



Lakeside Union
School District
Proposition V &
Measure L
Building Fund (21-39)

Financial Statements &
Supplementary Information

June 30, 2022



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)
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June 30, 2022

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**Lakeside Union School District
 Proposition V & Measure L Building Fund (21-39)
 Introduction & 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.

The Board of Trustees of the District found and determined that, due to State law limitations imposed on the issuance of bonds under Proposition V, the balance of funds pending issuance would not be able to be acquired; therefore, on November 4, 2014, Lakeside Union School District was successful under Measure L in obtaining re-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, 2019 was comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Criteria</u>	<u>Term Expiration</u>
Kathy Kassel	Chair	Local Business Member	March 2023
Liz Huggins	Vice Chair	Senior Member	March 2023
Jennifer Lee Clancy	Member	Parent of enrolled student	February 2024
Frank Hilliker	Member	Member at large	March 2023
John Heredia	Member	Taxpayer Association Representative	February 2023
Britni Cobb	Member	Member at large	February 2024
Felicia Walton	Member	Parent/PTO Representative	February 2024

Independent Auditor's Report

**To the Citizens' Oversight Committee
Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)
Lakeside, California**

Opinion

We have audited the accompanying financial statements of the Lakeside Union School District's Measure L Building Fund (Fund 21-39), which comprise the balance sheet as of June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the Bond Fund as of June 30, 2022, and the revenues it received and expenditures it paid for the year then ended, in accordance with the financial reporting provisions of Proposition 39 described in Note A.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lakeside Union School District, including the Measure L Citizens' Oversight Committee, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared by the Lakeside Union School District using the modified accrual basis of accounting for the fund, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements under Proposition 39. Additionally, the financial statements present only the Bond Fund which is specific to Measure L and is not intended to present fairly the financial position and results of operations of the Lakeside Union School District as a whole. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions for fund accounting under the modified accrual basis of accounting, as described in Note A. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bond Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bond Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bond Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of the Bond Fund'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 solely 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 the effectiveness of the Bond Fund's 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 the Bond Fund'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 28, 2023, on our consideration of the Bond Fund's compliance with the requirements of Proposition 39 with regards to the Measure L Building Fund (Fund 21-39). That report is an integral part of our audit of the Measure L Building Fund (Fund 21-39) for the fiscal year ended June 30, 2022, and should be considered in assessing the results of our financial audit.

Other Information

Management is responsible for the other information included in the introductory section of this report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Restriction on Use

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

El Cajon, California
March 28, 2023

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V & MEASURE L BUILDING FUND (21-39)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Unaudited)

This section of Lakeside Union School District's (District) Proposition V & 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, 2022. 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 & 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 & 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 & 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. All Proposition V funds were fully spent prior to the 2019-20 fiscal year.

In November 2014, the voters approved the reauthorization of \$31 million of general obligation bonds with the passage of Proposition V & Measure L. \$2.9 million of Proposition V & Measure L bonds were issued in 2015 (Series A) that provided for district technology purchases. In November 2018, the district issued \$15 million of Proposition V & Measure L, Series B bonds to complete facility projects. In August 2021, the district issued \$13 million of Proposition V & Measure L, Series C bonds to complete facility projects.

FINANCIAL HIGHLIGHTS

- The fund balance for Proposition V & Measure L Building Fund is \$4,980,265 as of June 30, 2022.
- The fund balance has decreased by \$171,754 as of June 30, 2022, as the District continues to expend bond proceeds to modernize, construct and improve its facilities.
- Revenues consisted of interest earnings only. Revenue totaled \$76,897 as of June 30, 2022 as compared to \$122,037 in June 2021.
- Expenditures as of June 30, 2022 totaled \$13,348,651 as compared to \$6,957,442 in June 2021.

BALANCE SHEET

The District's Proposition V & Measure L Building Fund balance as of June 30, 2022 was \$5,152,010 (See Table Below).

