

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

**REVIEW OF
ELECTION 2008, SERIES 2009
GENERAL OBLIGATION BONDS
WITH
INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2010

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

**BUILDING FUND
(PROPOSITION 39)**

FINANCIAL STATEMENT AUDIT

JUNE 30, 2010

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

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JUNE 30, 2010**

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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Governing Board and Citizens' Oversight Committee
Los Alamitos Unified School District
Los Alamitos, California

We have audited the accompanying financial statements of the Building Fund of the Los Alamitos Unified School District (the "District"), as of the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Building Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund of the District at June 30, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
November 30, 2010

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**BALANCE SHEET
JUNE 30, 2010**

ASSETS

Cash in county treasury	\$ 19,229,487
Accounts receivable	15,879
Total Assets	<u>\$ 19,245,366</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable	\$ 2,504,967
Due to other funds	135,263
Total Liabilities	<u>2,640,230</u>

Fund Equity:

Fund balance	
Undesignated	16,605,136
Total Fund Balance	<u>16,605,136</u>
Total Liabilities and Fund Balance	<u>\$ 19,245,366</u>

The accompanying notes are an integral part of these financial statements.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

REVENUES	
Other local revenues	\$ 270,698
Total Revenues	<u>270,698</u>
EXPENDITURES	
Noncapitalized Improvements	315,082
Capital outlay	9,232,054
Total Expenditures	<u>9,547,136</u>
Deficiency of Revenues Over Expenditures	<u>(9,276,438)</u>
NET CHANGE IN FUND BALANCES	(9,276,438)
FUND BALANCE, BEGINNING OF YEAR	25,881,574
FUND BALANCE, END OF YEAR	<u>\$ 16,605,136</u>

The accompanying notes are an integral part of these financial statements.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Los Alamitos Unified School District bond funds conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Los Alamitos Unified School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The audited financial statements include only the Building Fund of the Los Alamitos Unified School District that was established to account for the expenditures of the general obligation bond issued in January 2009. These financial statements are not intended to present fairly the financial position and the changes in financial position of the Los Alamitos Unified School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

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.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their 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), except for unmatured interest on long-term debt, which is recognized when due.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's Governing Board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. The Board revises this budget 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.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 when the commitments are paid and all outstanding encumbrances are liquidated at June 30, 2010, since they do not constitute expenditures or liabilities.

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Orange bills and collects the taxes for the District. The District recognizes tax revenues when received.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 - INVESTMENTS

Investments at June 30, 2010, held on behalf of the Building Fund of the Los Alamitos Unified School District consist of deposits in the County of Orange Treasury:

	<u>Reported Amount</u>	<u>Fair Value</u>
Uncategorized		
Deposits with county treasurer	<u>\$ 19,229,487</u>	<u>\$ 19,241,025</u>

Deposits with county treasurer are an external investment pool sponsored by the County of Orange. School districts are required to deposit all receipts and collections of monies with their county treasurer (*Education Code* Section 15146(b)).

Therefore, the District is considered to be an involuntary participant in an external investments pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010, consist of the following:

Interest	<u>\$ 15,879</u>
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NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, consist of the following:

Vendor payables	<u>\$ 2,504,967</u>
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**LOS ALAMITOS UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2010, between major and non-major governmental funds and fiduciary funds are as follows:

<u>Due To</u>	<u>Due From Building Fund</u>
General Fund	\$ 16,879
Non-Major Governmental Funds	118,384
Total	<u>\$ 135,263</u>

Transfers from the Building Fund to the General Fund and Non-Major Governmental funds were related to expenditures for construction costs.

