



Los Alamitos Unified School District
Citizens' Bond Oversight Committee for the 2008 Measure K
ANNUAL REPORT FOR 2013
March 2014

INTRODUCTION

The Los Alamitos Unified School District (the "District"), which serves the cities of Los Alamitos and Seal Beach and the communities of Rossmoor and Surfside and other unincorporated areas of Orange County, is the recognized leader in providing top quality education to Orange County students.

ALL (nine) of the District's eligible schools have been recognized as California Distinguished Schools multiple times. Eight have been named National Blue Ribbon Schools. Weaver Elementary School is the highest scoring elementary school in Orange County on statewide assessments, and Erin Kominsky, Principal at Weaver, received the National Distinguished Principal award for 2012.

Los Alamitos High School was ranked as a top 1% high school in the country by Newsweek. Los Alamitos Unified was ranked to the College Board's Honor Roll for the fourth year in a row; only district in Orange County to be named all four years. Hopkinson, McGaugh, and Weaver were all nominated and received visits for California District School Awards in 2014. Official recognition will be announced in May 2014.

Los Alamitos Unified School District students regularly win honors in county, state, and national competitions, including:

- 26 National Merit Scholars Commended in 2013-14
- Military Academy appointments
- Academic and athletic scholarships
- Sunset League athletic championships
- CIF championships
- National championships by the high school cheer team
- Sweepstakes championships by the marching band
- Model United Nations, and speech and debate tournaments

In addition, students from the District schools volunteer thousands of hours each year to community and environmental causes.

Citizens' Bond Oversight Committee for the 2008 Measure K ANNUAL REPORT FOR 2013

The achievements have been accrued by the District as a result of the long history of visionary leadership from the Board of Education for the District (the "Board"), as well as from staff members, parents, and members of the District communities. During its long history, the District has benefited from a community which supports its educational institutions by establishing high standards for academic achievement, while at the same time providing the means required to meet and even to surpass those expectations.

Although maintained well, the average age of District schools is almost 50 years. Los Alamitos Elementary School, the oldest District school, has been serving students and the community for more than 63 years.

In order to provide local students with the same classrooms and school facilities as other California school districts, major repairs, upgrades, and classroom construction are necessary to ensure these buildings will remain functional for future generations.

The District's Board of Education responded on August 5, 2008 by authorizing placement on the November 2008 ballot Measure K, a general obligation school construction bond. If approved, Measure K would provide \$126 million for a wide array of District facility needs with every campus to receive improvements by having classrooms and facilities repaired, upgraded and modernized as necessary, along with \$2 million for technology needs and \$2 million for athletic projects. The number of projects that can be completed with the bond's funds is highly dependent upon construction costs and the amount of State of California matching funds.

Measure K was presented to the voters through the state's Proposition 39 program under which a measure is passed with 55 percent voter approval. On November 4, 2008, Measure K was passed with a strong 62.2% voter approval.

Proposition 39 includes a number of requirements the sponsoring school district must meet before a measure can go before the voters. The Los Alamitos Unified School District had to provide in advance of the election a complete and detailed list of all projects to be undertaken with bond funds. Proposition 39 also includes a number of requirements the sponsoring school district must meet after a measure is approved.

CITIZENS' OVERSIGHT COMMITTEE

Proposition 39 requires the sponsoring school district of an approved measure to establish a Citizens' Oversight Committee to oversee, monitor and inform the public concerning the expenditure of general obligation bond revenues. The Citizens' Oversight Committee must provide annually a report of how bond funds were used in the past year. This is the Los Alamitos Unified School District Measure K Citizens' Oversight Committee's annual report for the calendar year 2012.

The committee is to consist of seven members to serve for a term of four years without compensation, and for no more than three consecutive terms.

Citizens' Bond Oversight Committee for the 2008 Measure K
ANNUAL REPORT FOR 2013

The committee must include:

- A. One member who is active in a business organization representing the business community located within the school district.
- B. One member active in a senior citizens' organization.
- C. One member who is a parent or guardian of a child enrolled in the school district.
- D. One member who is both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization; and
- E. One member who is active in a bona fide taxpayer's organization.