LAKESIDE UNION SCHOOL DISTRICT
 PROPOSITION V & MEASURE L
 GENERAL OBLIGATION BONDS
 June 30, 2022

	Building Fund		Total % Change
	2020-21	2021-22	
Cash	\$ 5,920,299	\$ 7,737,713	30.70%
Accounts Receivable	13,682	18,974	38.68%
Total Assets	<u>5,933,981</u>	<u>7,756,687</u>	30.72%
Accounts Payable	781,684	1,649,088	110.97%
Due to Other Funds	287	1,127,343	392702.44%
Total Liabilities	<u>781,971</u>	<u>2,776,431</u>	255.06%
Fund Balance	<u>5,152,010</u>	<u>4,980,256</u>	-3.33%
Total Liabilities and Fund Balance	<u><u>\$ 5,933,981</u></u>	<u><u>\$ 7,756,687</u></u>	<u>30.72%</u>

FUND BALANCE

The interest income reported represents funds earned on the cash held by the San Diego County Treasurer. The total expenditures of \$13,348,651 are only for Proposition V & Measure L voter authorized expenses (See Table Below).

LAKESIDE UNION SCHOOL DISTRICT
 PROPOSITION V & MEASURE L
 GENERAL OBLIGATION BONDS
 June 30, 2022

	Building Fund		Total % Change
	2020-21	2021-22	
Revenues			
Interest	\$ 122,037	\$ 52,278	-57.16%
Fair Market Value Adj	-	24,619	100.00%
Total Revenues	<u>122,037</u>	<u>76,897</u>	<u>-36.99%</u>
Expenditures			
Classified Salaries	14,198	4,733	-66.66%
Taxes and Benefits	8,337	2,381	-71.44%
Professional Services	-	18,500	100.00%
Capital Outlay	6,934,907	13,323,037	92.12%
Total Expenditures	<u>6,957,442</u>	<u>13,348,651</u>	<u>91.86%</u>
Other Sources			
Bond Issuance	-	13,100,000	100.00%
Total Other Sources	<u>-</u>	<u>13,100,000</u>	<u>100.00%</u>
Net Change in Fund Balance			
	<u>(6,835,405)</u>	<u>(171,754)</u>	<u>-97.49%</u>
Fund Balance - Beginning	<u>11,987,415</u>	<u>5,152,010</u>	<u>-57.02%</u>
Fund Balance - Ending	<u>\$ 5,152,010</u>	<u>\$ 13,176,897</u>	<u>155.76%</u>

PROPOSITION V & MEASURE L BUILDING FUND PROJECTS - YEAR IN REVIEW

Bond proceeds are required to be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the Lakeside Union School District. The following expenditures were funded by the Bond Fund during the 2021-22 fiscal year:

Project Description	School Site	2021-22 Expenditures
Modernization Project	Tierra Del Sol Middle	\$ 1,915,339
Bond Management & Administrative Costs	District Wide	114,688
Improve Existing MPR	Lindo Park	3,464,772
Gym Modernization	Tierra Del Sol Middle	3,716,405
Modernization Project	Lakeside Farms	2,456,475
LF Parking Lot Upgrade	Lakeside Farms	11,124
Modernization & Energy Savings	District Wide	1,669,848
Total Bond Fund Expenditures		\$ 13,348,651

LONG TERM DEBT

At the end of the year, Lakeside Union School District had \$80,159,324 in long-term debt outstanding. This is an increase of \$16,052,351 from the prior year, reflecting the final bond series issuance.

LAKESIDE UNION SCHOOL DISTRICT PROPOSITION V & MEASURE L GENERAL OBLIGATION BONDS June 30, 2022

	Building Fund		Total % Change
	2020-21	2021-22	
General Obligation Bonds Payable			
Due with one year	\$ 1,234,802	\$ 3,726,537	201.79%
Due within more than one year	62,872,171	76,432,787	21.57%
Total Prop V & Measure L GO Bonds Payable	64,106,973	80,159,324	25.04%

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:

- Inflation 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 & 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 & Measure L Building Fund (21-39)

Balance Sheet
June 30, 2022

Assets:

Current Assets

Cash in County Treasury	\$ 7,737,713
Accounts Receivable	<u>18,974</u>
Total Current Assets	<u>7,756,687</u>

Total Assets \$ 7,756,687

Liabilities and Fund Balance:

Current Liabilities

Accounts Payable	\$ 1,649,088
Due to Other Funds	<u>1,127,343</u>
Total Current Liabilities	<u>2,776,431</u>

Fund Balance

Restricted for Capital Projects	<u>4,980,256</u>
Total Fund Balance	<u>4,980,256</u>

Total Liabilities and Fund Balance \$ 7,756,687

The accompanying notes to the financial statements are an integral part of this statement.

