

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT**

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**BUILDING FUND (MEASURE K)  
FINANCIAL AND PERFORMANCE AUDITS**

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**JUNE 30, 2014**



**LOS ALAMITOS UNIFIED SCHOOL DISTRICT**

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**BUILDING FUND (MEASURE K)  
FINANCIAL AUDIT**

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**JUNE 30, 2014**



**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

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JUNE 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Los Alamitos Unified School District's (the District), Building Fund (Measure K), as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements, whether due to error or fraud. 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure K) of the Los Alamitos Unified School District at June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure K, and are not intended to present fairly the financial position and changes in financial position of Los Alamitos Unified School District in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Los Alamitos Unified School District's basic financial statements. The accompanying supplementary information as listed on the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, accompanying supplementary information to the financial statements are fairly stated, in all material respects, in relation to the basic 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 January 13, 2015, on our consideration of the District's Building Fund (Measure K) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the District's Building Fund (Measure K) internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vannish, Tim, Day & Co., LLP*

Rancho Cucamonga, California  
January 13, 2015



**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**BALANCE SHEET  
JUNE 30, 2014**

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**ASSETS**

Cash in county treasury	\$ 25,503,610
Accounts receivable	7,784
Total Assets	<u>\$ 25,511,394</u>

**LIABILITIES AND FUND BALANCE**

**Liabilities:**

Accounts payable	<u>1,744,325</u>
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**Fund Balance:**

Fund balance	
Restricted	<u>23,767,069</u>

Total Liabilities and Fund Balance	<u>\$ 25,511,394</u>
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The accompanying notes are an integral part of these financial statements.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>REVENUES</b>	
Other local revenues	\$ 84,859
<b>EXPENDITURES</b>	
Supplies and Materials	39,619
Other services	58,452
Capital outlay	19,510,087
Cost of issuance	2,221,932
Total Expenditures	<u>21,830,090</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(21,745,231)</u>
<b>OTHER FINANCING SOURCES</b>	
Other Sources- General obligation bond proceeds	52,651,699
Other Uses- Bond anticipation note redemption	<u>(19,629,767)</u>
<b>Net Financing Sources (Uses)</b>	<u>33,021,932</u>
<b>NET CHANGE IN FUND BALANCE</b>	11,276,701
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>12,490,368</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 23,767,069</u>

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

# LOS ALAMITOS UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE K)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The accounting policies of the Los Alamitos Unified School District Building Fund (Measure K) 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 includes only the Election 2008 General Obligation Bonds, Series 2009, 2010B, 2010C, 2011D, 2013E, and 2012 Bond Anticipation Notes (Measure K) portion of the Building Fund of the Los Alamitos Unified School District that was established to account for the expenditures of the general obligation bonds issued in January 2009. These financial statements are not intended to present fairly the financial position and results of operations 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 Election 2008 General Obligation Bonds, Series 2009, 2010B, 2010C, 2011D, 2013E, and 2012 Bond Anticipation Notes (Measure K) portion 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**

The Building Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. 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 balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

#### **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 consider unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**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 since they do not constitute expenditures or liabilities.

**Fund Balances - Governmental Funds**

As of June 30, 2014, the fund balance is classified as follows:

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Spending Order**

When an expenditure is incurred for purposes 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, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

**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.

***NOTE 2 - INVESTMENTS***

**Summary of Investments**

Investments as of June 30, 2014, consisted of the following:

Investments in County Treasury	<u>\$ 25,503,610</u>
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**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instrument; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

**Investment in County Treasury**

The District is considered 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 fairly 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.

**General Authorizations**

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
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 (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**Interest Rate Risk**

Interest rate risk is the risk that changes in market 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains a building fund investment of \$25,503,610 with the Orange County Investment Pool. The fair value of this investment is approximately \$25,513,811 with a weighted average to maturity of 464 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Orange County Investment Pool has it been rated AAA by Moody's Investor Services as of June 30, 2014.

**Concentration of Credit Risk**

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. There were no investments in any one issuer that represent five percent or more of the total investments.

***NOTE 3 - ACCOUNTS RECEIVABLE***

Accounts receivable at June 30, 2014, consisted of the following:

Interest	<u>\$ 7,784</u>
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***NOTE 4 - ACCOUNTS PAYABLE***

Accounts payable at June 30, 2014, consisted of the following:

Vendor payables	<u>\$ 1,744,325</u>
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**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

As of June 30, 2014, the Building Fund had the following commitments with respect to unfinished capital projects:

<u>Measure K Projects</u>	<u>Remaining Construction Commitment *</u>
Oak Middle School	\$ 6,206,330
Weaver Elementary School	3,034,179
District Office	16,387,242
Technology	170,437
Program Management	495,964
	<u>\$ 26,294,152</u>

\* The expected date of compleion is not yet determined.