The Committee is currently made up of the following individuals:

<u>Member</u>	<u>Represent</u>
Chuck Anderson	At-Large Community Member
Jim Arakawa	Active PTA/Site Council Member
Fabiana Frasca	Parent of School District Student
Marco Navarro	Business Representative
Nancy Nien	Member of Taxpayer Organization
James F. Oliver	Active Member of Senior Citizens Group
Russell Triplett	Chairperson; At-Large Community Member

The Los Alamitos Unified School District's School Facilities Improvement District No. 1 Citizens' Bond Oversight Committee met on the following dates:

- March 20, 2013
- October 13, 2013
- January 29, 2014

It is planned that at the April 22, 2014 regular meeting of the Board of Education, the Committee will present the 2013 Annual Report of the Citizens' Oversight Committee.

BUDGET

Following are two charts which represent the current budgets expressed both by school and by expense categories as they stand on January 31, 2014:

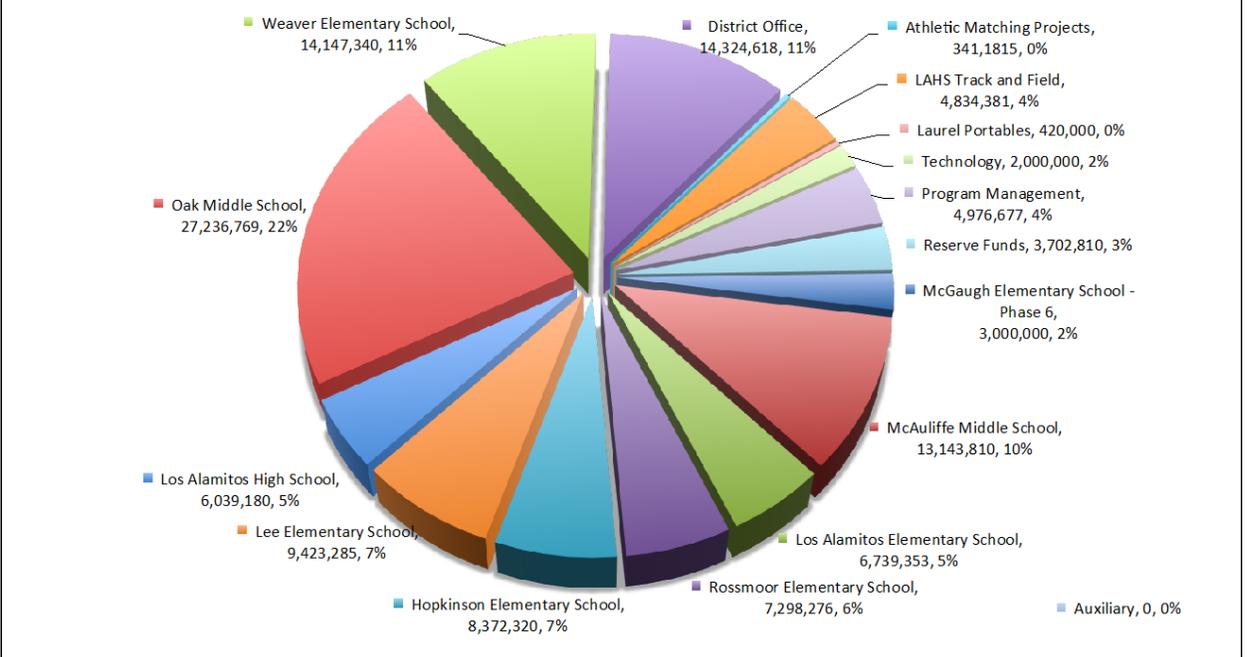
Citizens' Bond Oversight Committee for the 2008 Measure K ANNUAL REPORT FOR 2013

Fiscal Year 2013-2014
Last Update January 31, 2014

Measure K - Comprehensive Modernization Program
Los Alamitos Unified School District