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2022

Revenues:	
Interest Income	\$ 52,278
Fair Market Value Adjustment	24,619
Total Revenues	<u>76,897</u>
Expenditures:	
Current Expenditures:	
Classified Salaries	4,733
Employee Benefits & Payroll Taxes	2,381
Professional Services	18,500
Capital Outlay:	
Buildings & Improvements	13,057,193
Equipment	265,844
Total Expenditures	<u>13,348,651</u>
Excess of Revenues Over Expenditures	<u>(13,271,754)</u>
Other Financing Sources	
Bond Issuance	<u>13,100,000</u>
Total Other Financing Sources	<u>13,100,000</u>
Net Change in Fund Balance	<u>(171,754)</u>
Fund Balance, Beginning of Year	<u>5,152,010</u>
Fund Balance, End of Year	<u><u>\$ 4,980,256</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Lakeside Union School District

Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements
For the Year Ended June 30, 2022

A. Summary of Significant Accounting Policies

Lakeside Union School District Proposition V & Measure L Building Fund (21-39), hereinafter referred to as the “Bond Fund”, accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The Bond Fund was formed to account for renovation of schools for Lakeside Union School District (District), through expenditures of general obligation bonds issued under Proposition V, authorized by registered voters on November 4, 2008, and Measure L which reauthorized remaining amounts under Proposition V by authorized voters November 4, 2014.

The Bond Fund operates under a locally selected Citizens’ Oversight Committee comprised of seven members formed in accordance with the Local School Construction Bonds Act of 2000, at Section 15264 *et seq.* of the Education Code, Proposition 39. The reporting entity consists only of the Bond Fund of the District. These financial statements are intended to present only the financial position and results of operations of the Bond Fund in conformity with accounting principles generally accepted in the United States of America, and accordingly do not present the financial position and results of operations of the District.

2. Basis of Accounting – Measurement Focus

Bond Fund. The bond fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Bond Fund considers all revenues reported in the fund to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of interest earned. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the Bond Fund incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Bond Fund’s policy to use restricted resources first, then unrestricted resources.

Lakeside Union School District

Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2022

3. Encumbrances

Encumbrance accounting is used in the Bond Fund to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid or at year end, whichever is sooner.

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Bond Fund. By state law, the District's governing board must adopt a final budget no later than July 1st. A public hearing must be conducted to receive comments prior to adoption. The District's governing board has satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

5. Revenues and Expenses

a. Revenues – Exchange and Non-Exchange

On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, property taxes, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2022

b. Expenditures

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the bond fund as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the Bond Fund.

6. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Bond Fund does not have any cash held in banks or revolving fund. Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code §41001, the Bond Fund maintains substantially all 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 market value. 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.

b. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds of the District. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2022

c. Fund Balances – Governmental Funds

Fund balances of the Bond Fund 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 items) or legally required to remain intact (such as revolving cash accounts or principal of a permanent fund).

Restricted Fund Balance represents amounts that are subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations, or may be imposed by law through 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 or resolution. 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 convey 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.

7. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2022

8. Fair Value Measurements

The Bond Fund 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 to an asset or liability.

9. New Accounting Pronouncements

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, 2022. Those newly implemented pronouncements are as follows:

Description	Date Issued
GASB Statement 87, Leases	06/2017
GASB Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period	06/2018
GASB Statement 92, Omnibus 2020	01/2020
GASB Statement 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements 14, 84 and supersession of GASB Statement 32	06/2020
GASB Statement 98, The Annual Comprehensive Financial Report	10/2021
GASB Implementation Guide No. 2019-3, Leases	08/2019
GASB Implementation Guide No. 2020-1, Implementation Guidance Update – 2020	04/2020
GASB Implementation Guide No. 2021-1, Implementation Guidance Update – 2021 (Applicable portions to the 2021-22 fiscal year)	05/2021

The District has implemented the policies necessary to comply with these pronouncements and implementation guides. The implementation of these items did not result in a change to financial presentation for the Proposition V & Measure L Building Fund (Fund 21-39).