NOTE 6 - LONG-TERM OBLIGATIONS

Summary

Under the modified accrual basis of accounting, liabilities for long-term obligations are reported in the long-term obligations rather than the building or other funds. A schedule of changes in long-term obligations for the year ended June 30, 2010, is shown below:

General Obligation Bonds (Proposition 39 Only)

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds</u>			<u>Bonds</u>
				<u>Outstanding July 1, 2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2010</u>
January 2009	August 2033	2.25 - 5.50%	\$ 27,000,000	<u>\$ 27,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,000,000</u>

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Debt Service Requirements

In November 2008, the qualified electorate of the School Facilities Improvement District No. 1 of the Los Alamitos Unified School District approved the issuance and sale of General Obligation Bonds of \$126,000,000. The first issuance of Current Interest Bonds Series 2009 in the amount of \$27,000,000 occurred in January 2009. The proceeds of \$27,000,000 were used to finance improvements to school facilities, upgrade technology, and construct additional classroom and student performance facilities. Taxes are collected by the Orange County Tax Assessor and remitted to a trustee for payment of principal and interest. The bonds mature each August 1 through August 2033 with semi-annual interest payments due February 1 and August 1 each year, commencing August 1, 2009. At June 30, 2010, the principal balance outstanding was \$27,000,000.

The general obligation bonds mature through 2033 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2011	\$ -	\$ 1,386,500	\$ 1,386,500
2012	-	1,386,500	1,386,500
2013	200,000	1,384,250	1,584,250
2014	200,000	1,379,750	1,579,750
2015	300,000	1,373,938	1,673,938
2016-2020	2,100,000	6,705,188	8,805,188
2021-2025	4,700,000	5,936,125	10,636,125
2026-2030	8,500,000	4,250,875	12,750,875
2031-2034	11,000,000	1,265,000	12,265,000
Total	<u>\$ 27,000,000</u>	<u>\$ 25,068,125</u>	<u>\$ 52,068,125</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

**BUILDING FUND
(PROPOSITION 39)**

AGREED-UPON PROCEDURES

JUNE 30, 2010

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT - PROPOSITION 39
ELECTION 2008, SERIES 2009 GENERAL OBLIGATION BONDS**

JUNE 30, 2010

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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Governing Board
Los Alamitos Unified School District,
Los Alamitos, California

The Election 2008, Series 2009 General Obligation Citizens' Bond Oversight Committee

We have performed the agreed-upon procedures enumerated in Exhibit A, which were agreed to by Los Alamitos Unified School District of Orange County, solely to assist the users in identifying findings and recommendations in the areas with respect to the Los Alamitos Unified School District (County of Orange, California) General Obligation Bonds 2008 Election, Series 2009 for the period ended June 30, 2010. This engagement to perform agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants and meets the compliance requirements to perform an "audit" as outlined in subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated results are described in this report as Exhibit A.

In conjunction with the agreed-upon procedures, we were not engaged to, and did not; perform an audit of all financial statements of the District, the objective of which would be the expression of an opinion relating to the matters included in the agreed-upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
November 30, 2010

**ELECTION 2008, SERIES 2009 GENERAL OBLIGATION BONDS
AGREED-UPON PROCEDURES
JUNE 30, 2010**

The Los Alamitos Unified School District requested that the following agreed-upon procedures be performed:

Procedures Performed

1. Verify that the net funds from the sale of the General Obligation Bonds were deposited in total into the District's accounts by obtaining settlement statement for the new bond issue and verifying amounts deposited into the building fund.
2. Verify that the expenditure of funds were accounted for separately in the District's Building Fund.
3. Select the expenditures at each location and verify that the funds expended complied with the purpose that was specified to the registered voters of the District through election materials and district resolutions that were distributed to the voters. The sample size tested 90 percent of the expenditures.