Measure K Budget - By School

Measure K - Budget Reports

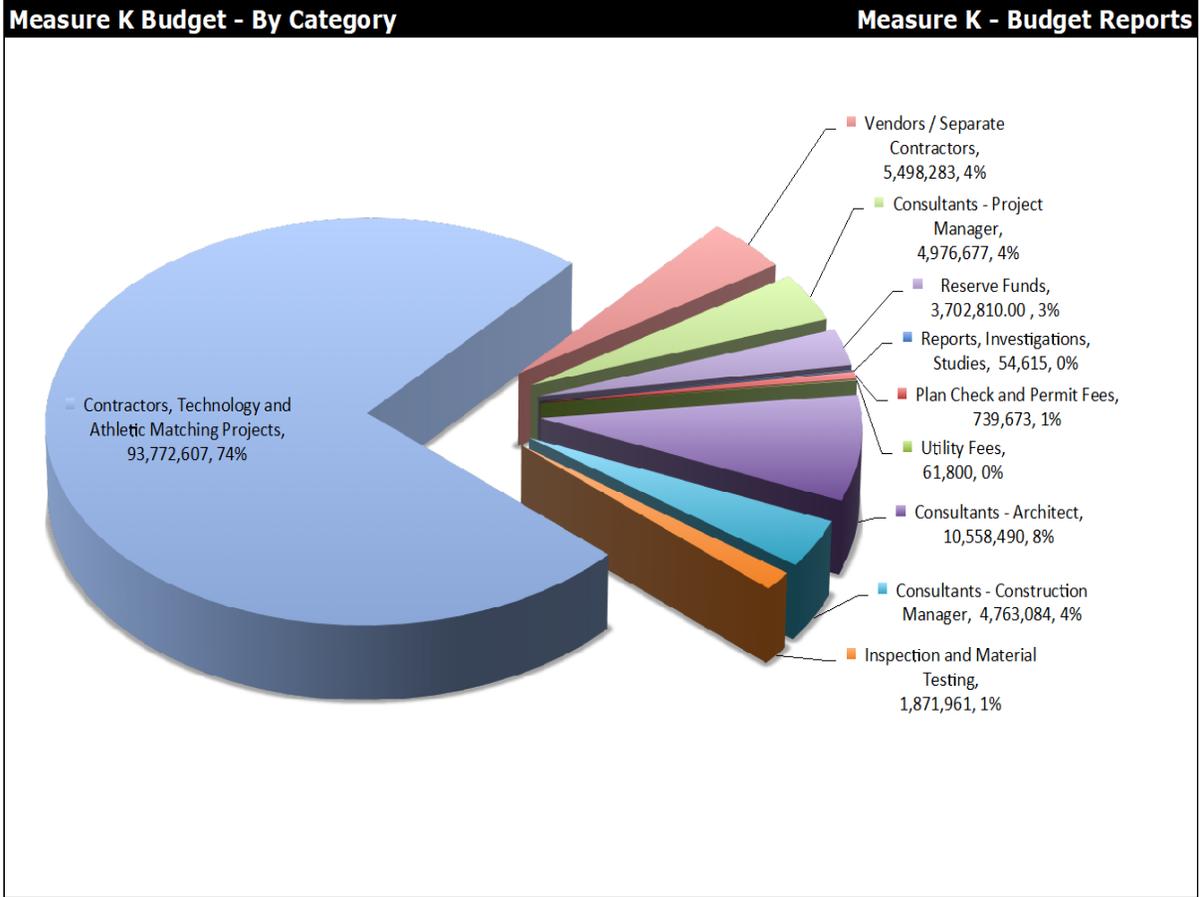


School / Project	Actual Measure K Budget
McGaugh Elementary School - Phase 6	3,000,000
McAuliffe Middle School	13,143,810
Los Alamitos Elementary School	6,739,353
Rossmoor Elementary School	7,298,276
Hopkinson Elementary School	8,372,320
Lee Elementary School	9,423,285
Los Alamitos High School	6,039,180
Oak Middle School	27,236,769
Weaver Elementary School	14,147,340
District Office	14,324,618
Athletic Matching Projects	341,181
LAHS Track and Field	4,834,381
Auxiliary	0
Laurel Portables	420,000
Technology	2,000,000
Program Management	4,976,677
Reserve Funds	3,702,810
Total	126,000,000

Citizens' Bond Oversight Committee for the 2008 Measure K ANNUAL REPORT FOR 2013

Fiscal Year 2013-2014
Last Update January 31, 2014

Measure K - Comprehensive Modernization Program
Los Alamitos Unified School District



