

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

**AUDIT REPORT**

**JUNE 30, 2015**

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

	<u>Page</u>
<b>INTRODUCTION</b>	
Introduction and Citizens' Oversight Committee Member Listing.....	1
Independent Auditor's Report.....	2
<b>FINANCIAL SECTION</b>	
Balance Sheet.....	4
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	5
Notes to the Financial Statements.....	6
<b>OTHER INDEPENDENT AUDITORS' REPORTS</b>	
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 <i>Government Auditing Standards</i> .....	24
Independent Auditors' Report on Performance.....	26
<b>FINDINGS AND RESPONSES SECTION</b>	
Schedule of Findings and Responses.....	29
Schedule of Prior Audit Findings.....	30

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION 39 GENERAL OBLIGATIONS BONDS  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
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 District voters to issue up to \$79,550,000 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 financial 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 Citizens' Bond Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

The Lakeside Union School District Proposition V and Measure L Citizens' Oversight Committee as of June 30, 2015 was comprised of the following members:

Jan McMillian	Senior Organization Member
Jose Gonzales	Chair-Business Organization Representative
Venus Rodvold	Parent and PTA Representative
Miguel McGrath	Business Owner
George Hawkins	San Diego Taxpayer Association
Holly Ferrante	Business Owner
Lucretia Browning	Member-At Large Representative
*Vacant	Member-Senior Citizen Representative

\*The District has solicited and advertised in the local media for the open position as of June 30, 2015.



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA  
Natalie C. Azzam, CPA

Aubrey W. King, CPA  
Richard K. Savage, CPA  
Kevin A. Sproul, CPA

## INDEPENDENT AUDITOR'S REPORT

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

### Report on 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, 2015, 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 consolidated 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.

### **Emphasis of Matter**

As discussed in Note B, the financial statements, in 2015, Lakeside Union School District Adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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, 2015, 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**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, 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 February 26, 2016, on our consideration of Lakeside Union School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
February 26, 2016

**FINANCIAL SECTION**

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
BALANCE SHEET  
JUNE 30, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash in County Treasury	\$ 3,161,984
Accounts Receivable	<u>4,546</u>

<b>TOTAL ASSETS</b>	<u><u>3,166,530</u></u>
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**LIABILITIES AND FUND BALANCE**

Accounts Payable	553
Due to General Fund	<u>1,553</u>

<b>TOTAL LIABILITIES</b>	<u>2,106</u>
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**FUND BALANCE**

Restricted for Capital Projects	<u>3,164,424</u>
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<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 3,166,530</u></u>
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The accompanying notes are an integral part of these financial statements.

**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  
FOR THE YEAR ENDED JUNE 30, 2015**

**REVENUES**

Interest Income	\$ 8,926
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<b>TOTAL REVENUES</b>	<u>8,926</u>
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**EXPENDITURES**

Classified Salaries	105,246
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Employee Benefits	42,542
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Materials and Supplies	21,747
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Non-Capitalized Equipment	876,037
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Consultants	499,075
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Legal Expense	9,235
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Other Operating Expenses	30,274
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Capital Outlay:

Equipment	14,904
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Architects and Engineers	66,727
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Plans and Other Costs	24,500
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Inspection Fees	50,323
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Construction Improvement	2,528
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Other Construction Costs	9,438
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Main Building Contractor	<u>2,687,288</u>
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<b>TOTAL EXPENDITURES</b>	<u>4,439,864</u>
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<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>(4,430,938)</u>
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**OTHER SOURCES (USES)**

Proceeds for sale of bonds	9,085,000
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Interest expense	(3,486,738)
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Bond principal repayment	(2,292,178)
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Other uses	<u>(80,355)</u>
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<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	3,225,729
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<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,205,209)</u>
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<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>4,369,633</u>
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<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,164,424</u>
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The accompanying notes are an integral part of these financial statements.



**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**A. Definition of the Fund**

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

**B. Summary of Significant Accounting Policies**

*Basis of Presentation*

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

*Fund Structure*

The accompanying financial statements are used to account for the transactions of the Building Fund specific to Proposition V and Measure L 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.

Building Fund (21-39) is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

*Budgets and Budgetary Accounting*

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

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

*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.

*Receivables and Payables*

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

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

*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.