**Litigation**

The District is not currently a party to any legal proceedings.

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***SUPPLEMENTARY INFORMATION***

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**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2014**

**Summary**

A schedule of changes in long-term obligations for the year ended June 30, 2014, is shown below:

	Balance Beginning of Year	Additions	Accretion	Deductions	Balance End of Year
General obligation bonds	\$ 69,808,184	\$ 51,390,092	\$ 1,455,761	\$ 19,829,767	\$ 102,824,270
Premium on issuance	1,596,020	1,261,607	-	149,406	2,708,221
Discount on issuance	(237,600)	-	-	(11,880)	(225,720)
	<u>\$ 71,166,604</u>	<u>\$ 52,651,699</u>	<u>\$ 1,455,761</u>	<u>\$ 19,967,293</u>	<u>\$ 105,306,771</u>

Payments on the general obligations bonds are made by the bond interest and redemption fund.

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds				Bonds Outstanding June 30, 2014
				Bonds Outstanding July 1, 2013	Issued	Accretion	Redeemed	
January 2009	August 2033	2.25-5.50%	\$ 27,000,000	\$ 26,800,000	\$ -	\$ -	\$ 200,000	\$ 26,600,000
October 2010	August 2034	5.70-9.56%	2,000,032	2,378,417	-	160,181	-	2,538,598
October 2010	August 2035	6.21%	2,000,000	2,000,000	-	-	-	2,000,000
February 2011	February 2026	6.19%	19,000,000	19,000,000	-	-	-	19,000,000
August 2011	August 2017	3.032%	18,721,095	19,629,767	-	-	19,629,767	-
July 2013	August 2044	2.50-6.29%	51,390,092	-	51,390,092	1,295,580	-	52,685,672
				<u>\$ 69,808,184</u>	<u>\$ 51,390,092</u>	<u>\$ 1,455,761</u>	<u>\$ 19,829,767</u>	<u>\$ 102,824,270</u>

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2014**

**General Obligation 2009 Bonds – 2008 Election, Series 2009**

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, 2014, the principal balance outstanding was \$26,600,000.

The bonds mature through 2034 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 300,000	\$ 1,373,938	\$ 1,673,938
2016	300,000	1,366,438	1,666,438
2017	300,000	1,358,000	1,658,000
2018	400,000	1,345,500	1,745,500
2019	500,000	1,327,500	1,827,500
2020-2024	4,100,000	6,161,125	10,261,125
2025-2029	7,500,000	4,670,875	12,170,875
2030-2034	13,200,000	1,927,749	15,127,749
Total	<u>\$ 26,600,000</u>	<u>\$ 19,531,125</u>	<u>\$ 46,131,125</u>

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2014**

**General Obligation Bonds – 2008 Election, Series 2010B (Capital Appreciation)**

In October 2010, the District issued \$2,000,032 in General Obligation Bonds, Election 2008, Series 2010B. The proceeds from the bonds will be used for the purpose of renovations, construction, and improvement of school facilities. Taxes are collected by the Orange County Tax Assessor and remitted to a trustee for payment of principal and interest. The bonds mature August 2034, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2011. At June 30, 2014, the principal balance outstanding with accreted interest was \$2,538,598.

The bonds mature through 2035 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2015	\$ -	\$ 171,547	\$ 171,547
2016	-	183,768	183,768
2017	-	196,912	196,912
2018	-	211,052	211,052
2019	-	226,268	226,268
2020-2024	-	1,403,763	1,403,763
2025-2029	653,957	1,978,887	2,632,844
2030-2034	1,884,641	1,793,760	3,678,401
2035	-	120,445	120,445
Total	<u>\$ 2,538,598</u>	<u>\$ 6,286,402</u>	<u>\$ 8,825,000</u>

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2014**

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**General Obligation Bonds – 2008 Election, Series 2010C (Current Interest)**

In October 2010, the District issued \$2,000,000 in General Obligation Bonds, Election 2008, Series 2010C. The proceeds from the bonds will be used for the purpose of renovations, construction, and improvement of school facilities. Taxes are collected by the Orange County Tax Assessor and remitted to a trustee for payment of principal and interest. The bonds mature August 2035, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2011. At June 30, 2014, the principal balance outstanding was \$2,000,000.