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2022

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

The following funds are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	Not Applicable	Not Applicable

C. Fair Value Measurements

The Bond Fund's investments at June 30, 2022, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	<u>Amount</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
External investment pools measured at fair value				
San Diego County Treasury	\$ 7,737,713	\$ -	\$ 7,737,713	\$ -
Total investments by fair value level	\$ 7,737,713	\$ -	\$ 7,737,713	\$ -

The Bond Fund is considered to be an involuntary participant in an external investment pool as the Bond Fund is required to deposit all receipts and collections of monies with their County Treasurer (Education Code §41001). The fair value of the Bond Fund'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.

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2022

D. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code §41001, the Bond Fund maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$12,119,467 as of June 30, 2022). The fair value of the Bond Fund's portion of this pool as of that date, as provided by the pool sponsor, was \$12,119,467. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the Bond Fund by the California Government Code (or the Bond Fund's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Bond Fund's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Bond Fund, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining 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 Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2022

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the Bond Fund 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 treasury is restricted by Government Code §53635 pursuant to §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 risk.

At June 30, 2022, credit risk for the Bond Fund’s investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 7,737,713

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 Bond Fund’s name. The California Government Code and the Bond Fund’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 Bond Fund’s name.

At June 30, 2022, the Bond Fund was not exposed to custodial credit risk.

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2022

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 Bond Fund 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 Bond Fund 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 Bond Fund maintains pooled investments with the San Diego County Treasury with a fair value of \$5,920,299. The average weighted maturity for this pool was 516 days at June 30, 2022.

e. Foreign Currency Risk

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

4. Investment Accounting Policy

The Bond Fund is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The Bond Fund's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating 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.

The Bond Fund's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2022

E. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2022 consisted of:

Local Sources	
Interest	\$ 18,974
Total Accounts Receivable	<u>\$ 18,974</u>

F. Accounts Payable

Accounts payable balances as of June 30, 2022 consisted of:

Vendors Payable	<u>\$ 1,649,088</u>
Total Accounts Payable	<u>\$ 1,649,088</u>

G. Interfund Balances & Activities

1. Due to and From Other Funds

Balances due to and due from other funds at June 30, 2022 consisted of the following:

<u>Interfund Receivable</u> <u>(Due From Other Funds)</u>	<u>Interfund Payable</u> <u>(Due To Other Funds)</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Bond Fund	<u>\$ 1,127,343</u>	Payment Corrections

2. Transfers to and From Other Funds

The Bond Fund did not have any transfers to and from other funds during the fiscal year ended June 30, 2022.

H. Short Term Debt Activity

The Bond Fund accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as other financing sources. The Bond Fund did not issue any short-term debt during the fiscal year ended June 30, 2022.

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2022

I. General Obligation Bonds

The Bond Fund's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds pay primarily for acquiring or constructing capital facilities. The Bond Fund repays general obligation bonds from voter-approved property taxes which are collected by the County Treasurer and deposited into the Bond Interest and Redemption Fund, which is not included in this report.

On November 4, 2008, registered voters authorized the issuance of \$79,550,000 principal amount of general obligation bonds under Proposition V. On November 4, 2014, registered voters re-authorized \$31,000,000 principal amount of general obligation bonds under Measure L. Of the amounts authorized and allowed by law, the final \$13,100,000 under Measure L was issued August 5, 2021.