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

*Change in Accounting Policies*

In June 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions, a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions, and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

In November, 2013 the GASB issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

**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, 2015, the portion of cash in county treasury attributed to Building Fund (21-39) was \$3,161,984. 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 investment in the pool is reported in the accounting financial statement at 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 that 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.

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

*Analysis of Specific Deposit and Investment Risks*

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

a. *Credit Risk*

Credit Risk is the risk that an issuer or their counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AA Af by Standard & Poors.

b. *Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District's Building Fund (21-39) 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's Building Fund (21-39) 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's Building Fund (21-39) 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's Building Fund (21-39) was not exposed to foreign currency risk.

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

f. *Investment Accounting Policy*

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

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

*General Authorizations*

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaning Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**D. Accounts Receivable**

Accounts receivable at June 30, 2015 consisted of:

Interest	<u>\$ 4,546</u>
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**E. Accounts Payable**

Accounts payable at June 30, 2015 consisted of:

Pension and related benefits	<u>\$ 553</u>
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**F. Interfund Transactions**

Interfund transfers due to other funds at June 30, 2015 are as follows:

Due to General Fund	<u>\$ 1,553</u>
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**G. Long-Term Debt**

The outstanding bonded debt of Proposition V and Measure L as of June 30, 2015 is as follows:

Date of Issuance	Type	Interest Rate	Maturity Date	Original Issue Amount	Amounts Outstanding			Amounts Outstanding June 30, 2015
					July 1, 2014	Increases	Decreases	
4/23/2009	Capital Appreciation	3.00-5.00%	8/1/2033	\$ 21,833,149	\$ 21,533,149	\$ -	\$ 220,000	\$ 21,313,149
4/23/2009	Accreted Interest	N/A	8/1/2027	-	755,392	202,180	-	957,572
4/23/2009	Bond Premium	N/A	8/1/2033	846,769	677,415	-	33,866	643,549
9/22/2010	Capital Appreciation	6.14-6.49%	8/1/2050	12,982,209	12,982,209	-	2,292,178	10,690,031
9/22/2010	Accreted Interest	N/A	8/1/2050	-	3,010,942	1,038,286	711,172	3,338,056
9/22/2010	Bond Premium	N/A	8/1/2050	338,737	305,689	-	26,760	278,929
4/7/2015	Current Interest	1.36%	8/1/2018	2,900,000	-	2,900,000	-	2,900,000
6/9/2015	Current Interest	2.00-4.00%	8/1/2035	6,185,000	-	6,185,000	-	6,185,000
6/9/2015	Bond Discount	N/A	8/1/2035	(80,353)	-	(80,353)	-	(80,353)
				<u>\$ 45,005,511</u>	<u>\$ 39,264,796</u>	<u>\$ 10,245,113</u>	<u>\$ 3,283,976</u>	<u>46,225,933</u>

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

*General Obligation Bonds*

In April 2009, the District issued \$21,833,149, 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 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 \$12,982,209, 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.

In April 2015, the District issued \$2,900,000 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 the issuance of the bonds under the November 8, 2008 election. The bonds mature August 1, 2018.

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 4.00% with annual maturities from August 2016 through August 2035.



**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2015 is as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2016	\$ 280,000	\$ 1,076,842	\$ -	\$ 1,356,842
2017	1,295,000	1,152,596	-	2,447,596
2018	1,504,000	1,122,936	-	2,626,936
2019	1,651,000	1,087,984	-	2,738,984
2020	685,000	1,055,724	-	1,740,724
2021-2025	4,675,152	4,872,003	819,848	10,367,003
2026-2030	6,017,997	5,310,205	3,117,003	14,445,205
2031-2035	14,748,545	1,531,292	2,766,455	19,046,292
2036-2040	4,754,152	8,000	18,155,848	22,918,000
2041-2045	1,983,797	-	14,412,771	16,396,568
2046-2050	2,866,542	-	27,556,831	30,423,373
2051-2055	626,995	-	7,348,005	7,975,000
Totals	<u>\$ 41,088,180</u>	<u>\$ 17,217,582</u>	<u>\$ 74,176,761</u>	<u>\$ 132,482,523</u>

**H. Construction Commitments**

As of June 30, 2015, the Building Fund had no commitments with respect to unfinished capital projects.

