- or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements --- in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

As of the date this audit report is issued, the District does not have any split-interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.

2. Reporting amounts previously reported as goodwill and "negative" goodwill.

3. Classifying real estate held by insurance entities.

4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.

5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.

6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.

7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.

8. Classifying employer-paid member contributions for OPEB.

9. Simplifying certain aspects of the alternative measurement method for OPEB.

10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

GASB Statement No. 86 - Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt--- are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes financial statements for debt that is defeased in substance.

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS

Schedule of the Bond's Proportionate Share of the Net Pension Liability
California Public Employee Retirement System (CalPERS)
Last Ten Fiscal Year*

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Bond's proportion of the net pension liability (asset)	0.0002%	0.0009%	0.0012%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond's proportionate share of the net pension liability (asset)	$ 47,275	$ 137,040	$ 136,212	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond's covered-employee payroll	$ 4,702	$ 28,986	$ 103,390	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1005.42%	472.78%	131.75%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule:

1) Benefit Changes: In 2015, 2016, & 2017 there were no changes to benefits.

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS

Schedule of the Bond's Contributions
California Public Employee Retirement System (CalPERS)
Last Ten Fiscal Year*

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 653	$ 3,434	$ 12,170	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(653)	(3,434)	(12,170)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Bond's covered-employee payroll	$ 4,702	$ 28,986	$ 103,390	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule:

1) Actuarial methods and assumptions

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/96 - 06/30/10	07/01/97 - 06/30/11	07/01/98 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.50%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, please refer to the April 2013 experience study (based on demographic data from 1996 through 2010), the April 2014 experience study (based on demographic data from 1997 to 2011) and the April 2015 experience study (based on demographic data from 1998 to 2012) available on the CalPERS website.

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS

Schedule of Funding Progress – Other Post Employment Benefits

Year Ended June 30, 2017

District Wide

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/2008	$ -	$ 5,896,582	$ 5,896,582	-	$ 25,481,310	23.1%
01/2010	-	6,016,575	6,016,575	-	24,595,517	24.5%
01/2012	-	6,212,351	6,212,351	-	24,950,695	24.9%
01/2014	-	6,789,240	6,789,240	-	24,004,000	28.3%
01/2016	-	10,684,134	10,684,134	-	28,298,000	37.8%

Bond Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/2008	$ -	$ 876	$ 876	-	$ 3,785	23.1%
01/2010	-	894	894	-	3,653	24.5%
01/2012	-	923	923	-	3,706	24.9%
01/2014	-	1,008	1,008	-	3,565	28.3%
01/2016	-	1,587	1,587	-	4,203	37.8%

Supplementary Information

General Obligation Bonds Project List
Year Ended June 30, 2017

Bond proceeds will be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the District located at the following locations:

Eucalyptus Hills School	Lakeside Farms Elementary
Lakeside Middle School	Lakeview Elementary
Lemon Crest Elementary	Lindo Park Elementary
Riverview International Academy	Tierra del Sol Middle School
Winter Gardens Elementary	Lakeside Union School District Office

During the 2016-17 fiscal year, the following projects were completed at the Lakeside Union School District:

- Purchased 400 student iPads and protective cases for 3rd grade. The old models were not compatible for state testing.
- District Boardroom received technology upgrades to include two monitors and a sound system.
- Lindo Park school office was remodeled including paint, flooring, and furniture.
- Began paying consultants to develop a Long Range Master Facility Plan to inform project decisions when the next bonds are sold.

Other Independent Auditors' Reports

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproul, 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*

Governing Board Members and
Citizens' Oversight Committee
Lakeside Union School District
Lakeside, 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 Proposition V and Measure L Building Fund (21-39) of Lakeside Union School District, which comprise the balance sheet as of June 30, 2017, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lakeside Union 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakeside Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lakeside Union 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakeside Union 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*.

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
March 30, 2018

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

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on Performance

Governing Board Members and
Citizens' Oversight Committee
Lakeside Union School District
Lakeside, California

We were engaged to conduct a performance audit of the Lakeside Union School District Proposition V and Measure L Building Fund (21-39) for the year ended June 30, 2017.

