

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

JUNE 30, 2016

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

JUNE 30, 2016

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

**TABLE OF CONTENTS
JUNE 30, 2016**

FINANCIAL SECTION

Independent Auditor's Report	1
Building Fund (Measure K)	
Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balances	4
Notes to Financial Statements	5

SUPPLEMENTARY INFORMATION

Schedule of Long-Term Obligations	10
Reconciliation of Annual Financial and Budget Report With Audited General Obligation Bond Fund	15
Note to Supplementary Information	16

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statement Findings	21
Summary Schedule of Prior Audit Findings	22



INDEPENDENT AUDITOR'S 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, 2016, 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, 2016, 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. Our opinion is not modified with respect to this matter.

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 is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was 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, the accompanying supplementary information to the financial statements is 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 December 7, 2016, 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.

Vannink, Tui, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2016

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

**BALANCE SHEET
JUNE 30, 2016**

ASSETS

Cash in county treasury	\$	-
Accounts receivable		-
Total Assets	\$	-

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$	-
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Fund Balance:

Fund balance		-
Restricted		-

Total Liabilities and Fund Balance	\$	-
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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, 2016**

REVENUES

Other local revenues \$ 17,565

EXPENDITURES

Supplies and materials 86,912

Capital outlay 7,604,441

Total Expenditures 7,691,353

Deficiency of Revenues Under Expenditures (7,673,788)

NET CHANGE IN FUND BALANCE (7,673,788)

FUND BALANCE, BEGINNING OF YEAR 7,673,788

FUND BALANCE, END OF YEAR \$ -

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, 2016**

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 2015 Refunding Bond (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 2015 Refunding Bond (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, 2016**

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 lapse at June 30.

Fund Balances - Governmental Funds

As of June 30, 2016, 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.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE K)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures, for both the qualifying external investment pools and their participants, include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2016, the Building Fund had no commitments with respect to unfinished capital projects:

Litigation

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

SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2016**

Summary

A schedule of changes in long-term obligations for the year ended June 30, 2016, is shown below:

	Balance July 1, 2015	Issue/ Additions	Accretion	Deductions	Balance June 30, 2016	Due in One Year
Governmental Activities						
General obligation bonds	\$ 104,120,656	\$ 25,580,000	\$ 1,834,780	\$ 25,150,000	\$ 106,385,436	\$ 325,000
Premium on issuance	2,558,815	2,993,175	-	1,172,796	4,379,194	-
Discount on issuance	(213,840)	-	-	(178,200)	(35,640)	-
	<u>\$ 106,465,631</u>	<u>\$ 28,573,175</u>	<u>\$ 1,834,780</u>	<u>\$ 26,144,596</u>	<u>\$ 110,728,990</u>	<u>\$ 325,000</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 July 1, 2015	Issued	Accretion	Redeemed	Outstanding June 30, 2016
11/08	8/18	2.25-5.50%	\$ 27,000,000	\$ 26,300,000	\$ -	\$ -	\$ 25,100,000	\$ 1,200,000
10/10	8/34	5.70-9.56%	2,000,032	2,710,546	-	184,225	-	2,894,771
10/10	8/35	6.21%	2,000,000	2,000,000	-	-	-	2,000,000
2/11	2/26	6.19%	19,000,000	19,000,000	-	-	-	19,000,000
7/13	8/43	2.50-6.29%	51,390,092	54,110,110	-	1,650,555	50,000	55,710,665
7/15	8/33	3-5%	25,580,000	-	25,580,000	-	-	25,580,000
				<u>\$ 104,120,656</u>	<u>\$ 25,580,000</u>	<u>\$ 1,834,780</u>	<u>\$ 25,150,000</u>	<u>\$ 106,385,436</u>

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

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2016**

General Obligation 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. In 2015, the District refunded and redeemed \$25,100,000 of the \$26,300,000 outstanding balance. The remaining 2008 Election, Series 2009 bonds mature each August 1 through August 2018, with semi-annual interest payments due February 1 and August 1 each year, commencing August 1, 2016. At June 30, 2016, the principal balance outstanding was \$1,200,000.

The bonds mature through 2019 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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
Total	<u>\$ 1,200,000</u>	<u>\$ 4,031,000</u>	<u>\$ 5,231,000</u>

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 accrete interest compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2011, to a maturity value of \$8,825,000. The bonds mature August 2028-2034, with accretion rates ranging from 5.70 to 9.56 percent. At June 30, 2016, the principal balance outstanding with accreted interest was \$2,894,771.

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

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2016**

The bonds mature through 2035 as follows:

Fiscal Year	Future Interest		Total
	Principal	Accretion	
2017	\$ -	\$ 196,973	\$ 196,973
2018	-	211,118	211,118
2019	-	226,339	226,339
2020	-	242,724	242,724
2021	-	260,367	260,367
2022-2026	-	1,618,149	1,618,149
2027-2031	1,172,746	2,091,440	3,264,186
2032-2035	1,722,025	1,083,119	2,805,144
Total	\$ 2,894,771	\$ 5,930,229	\$ 8,825,000

General Obligation Bonds – 2008 Election, Series 2010 C (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, 2016, the principal balance outstanding was \$2,000,000.

The bonds mature through 2036 as follows:

Fiscal Year	Interest to		Total
	Principal	Maturity	
2017	\$ -	\$ 124,200	\$ 124,200
2018	-	124,200	124,200
2019	-	124,200	124,200
2020	-	124,200	124,200
2021	-	124,200	124,200
2022-2026	-	621,000	621,000
2027-2031	-	621,000	621,000
2032-2036	2,000,000	558,900	2,558,900
Total	\$ 2,000,000	\$ 2,421,900	\$ 4,421,900

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

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2016**

General Obligation Bonds – 2008 Election, 2011 Series D (Qualified School Construction Bonds)

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, 2016, the principal balance outstanding was \$19,000,000.

The bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ -	\$ 1,176,100	\$ 1,176,100
2018	-	1,176,100	1,176,100
2019	-	1,176,100	1,176,100
2020	-	1,176,100	1,176,100
2021	-	1,176,100	1,176,100
2022-2026	19,000,000	5,880,500	24,880,500
Total	\$ 19,000,000	\$ 11,761,000	\$ 30,761,000

General Obligation Bonds – 2008 Election, 2013 Series E

In July 2013, the District issued \$27,410,000 in current interest bonds, \$3,499,897 in capital appreciation bonds, and \$20,480,195 in convertible capital appreciation bonds of the General Obligation Bonds, Election of 2008 Series B. The capital appreciation bonds and convertible capital appreciation bonds accrete interest to a maturity value of \$13,490,000 and \$85,875,677, respectively. The bonds mature on August 1, 2039, August 1, 2036, and August 1, 2043, respectively, with interest yields ranging from 2.5 to 6.29 percent. 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. At June 30, 2016, the principal balance outstanding was \$55,710,665.

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

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2016**

The bonds mature through 2044 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Future Interest Accretion</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	1,979,034	1,412,219	3,451,253
2020	100,000	2,095,527	1,407,819	3,603,346
2021	140,000	2,224,524	1,405,319	3,769,843
2022-2026	1,395,000	13,350,891	6,889,845	21,635,736
2027-2031	1,760,000	3,002,274	16,999,555	21,761,829
2032-2036	2,558,723	2,942,047	19,545,530	25,046,300
2037-2041	30,442,143	28,567	17,076,717	47,547,427
2042-2044	19,179,799	-	4,364,935	23,544,734
Total	<u>\$ 55,710,665</u>	<u>\$ 29,234,335</u>	<u>\$ 71,927,002</u>	<u>\$ 156,872,002</u>

2015 General Obligation Refunding Bonds

In July 2015, the District issued 2015 General Obligation Refunding Bonds in the amount of \$25,580,000. The District refunded and redeemed \$25,100,000 of the \$26,300,000 outstanding balance from the General Obligation Bonds, 2008 Election, Series 2009. The 2015 General Obligation Refunding Bonds, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2017 and mature August 1, 2033. The refunding resulted in a cumulative cash flow savings of \$2,303,474 over the life of the new based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted. At June 30, 2016, the principal balance outstanding was \$25,580,000 and deferred charges \$3,531,671.

The bonds mature through 2034 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 195,000	\$ 1,118,475	\$ 1,313,475
2018	-	1,122,025	1,122,025
2019	-	1,122,025	1,122,025
2020	675,000	1,122,025	1,797,025
2021	775,000	1,095,025	1,870,025
2022-2026	5,590,000	4,882,325	10,472,325
2027-2031	9,910,000	3,182,825	13,092,825
2032-2034	8,435,000	642,801	9,077,801
Total	<u>\$ 25,580,000</u>	<u>\$ 14,287,526</u>	<u>\$ 39,867,526</u>

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

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED GENERAL OBLIGATION BOND FUND
JUNE 30, 2016**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2016.

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

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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.

INDEPENDENT AUDITOR'S REPORT



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

Governing Board 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, 2016, and the related notes of the financial statements, and have issued our report thereon dated December 7, 2016.

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 (internal control) to determine the audit procedures that are appropriate in the circumstances 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.

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 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, 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, Tai, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2016**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

None reported.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

JUNE 30, 2016

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

**TABLE OF CONTENTS
JUNE 30, 2016**

Independent Auditor's Report	1
Authority for Issuance	2
Purpose of Issuance	2
Authority for the Audit	2
Objectives of the Audit	3
Scope of the Audit	3
Procedures Performed	3
Conclusion	3
Financial Summary	4
Schedule of Disbursements by Site	5
Schedule of Findings and Questioned Costs	6
Schedule of Prior Audit Findings	7



INDEPENDENT AUDITOR'S 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, 2016.

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, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. 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
December 7, 2016

LOS ALAMITOS UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE K)

JUNE 30, 2016

AUTHORITY FOR ISSUANCE

The \$126,000,000 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, 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, 2013, and 2015 Refunding Bonds represent five series (Measure K) of an authorization of \$126,000,000 approved by District voters on November 4, 2008.

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, 2016

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, 2015 to June 30, 2016. 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, 2016, 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, 2016, 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, 2015 and ending June 30, 2016, 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 \$6,596,353. This represents 86 percent of the total expenditures of \$7,691,353, 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, 2016

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.
2. An analysis of expenditures is as follows:

Supplies and materials	\$ 86,912
Capital outlay	<u>7,604,441</u>
Total	<u><u>\$ 7,691,353</u></u>

Available unspent funds from the bond as of June 30, 2016, are:

Balance as of July 1, 2015	\$ 7,673,788
Interest earned in Building Fund	17,565
Total expenditures	<u>(7,691,353)</u>
Balance as of June 30, 2016	<u><u>\$ -</u></u>

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

**SCHEDULE OF DISBURSEMENTS BY SITE
FOR THE PERIOD ENDING JUNE 30, 2016**

	<u>2016</u>
Los Alamitos High School	\$ 1,322,076
District Office	4,736,756
Auxiliary Office	<u>1,632,521</u>
Total	<u><u>\$ 7,691,353</u></u>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

None reported.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

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