**I. Pension Plans**

The following information presented below is the District's government-wide pension plan amounts for CalPERS. The bond fund is 1.256% of the District's total classified salaries.

1. General Information About the Pension Plan

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 Employee's Retirement System (CalPERS). Benefit provisions under the Plan are 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.

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

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, 2015 are summarized as follows:

	<u>CalPERS</u>	
	<u>Before Jan. 1, 2013</u>	<u>On or After Jan. 1, 2013</u>
Hire Date		
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 (Average)	6.974%	6.974%
Required employer contribution rates	11.442%	11.442%

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

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, 2014 (measurement date), the average contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

Contributions Recognized & Pension Expense

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>District Share of CalPERS</u>	<u>Bond Share of CalPERS</u>
Contributions - Employer	\$ 755,529	\$ 9,489
Contributions - Employee (paid by employer)	467,373	5,870
Total Contributions	<u>\$ 1,222,902</u>	<u>\$ 15,359</u>

Pension expense for the CalPERS plan was as follows:

	<u>District Share of CalPERS</u>	<u>Bond Share of CalPERS</u>
Change in Net Pension Liability	\$ (2,571,594)	\$ (32,299)
Net difference between projected and actual earnings on plan investments	2,449,717	30,768
Total employer and state contributions	<u>1,222,902</u>	<u>15,360</u>
Total Pension Expense	<u>\$ 1,101,025</u>	<u>\$ 13,829</u>

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the plan as follows:

	<u>District Proportionate Share of Net Pension Liability</u>	<u>Bond Proportionate Share of Net Pension Liability</u>
CalPERS	<u>\$ 7,129,329</u>	<u>\$ 89,544</u>

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

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, 2014, 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, 2013 rolled forward to June 30, 2014 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 plan relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	CalPERS
Proportion - June 30, 2013	0.0628%
Proportion - June 30, 2014	0.0628%
Change - Increase (Decrease)	0.0000%

For the year ended June 30, 2015, the District recognized pension expense for CalPERS of \$1,101,025 of which \$13,829 is attributable to the Bond Fund. At June 30, 2015, the District reported deferred outflows and deferred inflows of resources related to CalPERS 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	\$ 1,521,787	\$ -	\$ 19,114	\$ -
Differences between actual and expected experience	-	-	-	-
Changes in assumptions	-	-	-	-
Change in employer's portion and differences between the employer's contributions and the employer's proportionate share of contributions.	-	-	-	-
Net difference between projected and actual earnings on plan investments.	-	(2,945,322)	-	(36,993)
Total	\$ 1,521,787	\$ (2,945,322)	\$ 19,114	\$ (36,993)

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

\$1,521,787 of which \$19,114 is attributable to the Bond Fund, reported as deferred outflows of resources related to CalPERS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	District Share of CalPERS	Bond Share of CalPERS
2016	(736,330)	(9,248)
2017	(736,330)	(9,248)
2018	(736,331)	(9,248)
2019	(736,331)	(9,249)
Total	(2,945,322)	(36,993)

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following assumptions:

	CalPERS		
Valuation Date	June 30, 2013		
Measurement Date	June 30, 2014		
Actuarial Cost Method	Entry Age - Normal Cost Method for CalPERS		
Actuarial Assumptions:			
Discount Rate		7.50%	
Inflation		2.75%	
Payroll Growth		3.00%	
Projected Salary Increase		3.20%-10.80%	(1)
Investment Rate of Return		7.50%	(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) Depending on age, gender, and type of job

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for the 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 the plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS websites.

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.

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

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.

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Real Return (Years 1-10)(1)</u>	<u>Real Return (Years 11+)(2)</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-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

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:

	<u>District Share of CalPERS</u>	<u>Bond Share of CalPERS</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 12,506,471	\$ 157,081
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 7,129,329	\$ 89,544
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 1,888,986	\$ 23,726