General obligation bonds at June 30, 2022 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of</u>
2008 Election, Series A	04/23/09	3.00 - 6.03%	08/01/33	\$ 21,833,149
2008 Election, Series B	10/07/10	6.14 - 6.49%	08/01/50	12,982,209
2015 Refunding Bonds	06/09/15	2.00 - 4.00%	08/01/35	6,185,000
2016 Refunding Bonds	11/02/16	2.00 - 5.00%	08/01/33	17,815,000
2014 Election, Series B	11/15/18	4.00 - 5.75%	08/01/45	15,000,000
2014 Election, Series C	08/05/21	4.00%	08/01/41	13,100,000
Total				\$ 86,915,358

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2008 Election, Series A					
Principal	\$ 1,783,149	\$ -	\$ -	\$ 1,783,149	\$ -
Premium	51,687	-	-	51,687	-
Accreted Interest	2,626,070	373,553	-	2,999,623	-
2008 Election, Series B					
Principal	10,690,031	-	-	10,690,031	-
Premium	278,829	-	-	278,829	-
Accreted Interest	9,786,172	1,333,598	-	11,119,770	-
2015 Refunding Bonds					
Principal	5,800,000	-	150,000	5,650,000	85,000
Discount	(75,355)	-	(1,949)	(73,406)	(1,104)
2016 Refunding Bonds					
Principal	16,955,000	-	510,000	16,445,000	690,000
Premium	1,844,333	-	55,477	1,788,856	75,057
2014 Election Series B					
Principal	13,505,000	-	490,000	13,015,000	-
Premium	861,957	-	31,274	830,683	-
2014 Election Series C					
Principal	-	13,100,000	-	13,100,000	2,420,000
Premium	-	2,477,002	-	2,477,002	457,584
Total	\$ 64,106,873	\$ 1,707,151	\$ 1,234,802	\$ 64,579,222	\$ 848,953

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2022

The annual requirements to amortize the bonds outstanding at June 30, 2022 are as follows:

	2008 Election <u>Series A</u>	2008 Election <u>Series B</u>	2015 <u>Refunding</u>
Total Interest Payments	\$ 23,929,697	\$ 79,073,622	\$ 3,328,219
Bond (Premium)/Discount	(846,769)	(338,737)	80,353
Net Interest Payments	<u>23,082,928</u>	<u>78,734,885</u>	<u>3,408,572</u>
PAR Amount of Bonds	21,833,149	12,982,209	6,185,000
Periods	21	38	20
Effective Interest Rate	5.03%	15.96%	2.76%
	2016 <u>Refunding</u>	2014 Election <u>Series B</u>	2014 Election <u>Series C</u>
Total Interest Payments	\$ 8,717,336	\$ 11,652,125	\$ 5,760,057
Bond (Premium)/Discount	(1,937,882)	(957,376)	(2,477,002)
Net Interest Payments	<u>6,779,454</u>	<u>10,694,749</u>	<u>3,283,055</u>
PAR Amount of Bonds	17,815,000	15,000,000	13,100,000
Periods	15	26	20
Effective Interest Rate	2.54%	2.74%	1.25%

Accreted Interest

Amounts represented in the repayment schedule for accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have accrued as of June 30, 2022.

Accreted interest is the process of systematically increasing the carrying amount of capital appreciation bonds to their estimated value at the maturity date of the bond. The Bond Fund imputes the effective interest rate, using the present value, the face value, and the period of the bond and multiplies the effective interest rate by the book value of the debt at the end of the period.

Premium/Discount

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Bond discount 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 the discount decrease the face value of the bond. The premium and discount are then amortized over the life of the bond using the economic interest method.

Effective interest on general obligation bonds issued at a premium/discount are as follows:

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2022

J. Commitments and Contingencies

1. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Bond Fund as of June 30, 2022.