Management's Responsibility for Performance Compliance

Our audit was limited to the objectives listed with the report which includes the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

Auditor's Responsibility

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of the Proposition V and Measure L Building Fund (21-39) Lakeside Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition V and Measure L General Obligation Bond for the fiscal year ended June 30, 2017. The objective of the audit of compliance applicable to Lakeside Union School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Proposition V and Measure L Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure to modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve facilities of the District as noted in the bond project list.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

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Internal Control Evaluation

Procedure Performed

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding Proposition V and Measure L resources.
- Prevent material misstatement in the Proposition V and Measure L Building Fund (21-39) financial statements.
- Ensure all expenditures are properly allocated.
- Ensure adequate separation of duties exists in the accounting of Proposition V and Measure L funds.

The Construction Manager submits a pay application to the District that defines the total cost of the upcoming project. The Assistant Superintendent of Business Services verifies that the requested purchase is an allowable project cost in accordance with the Proposition V and Measure L Ballot initiative approved by local voters, as well as the Board approved budget. Based on this information the Executive Assistant initiates a requisition for the total amount of the project and submits it to the Purchasing Technician for conversion to Purchase Order. The Purchase Order is then forwarded to the Assistant Superintendent of Business Services for final review and signature. Throughout the course of the project the Construction Manager will submit invoices to the District in the form of pay applications. These applications will be reviewed and signed by the Architect and Assistant Superintendent of Business Services before being forwarded to Account Payable who verifies that the charges are consistent with amounts of the approved contract/purchase order. The Accounts Payable Clerk then processes the invoice through the accounts payable system of the District for payment. The checks and back up documents are they audited by the San Diego County Office of Education Commercial Warrant Audit Unit to ensure compliance with procurement regulations and good business practices before payment is released.

Results of Procedures Performed

The results of our audit determined the internal control procedures as implemented are sufficient to meet the financial and compliance objectives required by generally accepted accounting principles and applicable laws and regulations.

Tests of Expenditures

Procedures Performed

We tested expenditures to determine whether Proposition V and Measure L funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project Lists and language of the Proposition V and Measure L ballot measure language. Our testing included $608,064 of expenditures which was 90.8% of total bond expenditures for the year.

Results of Procedures Performed

We found no instances where expenditures tested were not in compliance with the terms of the Proposition V and Measure L ballot measure and applicable state laws and regulations.

Tests of Contracts and Bid Procedures

Procedures Performed

We reviewed the District's board minutes for approval of construction contracts and change orders, if any, to determine compliance with the District's policy and Public Contract Code provisions related to biddings and contracting.

Results of Procedures Performed

We noted no instances where the District was out of compliance with respect to contracts and bidding procedures.

Facilities Site Review

Procedures Performed

We reviewed the Independent Citizens' Oversight Committee minutes and agenda and other pertinent information on Proposition V and Measure L designated projects and determined the Proposition V and Measure L funds expended for the year ended June 30, 2017 were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Auditors performed walk through of significant bond projects.

Results of Procedures Performed:

Based on our review of the minutes and agenda of the Independent Citizens' Oversight Committee, the documentation and pertinent information of the Proposition V and Measure L designated projects, and walkthrough of project site, it appears the construction work performed was consistent with the Bond Project List.

Citizens' Oversight Committee

Procedures Performed

We have reviewed the minutes of the Citizens' Oversight Committee meetings to verify compliance with Education Code sections 15278 through 15282.

Results of Procedures Performed

We have determined the Lakeside Union School District's Proposition V and Measure L Building Fund (21-39) Citizens' Oversight Committee and its involvement is in compliance with Education Code sections 15278 through 15282.

Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance.

Opinion on Performance

In our opinion, the District complied, in all material respects, with the compliance requirements of Proposition 39 outlined in Article XIIIA, Section 1(b)(3)(c) of the California Construction, and with Proposition V and Measure L approved by the voters in the Lakeside Union School District on November 4, 2008.

Purpose of the Report

This report is intended solely for the information and use of the District's Governing Board, the Proposition V and Measure L Citizens' Oversight Committee, management, others within the entity, and the taxpayers of Lakeside Union School District and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
March 30, 2018

Auditor's Results, Findings & Recommendations

There were no findings to report.

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

There were no audit findings noted for the fiscal year ended June 30, 2016.