The bonds mature through 2036 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2015	\$ -	\$ 124,200	\$ 124,200
2016	-	124,200	124,200
2017	-	124,200	124,200
2018	-	124,200	124,200
2019	-	124,200	124,200
2020-2024	-	621,000	621,000
2025-2029	-	621,000	621,000
2030-2035	2,000,000	807,300	2,807,300
Total	<u>\$ 2,000,000</u>	<u>\$ 2,670,300</u>	<u>\$ 4,670,300</u>

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2014**

**General Obligation Bonds – 2008 Election, Series 2011D**

In February 2011, the District issued \$19,000,000 in General Obligation Bonds, Election 2008, Series D. The proceeds from the bonds will be used for the purpose of renovations, construction, and improvement of school facilities. Taxes are collected by the Orange County Tax Assessor and remitted to a trustee for payment of principal and interest. The bonds mature February 2026, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2012. At June 30, 2014, the principal balance outstanding was \$19,000,000.

The bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2015	\$ -	\$ 1,176,100	\$ 1,176,100
2016	-	1,176,100	1,176,100
2017	-	1,176,100	1,176,100
2018	-	1,176,100	1,176,100
2019	-	1,176,100	1,176,100
2020-2024	-	5,880,500	5,880,500
2025-2026	19,000,000	2,352,200	21,352,200
Total	<u>\$ 19,000,000</u>	<u>\$ 14,113,200</u>	<u>\$ 33,113,200</u>

**General Obligation Bonds – 2012 Anticipation Note**

In August 2011, the District issued \$18,721,095 in General Obligation Bond Anticipation Notes. The proceeds from the bonds will be used for acquisition and construction of educational facilities. Taxes are allocated by the Orange County Tax Assessor and remitted to a trustee for payment of principal and interest. The bonds mature in August 2017, with semi-annual interest payments due on March 1<sup>st</sup> and September 1<sup>st</sup> each year, commencing March 1, 2012. At June 30, 2014, the principal balance outstanding was paid in full.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**SCHEDULE OF LONG-TERM OBLIGATIONS  
JUNE 30, 2014**

**General Obligation Bonds – 2008 Election, Series 2013E**

In July 2013, the District issued \$51,390,092 in General Obligation Bonds, Election 2008, Series E. The proceeds from the bonds will be used for the purpose of payment for the 2012 Bond Anticipation Note, construction, and improvement of school facilities. Taxes are collected by the Orange County Tax Assessor and remitted to a trustee for payment of principal and interest. The bonds mature August 2044, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2012. At June 30, 2014 principal balance outstanding was \$52,685,672; with accreted interest of \$32,434,327, for a total of \$159,826,374.

The bonds mature through 2044 as follows:

Fiscal Year	Principal Plus Accreted Interest	Accretion	Interest	Total
2015	\$ 130,000	\$ 1,554,438	\$ 1,367,029	\$ 3,051,467
2016	50,000	1,650,555	1,414,343	3,114,898
2017	25,000	1,751,853	1,412,844	3,189,697
2018	50,000	1,859,618	1,412,219	3,321,837
2019	60,000	1,974,034	1,410,219	3,444,253
2024-2028	2,430,000	7,606,537	11,896,556	21,933,093
2029-2033	343,311	3,250,361	19,546,805	23,140,477
2034-2038	18,566,713	938,535	19,118,180	38,623,428
2039-2044	30,095,648	-	10,141,685	40,237,333
Total	\$ 52,685,672	\$ 32,434,327	\$ 74,706,375	\$ 159,826,374



**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED GENERAL OBLIGATION BOND FUND  
JUNE 30, 2014**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2014.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

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***NOTE 1 - PURPOSE OF SCHEDULES***

**Schedule of Long-Term Obligations**

This schedule provides a debt repayment schedule associated with the bond proceeds received through issuance of Measure K obligations.

**Reconciliation of Annual Financial and Budget Report With Audited General Obligation Bond Fund**

This schedule provides the information necessary to reconcile the fund balance of the Building Fund (Measure K) reported on the Unaudited Actual Financial Report to the audited financial statements.

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***INDEPENDENT AUDITORS' REPORT***

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**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 and  
Citizens Oversight Committee  
Los Alamitos Unified School District  
Los Alamitos, 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 accompanying financial statements of the Los Alamitos Unified School District (the District) Building Fund (Measure K), as of and for the year ended June 30, 2014, and the related notes of the financial statements, and have issued our report thereon dated January 13, 2015.