2. Construction Commitments

As of June 30, 2022, the Bond Fund had the following construction project it was working on:

<u>Construction in Process:</u>	<u>Commitment</u>	<u>*Expeceted Date of Final Completion</u>
District Energy Savings Project	2,500,000	Summer 2023

* Expected Date of final completion subject to change

Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2022

K. Upcoming Accounting Guidance

The Governmental Accounting Standards Board (GASB) issues pronouncements and additional guidance for governmental agencies to establish consistent accounting across all governments in the United States. The following table represents items that have been issued by GASB that will become effective in future periods:

Description	Date Issued	Fiscal Year Effective
GASB Statement 91, Conduit Debt Obligations	05/2019	2022-23
GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements	03/2020	2022-23
GASB Statement 96, Subscription-Based Information Technology Arrangements	05/2020	2022-23
GASB Statement No. 99, Omnibus 2022	04/2022	2022-23 Thru 2023-24
GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62	06/2022	2024-25
GASB Statement No. 101, Compensated Absences	06/2022	2024-25
GASB Implementation Guide No. 2021-1, Implementation Guidance Update – 2021	05/2021	2021-22 Thru 2023-24

The effects of the upcoming guidance and pronouncements on the Bond Fund’s financial statements has not yet been determined.

Other Independent Auditors' Reports

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*

To the Citizens' Oversight Committee
Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)
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 the Lakeside Union School Bond Fund Proposition V & Measure L Building Fund (Bond Fund), which comprise the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Lakeside Union School Bond Fund Proposition V & Measure L Building Fund's basic financial statements, and have issued our report thereon dated March 28, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lakeside Union School Bond Fund Proposition V & Measure L Building Fund's internal control over financial reporting (internal control) as a basis for designing 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 Bond Fund Proposition V & Measure L Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Lakeside Union School Bond Fund Proposition V & Measure L Building Fund'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 detected.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakeside Union School Bond Fund Proposition V & Measure L Building Fund'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 financial statements. 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 Bond Fund'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 Bond Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California
March 28, 2023

Independent Auditor's Report on Performance

To the Citizens' Oversight Committee
Lakeside Union School District
Proposition V & Measure L Building Fund (21-39)
Lakeside, California

We were engaged to conduct a performance audit of the Lakeside Union School District Proposition V & Measure L Building Fund (21-39), herein after referred to as the Bond Fund, for the year ended June 30, 2022.

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 XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

Auditor's Responsibility

Our responsibility is to express an opinion on performance based on our audit. We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Appendix A of the 2020-21 Guide for Annual Audits of K-12 Local Education Agencies*. 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 District's internal controls over the Bond Fund and related construction projects in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Fund's internal control.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our findings and conclusions based upon the audit objectives.

Objectives, Scope, & Methodology of the Audit

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements set forth in Proposition V and Measure L as approved by registered voters for the fiscal year ended June 30, 2022. The objective of the audit of compliance applicable to the Bond Fund is to determine with reasonable assurance that:

- The proceeds from the sale of Proposition V and Measure L General Obligation 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 Lakeside Union School District (District), in establishing 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 project resources
- Prevent material misstatement in the project funds
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of project funds. All purchase requisitions are reviewed for proper supporting documentation. The Project Manager or appropriate District employee submits back up information to the business office to initiate a purchase requisition. The Project Manager, Superintendent, and Business Manager verifies that the requested purchase is an allowable project cost in accordance with the grant agreement.

Results of Procedure Performed

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

Procedure Performed

Tests of controls were performed based on identified controls from procedures above, utilizing samples of expenditures with a sample size sufficient for a high level of assurance, to determine if internal controls as designed are properly implemented and in place over the Bond Fund expenditures.

Results of Procedure Performed

The results of our audit determined that the internal controls as designed were properly implemented during the 2020-21 fiscal year.

Tests of Expenditures

Procedures Performed

We tested expenditures to determine whether Proposition V and Measure L proceeds were spent solely on voter and Board approved school facilities projects as set forth in the bond Projects List and language of the Proposition V and Measure L ballot measure language. Our testing was performed using a sample size sufficient to meet a high level of assurance.

Results of Procedures Performed

Expenditures tested were found to be in compliance with the terms of the Proposition V and Measure L ballot measure as well as applicable state laws and regulations.

Tests of Contracts and Bid Procedures

Procedures Performed

We tested expenditures under Proposition V and Measure L to determine if the expenditure was part of a valid contract, that the contract was properly approved by the District's Governing Board, and that the contract was established in compliance with Public Contract Code provisions, including bid procedures. Our testing was performed using a sample size sufficient to meet a high level of assurance.