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

Pension Plan Fiduciary Net Position

<u>CalPERS - District Share</u>	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 40,842,694	\$ 31,141,771	\$ 9,700,923
Change for the year:			
Service cost	989,744	-	989,749
Interest	3,026,406	-	3,026,406
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	755,529	(755,529)
Contributions - Employee	-	467,373	(467,373)
Net investment income	-	5,364,844	(5,364,844)
Benefit payments, including refunds of employee contributions	(1,970,966)	(1,970,966)	-
Administrative expenses	-	-	-
Other expenses	-	-	-
Net Changes	<u>2,045,184</u>	<u>4,616,778</u>	<u>(2,571,594)</u>
Balance at June 30, 2015	<u>\$ 42,887,878</u>	<u>\$ 35,758,549</u>	<u>\$ 7,129,329</u>



**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

CalPERS - Bond Share	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 512,984	\$ 391,141	\$ 121,843
Change for the year:			
Service cost	12,431	-	12,431
Interest	38,012	-	38,012
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	9,489	(9,489)
Contributions - Employee	-	5,870	(5,870)
Net investment income	-	67,382	(67,382)
Benefit payments, including refunds of employee contributions	(24,755)	(24,755)	-
Administrative expenses	-	-	-
Other expenses	-	-	-
Net Changes	25,688	57,986	(32,298)
Balance at June 30, 2015	\$ 538,672	\$ 449,127	\$ 89,545

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**J. Subsequent Events**

New Accounting Pronouncements

GASB Statement No. 72

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

GASB Statement No. 76

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles For State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

**OTHER INDEPENDENT AUDITOR'S REPORTS**

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

**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, 2015, 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 February 26, 2016.

**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 the 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 District'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*.

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

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
February 26, 2016



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA  
Natalie C. Azzam, CPA

Aubrey W. King, CPA  
Richard K. Savage, CPA  
Kevin A. Sproul, CPA

## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

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

We have audited the financial statements of the Proposition V and Measure L Building Fund (21-39) of Lakeside Union School District as of and for the fiscal year ended June 30, 2015 and have issued our report thereon dated February 26, 2016. Our audit was made in accordance with generally accepted auditing standards in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition 39 Proposition V and Measure L General Obligation Bonds for the fiscal year ended June 30, 2015. 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:

### **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

All purchase requisitions are reviewed for proper supporting documentation. The Project Manager or Department Director submits back up information to the Deputy Superintendent to initiate a purchase order. The Deputy Superintendent 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, and that all expenditures are properly recorded by project and expense category. All requisitions are routed for review and approval as follows: (1) Project Manager or Department Director; (2) Superintendent; and (3) Accounting Manager.

Once the purchase order has gone through the approval process, the Business Services Department creates a purchase order, which is provided to the vendor who proceeds to provide the requested service or items.

When the invoice is received, the Deputy Superintendent verifies that the charges are consistent with the amounts on the approved contract/purchase order. The Project Manager verifies the services were satisfactorily performed and/or items were received and installed. Once the invoice has been signed and approved, the Accounting Manager directs the Accounting Clerk to process the invoice through the accounts payable system of the District for payment. The invoices and supporting documents are then audited by the San Diego County Office of Education's 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 standards and applicable laws and regulations.

#### **Facilities Site Walkthrough**

##### Procedures Performed:

We performed a walkthrough of various sites of the District to verify that Proposition V and Measure L funds expended for the year ended June 30, 2015 were for valid facilities acquisition and construction purposes. We toured the sites where the construction and other work occurred.

##### Results of Procedures Performed:

During our visit to the site where the construction work occurred, we were given an explanation by management, familiar with the construction work, of the work performed. Based on our review of the sites and the explanation of management, it appears the construction work performed was consistent with the Bond Project List.

#### **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 List and the Proposition V and Measure L ballot measure language. Our testing included a sample of payroll and vendor payments totaling approximately \$3,139,100 or 71% of total expenditures. In addition, we tested 100% of other uses totaling \$5,859,271.

Results of Procedures Performed:

We found no instances where expenditures tested were not in compliance with the terms of 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.

**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 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.

In our opinion, the District complied, in all material respects, with the compliance requirements for the Proposition V and Measure L Building Fund (21-39), for the fiscal year ended June 30, 2015.

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  
February 26, 2016



**FINDINGS AND RESPONSES SECTION**

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

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There were no findings to report.

**LAKESIDE UNION SCHOOL DISTRICT  
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)  
GENERAL OBLIGATION BONDS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015**

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There were no findings reported in the June 30, 2014 audit.