Results of Procedures

1. The net proceeds from the sale of the general obligation bonds were deposited into the appropriate accounts within the Building Fund.
2. The general obligations bond fund expenditures were accounted for separately in the Building Fund of the District.
3. Our review of the expenditures for the period ended June 30, 2010, did not reveal any items that were paid from the general obligation bond funds that did not comply with the purpose of the Bonds that were approved by the registered voters of the District on November 4, 2008.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT - PROPOSITION 39

(County of Orange, California)

ELECTION 2008, SERIES 2009 GENERAL OBLIGATION BONDS

THE BONDS

Authority for Issuance

The \$27,000,000 principal amount of Bonds of the District are general obligation bonds to be issued under California law, including the Smaller Classes, Safer School and Financial Accountability Act, of which Article XIII A (b)(3) of the State of California Constitution is part, and related California law, provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506, and provisions of Title 1, Division, Part 10, Chapter 1 and 1.5 of the State of California Education Code, commencing with Section 15100, and pursuant to the Bond Resolution. The Bonds are the first series of an authorization of \$126,000,000 approved by district voters on November 4, 2008. After the issuance of the Bonds, the District will have \$99,000,000 of the authorized but unissued bonds.

Terms of Sale

The Bonds were sold at public sale pursuant to the terms of sale contained in the Official Notice of Sale adopted by the Governing Board of the District on January 13, 2009.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT
ELECTION 2008, SERIES 2009 GENERAL OBLIGATION BONDS**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 20, 2010**

Receipts

Interest	270,698
Total Receipts	<u>270,698</u>

Disbursements

Site Expenditures	
Architect Fees	2,188,913
Modernization	5,826,832
Building and Improvement of buildings	1,112,603
Test, Inspections, and Planning	103,706
Noncapitalized Improvements	315,082
Total Site Expenditures	<u>9,547,136</u>

Decrease in Fund Balance	(9,276,438)
Fund Balance, Beginning of Year	<u>25,881,574</u>
Fund Balance, End of Year	<u>\$ 16,605,136</u>

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT
ELECTION 2008, SERIES 2009 GENERAL OBLIGATION BONDS**

**SCHEDULE OF DISBURSEMENTS BY SITE
FOR THE YEAR ENDED JUNE 20, 2010**

Disbursements	Hopkinson Elementary School	Weaver Elementary School	Lee Elementary School
Architect Fees	\$ 190,304	-	-
Modernization	-	-	-
Buildings and Improvement of buildings (technology)	17,964	19,800	24,215
Test, Inspections, and Planning	-	-	-
Noncapitalized Improvements	6,561	-	6,561
Total Site Expenditures	\$ 214,829	\$ 19,800	\$ 30,776

Disbursements	Los Alamitos Elementary School	District-Wide	Rossmoor Elementary School
Architect Fees	\$ 288,721	\$ 877,088	\$ 203,011
Modernization	1,342,492	-	-
Buildings and Improvement of buildings (technology)	183,497	65,606	26,509
Test, Inspections, and Planning	29,236	-	-
Noncapitalized Improvements	109,708	933	6,561
Total Site Expenditures	\$ 1,953,654	\$ 943,627	\$ 236,081

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT
ELECTION 2008, SERIES 2009 GENERAL OBLIGATION BONDS**

**SCHEDULE OF DISBURSEMENTS BY SITE (Continued)
FOR THE YEAR ENDED JUNE 20, 2010**

Disbursements	McGaugh Elementary	Oak School	McAuliffe Middle School
Architect Fees	\$ 128,221	\$ -	\$ 501,568
Modernization	2,133,031	-	2,351,309
Buildings and Improvement of buildings (technology)	548,716	10,275	129,776
Test, Inspections, and Planning	39,633	-	34,837
Noncapitalized Improvements	13,242	-	171,234
Total Site Expenditures	\$ 2,862,843	\$ 10,275	\$ 3,188,724

Disbursements	Los Alamitos High School	Laurel Continuation	Total
Architect Fees	\$ -	\$ -	\$ 2,188,913
Modernization	-	-	5,826,832
Buildings and Improvement of buildings (technology)	81,298	4,947	1,112,603
Test, Inspections, and Planning	-	-	103,706
Noncapitalized Improvements	282	-	315,082
Total Site Expenditures	\$ 81,580	\$ 4,947	\$ 9,547,136