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure K, and are not intended to present fairly the financial position and changes in financial position of Los Alamitos Unified School District in accordance with accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Los Alamitos Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Los Alamitos Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Los Alamitos Unified School District's internal control over financial reporting.

*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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be, significant deficiencies or material weaknesses. 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 Los Alamitos Unified School District's Building Fund (Measure K) financial statements are free of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vannink, Tein, Day & Co., LLP*

Rancho Cucamonga, California  
January 13, 2015

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2014**

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None reported.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

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None reported.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT**

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**BUILDING FUND (MEASURE K)  
PERFORMANCE AUDIT**

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**JUNE 30, 2014**



**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

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**INDEPENDENT AUDITORS' REPORT ON PERFORMANCE**

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

We were engaged to conduct a performance audit of the Los Alamitos Unified School District (the District) Building Fund (Measure K) for the year ended June 30, 2014.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining 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.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Building Fund (Measure K) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

*Vavrinek, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
January 13, 2015

# LOS ALAMITOS UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE K)

JUNE 30, 2014

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## ***AUTHORITY FOR ISSUANCE***

The \$69,808,184 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, Section 1(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. Bonds issued in 2009, 2010, 2011, 2012, and 2013, represent the first of five series (Measure K) of an authorization of \$126,000,000 approved by District voters on November 4, 2008. After the issuance of the Bonds, the District has authorized but unissued bonds of \$5,888,781.

## ***PURPOSE OF ISSUE***

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include repairs, acquisition, construction and equipment of classrooms, science labs and school facilities and to pay the cost of issuance associated with the Measure K Bonds.

## ***AUTHORITY FOR THE AUDIT***

In November 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizens' oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.



**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**JUNE 30, 2014**

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***OBJECTIVES OF THE AUDIT***

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure K.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measure K and not for District general administration or operations.

***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2013 to June 30, 2014. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2014, were not reviewed or included within the scope of our audit or in this report.

***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2014, for the Building Fund (Measure K). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure K as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2013 and ending June 30, 2014, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text. Our sample included transactions at each site totaling \$19,003,029. This represents 87 percent of the total expenditures of \$21,830,090, including expenditures related to transferred funds (see Schedule of Disbursements by Site).
2. We verified that funds from the Building Fund (Measure K) were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.
3. We verified that the net funds from the sale of the General Obligation Bonds were deposited in total into the District's accounts by obtaining a settlement statement for the new bond issue and verifying amounts deposited into the Building Fund.

***CONCLUSION***

The results of our tests indicated that, in all significant respects, the Los Alamitos Unified School District has properly accounted for the expenditures held in the Building Fund (Measure K) and that such expenditures were made for authorized Bond projects.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**JUNE 30, 2014**

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***FINANCIAL SUMMARY***

1. The General Obligation Bond Funds were authorized at an election of the registered voters of the District held in November 2008. Bonds were authorized at an issuance of \$126,000,000 principal amounts for the purpose of financing the addition and modernization of school facilities. In addition to Series 2009 issuance of \$26,800,000, the District sold \$23,000,032 in 2010 and 2011, and issued \$18,721,095 in General Obligation Bond Anticipation Notes in 2012 and 2013.
2. An analysis of expenditures is as follows:

Supplies and Materials	\$ 39,619
Other services	58,452
Capital outlay	19,510,087
Cost of issuance	2,221,932
Total	\$ 21,830,090

Available unspent funds from the bond as of June 30, 2014, are:

Balance as of July 1, 2013	\$ 12,490,368
General obligation bonds issued	52,651,699
Other uses- redemption Bond Anticipation Note	(19,629,767)
Interest earned in Building Fund	84,859
Total expenditures	(21,830,090)
Balance as of June 30, 2014	\$ 23,767,069

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**SCHEDULE OF DISBURSEMENTS BY SITE  
FOR THE PERIOD ENDING JUNE 30, 2014**

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	<u>2014</u>
McAuliffe Middle School	\$ 21,142
Los Alamitos Elementary School	28,956
Weaver Elementary School	5,065,389
Rossmoor Elementary School	28,407
Hopkinson Elementary School	20,139
District-Wide	663,871
McGaugh Elementary School	28,420
Los Alamitos High School	2,760,507
Lee Elementary School	230,244
Oak Middle School	9,746,127
Laurel Continuation	255,677
District Office	645,797
Auxiliary Office	113,482
Cost of issuance	<u>2,221,932</u>
Total	<u>\$ 21,830,090</u>

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

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None reported.

**LOS ALAMITOS UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE K)**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

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There were no audit findings reported in the prior year's schedule of financial statement findings.