Category	Approved Budget
Reports, Investigations, Studies	54,615.00
Plan Check and Permit Fees	739,673.00
Utility Fees	61,800.00
Consultants - Architect	10,558,490.00
Consultants - Construction Manager	4,763,084.00
Inspection and Material Testing	1,871,961.00
Contractors, Technology and Athletic Matching Projects	93,772,607.00
Vendors / Separate Contractors	5,498,283.00
Consultants - Project Manager	4,976,677.00
Reserve Funds	3,702,810.00
Total	126,000,000.00

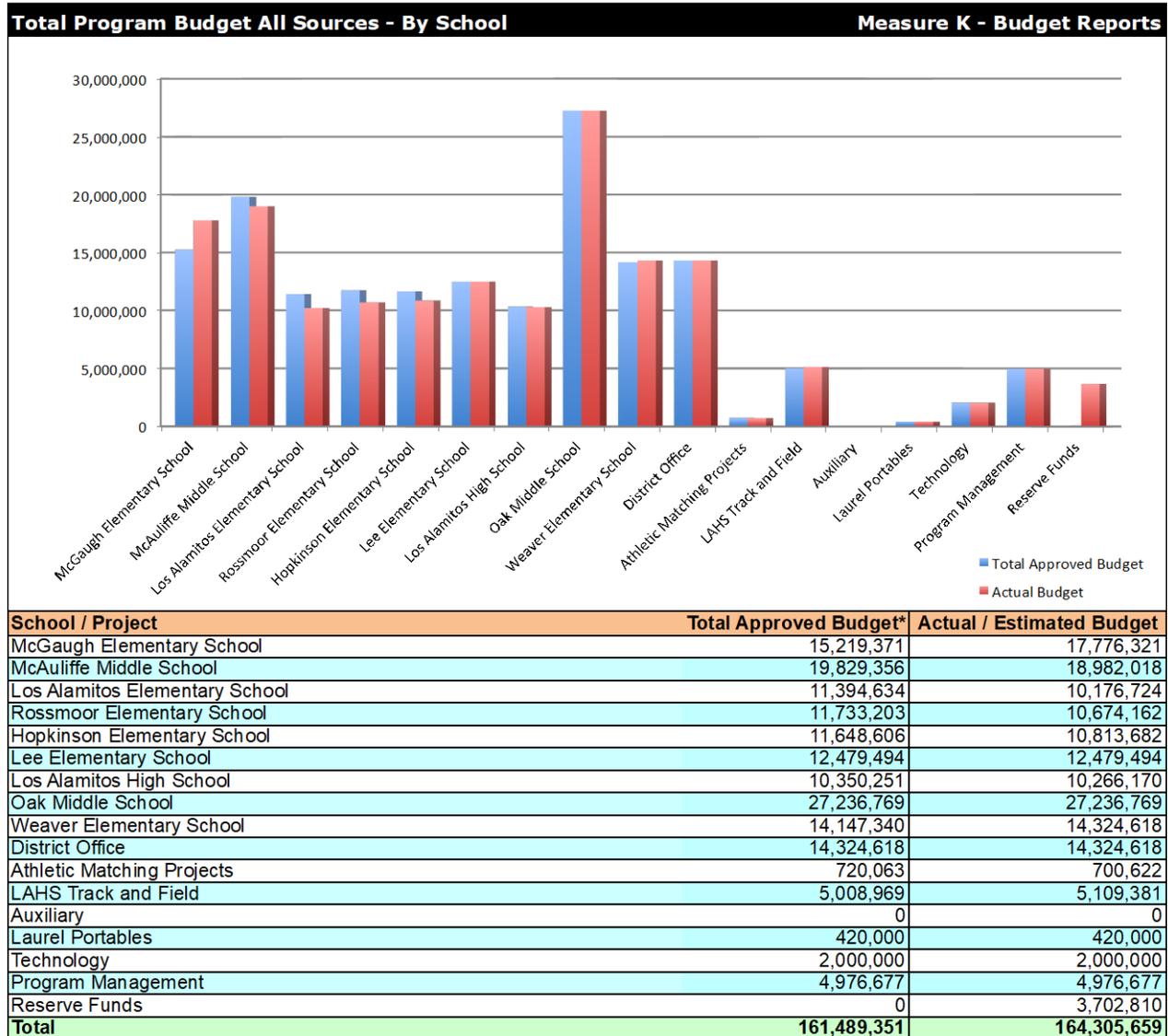
Citizens' Bond Oversight Committee for the 2008 Measure K ANNUAL REPORT FOR 2013