Results of Procedures Performed

Expenditures tested were found to have valid contracts which were issued through proper approval of the District's Governing Board in compliance with Public Contract Code, including bid procedures.

Facilities Site Review

Procedures Performed

We reviewed the Independent Citizens' Oversight Committee minutes and agendas along with other pertinent information on Proposition V and Measure L designated projects to determine whether the funds expended for the year ended June 30, 2022 were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Additionally, we reviewed photographs of significant bond projects to determine projects were being completed as identified in the Bond Project List.

Results of Procedures Performed

Based on review of the minutes and agenda of the Independent Citizens' Oversight Committee, expenditure documentation, review of project photographs, and other pertinent information provided, it appears the construction work performed was consistent with the Bond Project List as well as the allowable projects as identified in Proposition V and Measure L ballot measures.

Citizens' Oversight Committee

Procedures Performed

We reviewed the minutes of the Citizens' Oversight Committee meetings to verify compliance with Education Code Section 15278 which requires the Citizens' Oversight Committee to:

- Actively review and report on the proper expenditure of taxpayers' money for school construction.
- Advise the public as to whether the District is in compliance with paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Ensure that bond revenues are expended only for purposes described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Ensure that no funds are used for any teacher or administrative salaries or other school operating expenses.

Additionally, Education Code Section 15278 authorizes the Citizens' Oversight Committee to:

- Receive and review copies of the annual, independent performance audit.
- Inspect school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Receive and review copies of any deferred maintenance proposals or plans developed by the District.
- Review efforts by the District to maximize bond revenues by implementing cost saving measures.

Results of Procedures Performed

In our review of the minutes of the Citizens' Oversight Committee we determined that, during the fiscal year ended June 30, 2022 the Committee fulfilled all required responsibilities identified in Education Code Section 15278 and additionally performed other authorized activities as identified in Education Code Section 15278.

Procedure Performed

We reviewed composition of the Citizens' Oversight Committee to verify compliance with Education Code Section 15282 which requires the following:

- The Citizen's Oversight Committee shall consist of at least seven members who shall serve for a minimum term of two years without compensation and for no more than three consecutive terms.
- One member shall be active in a business organization representing the business community located within the school district boundaries.
- One member shall be active in a senior citizens' organization.
- One member shall be active in a bona fide taxpayers' organization.
- One member shall be the parent or guardian of a child enrolled in the school district.
- One member shall be both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization.
- An employee or official of the school district shall not be appointed to the citizens' oversight committee.
- A vendor, contractor, or consultant of the school district shall not be appointed to the citizens' oversight committee.

Results of Procedures Performed

In our review of the Citizens' Oversight Committee composition for the fiscal year ended June 30, 2022 we determined that the Committee was in compliance with Education Code Section 15282.

Opinion on Performance

The results of our tests indicated that the District has complied with the requirements set forth in Proposition V, approved by voters on November 4, 2008, and Measure L, approved by voters on November 4, 2014, in accordance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(c) of the California Constitution.

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, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

El Cajon, California
March 28, 2023

Auditor's Results, Findings & Recommendations

Lakeside Union School Bond Fund
Proposition V & Measure L Building Fund (21-39)

Schedule of Auditor's Results
 Year Ended June 30, 2022

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
One or more material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
One or more significant deficiencies identified that are not considered material weakness(es)?	<u> </u> Yes	<u> X </u> No
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

PERFORMANCE AUDIT

Any audit findings disclosed that are required to be reported in accordance with <i>2021-22 Guide for Annual Audits of California K-12 Local Education Agencies</i> or Proposition 39?	<u> </u> Yes	<u> X </u> No
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Lakeside Union School Bond Fund Proposition V & Measure L Building Fund

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements or performance audit that are required to be reported in accordance with *Government Auditing Standards*, or *Appendix A of the 2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

A. Financial Statement Findings

None

B. Performance Audit Findings

None

Lakeside Union School Bond Fund
Proposition V & Measure L Building Fund (21-39)
Schedule of Prior Year Audit Findings
Year Ended June 30, 2022

Finding/Recommendation	Status	Explanation if Not Implemented
There were no audit findings reported in the prior year audit.		