BUDGET BY TOTAL PROGRAM

Because some projects have other revenue sources besides Measure K that have helped complete them, including State Bond Funds, Deferred Maintenance, or local donations, the following chart shows "Total" Budget from all sources, both at the time of approval and actual at completion of the project.

Fiscal Year 2013-2014
Last Update January 31, 2014

Measure K - Comprehensive Modernization Program
Los Alamitos Unified School District



* Total Approved Budget Includes all sources

** Remaining Funds from Athletic Matching Projects were allocated to Soft Ball Team Rm within LAHS Project and to Track and Field Project

Citizens' Bond Oversight Committee for the 2008 Measure K ANNUAL REPORT FOR 2013

REVENUE

The District was able to do several great things this year. First, Standard & Poor's raised the District's rating from AA- to AA for the GO bonds that were sold in August 2013. They also improved the COP rating to AA-. They cited the District's strong financial performance and large reserves as reasons. We should feel terrific about this since the rating agencies have not been upgrading CA ratings in the past few years.

Moody's also affirmed the Aa2 rating and cited the strong finances and stability as well. The matched ratings of AA / Aa2 really helped to attract more investors in our sale of the bonds on Wednesday, July 31, 2013. Below is the summary of the successful bond sale:

Once we had our new ratings, the District successfully sold \$51.3 million of Series E bonds, generating \$30.8 million for the completion of facilities projects as well as the defeasance of the 2011 Bond Anticipation Notes. Despite a weak market with increasing municipal bond rates, the District's strong ratings attracted a large number of investors. This demand enabled us to lower the original proposed rates at the conclusion of the sale. Details of the final structure are outlined below:

- The total cost of borrowing, or All Inclusive Cost (AIC), was 5.657%.
- The structure is comprised of 53.35% Current Interest Bonds, 39.85% Convertible Capital Appreciation Bonds (which convert to Current Interest Bonds in 2026) and 6.80% Capital Appreciation Bonds.
- The final term of Series E Bonds is 30 years; however the CABs will mature within 24 years starting in 2031 through 2037.
- The debt repayment ratio (total principal and interest to original principal amount) for the Series E bonds is 3.11 to 1.
- The Current Interest Bonds (CIBs) and Capital Appreciation Bonds (CABs) will be callable after 10 years. The Convertible Capital Appreciation Bonds (C-CABs) are callable in 2031, 5 years after the 8/1/2026 conversion date.

EXPENDITURES

The California Constitution specifically limits the expenditures of bond revenues to: construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities.

As disclosed in the Proposition 39-required annual independent auditor's report, the total amount expended during the 2012-13 fiscal year was \$11,890,500. An itemized list of the expenditures

**Citizens' Bond Oversight Committee for the 2008 Measure K
ANNUAL REPORT FOR 2013**

was provided by the Los Alamitos Unified School District accounting staff as additional supporting documentation to the annual audit. The independent accounting firm of Vavrinek, Trine, Day & Company prepared the audit report, *Los Alamitos Unified School District Proposition 39 Review of Election 2008, Series 2009, 2010B, 2010C, 2011D (Measure K) Audit Report, Financial Audit and Performance Audits, June 30, 2013.*

These funds were used for modernization work at Lee Elementary School, Weaver Elementary School, Oak Middle School, Los Alamitos High School; and planning and design of modernization projects at the District Offices.

For Lee Elementary School, Weaver Elementary School, Oak Middle School, and Los Alamitos High School, the funds were used for the following categories: Site preparation, including engineering, environmental review and testing; planning, including architects and Division of State Architect review; construction, including construction manager, temporary facilities and utilities. In addition, there were costs for State of California required inspections and furniture and equipment.

For the District Offices, the funds were used for the following categories: Site Preparation, Planning, including architects and Division of State Architect. As of December 31, 2013, no construction had begun at any of these upcoming projects.

TIMELINE

Below is a table summarizing the projected timelines for planned projects under Measure K:

Site	Begin Architectural Drawings	Submit Drawings to DSA/Projection of when Contractor Selection Process will be Completed	Projected Start Date of Construction at Site	Projected Construction Completion
McGaugh Elementary (Phase VI)	December 2008	June 2009	September 2009	January 2010
McAuliffe MS	December 2008	June 2009	June 2010	August 2011
LAE	December 2008	June 2009	June 2010	August 2011
Rossmoor Elementary	December 2009	June 2010	June 2011	August 2012
Hopkinson Elementary	December 2009	June 2010	June 2011	August 2012
Lee Elementary	December 2010	June 2011	June 2012	August 2013
LAHS Gym	December 2010	June 2011	June 2012	January 2013
Oak MS	December 2011	June 2012	April 2013	November 2014
Weaver Elementary	December 2011	June 2012	June 2013	November 2014
LAHS Track & Field	January 2011	July 2012	May 2013	November 2013
District Office	December 2012	March 2014	September 2014	October 2015

NOTE: These projected timelines will change based on final dates of approval by the Division of State Architect (DSA) and the process used to obtain the General Contractor. The General Contractor, once approved by the Board, determines the final construction schedule for each site. While we have taken every effort to consider variables within the schedule, the final timeline will be adjusted due to a number of outside factors.

Citizens' Bond Oversight Committee for the 2008 Measure K ANNUAL REPORT FOR 2013

AUDIT

Proposition 39 requires that the sponsoring school district, of an approved measure, conduct an annual independent performance audit to ensure that bond funds have been expended only on the specific projects included on the list of projects the district was required to provide before Measure K was presented to the voters.

Proposition 39 also requires that the school district conduct an annual independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for the school facilities projects.

The annual audit of the Los Alamitos Unified School District's Measure K bond expenditure was conducted by Vavrinek, Trine, Day & Co., an independent auditing firm. In the firm's report of that audit it states, "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (General Obligation Bonds, Election 2008, Series 2009, 2010B, 2010C, 2011D, and 2012 Bond Anticipation Notes) (Measure K) of the Los Alamitos Unified School District as of June 30, 2013, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America."

Vavrinek, Trine, Day & Co. also conducted a review of the expenditures for the period ended June 30, 2013, and their review 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.

The audit report was presented by an accountant of Vavrinek, Trine, Day & Co. for review to the Citizens' Bond Oversight Committee at its January 29, 2014 meeting. This report is available online or upon request at the Los Alamitos Unified School District's Business Office, 10293 Bloomfield Street, Los Alamitos, California.

WEBSITE

Proposition 39 requires the sponsoring school district of an approved measure to establish a website dedicated to bond matters. All documents received by the Citizens' Oversight Committee and all reports issued by the Committee are a matter of public record and are made available on the District's website.

That website can be found at the Los Alamitos Unified School District homepage at www.losal.org. By clicking on "Bond Information", visitors will find all available documents presented to the committee, including:

- Meeting agendas
- Meeting minutes. Minutes of a meeting cannot be provided until they are approved by the Committee.

Citizens' Bond Oversight Committee for the 2008 Measure K ANNUAL REPORT FOR 2013

- The "Project List" of all bond projects required prior to Measure K going before the voters
- California Education Code Provisions for Citizens' Oversight Committees
- Reports and other documents prepared and presented to the Committee

CONCLUSIONS

The Los Alamitos Unified School District's Measure K Citizens' Bond Oversight Committee has met and reviewed the report of the audit of bond expenditures conducted by Vavrinek, Trine, Day & Co. for the fiscal year ending June 30, 2013. The report and the Citizens' Bond Oversight Committee website can be found on the Los Alamitos Unified School District's webpage at www.losal.org.

The Oversight Committee finds the Los Alamitos Unified School District to be in compliance with the requirements of Article XIII A, Section 1 (b)(3) of the California Constitution.

Russell Triplett, Committee Chair
Chuck Anderson, Committee Vice Chair