

**LODI UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND
MEASURE L
GENERAL OBLIGATION BONDS
SACRAMENTO, CALIFORNIA**

PERFORMANCE AUDIT

YEAR ENDED JUNE 30, 2019

**LODI UNIFIED SCHOOL DISTRICT
PROPOSITION 39
AND MEASURE L GENERAL OBLIGATION BONDS**

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JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

**Board of Education and
Measure L Citizens' Oversight Committee
Lodi Unified School District
Lodi, California**

We have conducted a performance audit of the Lodi Unified School District's (the District) Measure L General Obligation Bonds for the year ended June 30, 2019.

We conducted our performance audit in accordance with *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 reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 2 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure L General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal controls.

The results of our tests indicated that, in all significant respects, the Lodi Unified School District expended Measure L General Obligation Bond funds for the year ended June 30, 2019 only for the specific projects developed by the District's Board of Education and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

November 18, 2019

**LODI UNIFIED SCHOOL DISTRICT
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OBJECTIVES

The objectives of our performance audit were to document the expenditures charged to Measure L General Obligation Bonds (the Measure) which were approved under Proposition 39, determine whether expenditures for fiscal year ended June 30, 2019 charged to the Building Fund have been made in accordance with project budgets and guidelines, note any incongruities or system weaknesses, and provide recommendations for improvements.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal year ended June 30, 2019. Expenditures incurred after the issuance of the bonds and prior to July 1, 2018, were covered in previous audits. The expenditures included all object and project codes associated with the Bond projects. Expenditures incurred subsequent to June 30, 2019 were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

On November 7, 2006, \$114,000,000 in general obligation bonds were authorized by voter approval of Measure L. The first series of Measure L Bonds in the amount of \$50,000,000 was issued in August 2007 (2007 issue). The total proceeds from the bond series less the bond issuance costs are to be used to finance the planning, construction, acquisition, furnishing, and equipping of District facilities. The 2016 General Obligation Refunding Bonds were issued on May 19, 2016, which refunded all but \$1,885,000 of the 2007 issue. During the year ended June 30, 2017, the 2007 issue was paid off.

The second series of Measure L Bonds in the amount of \$9,000,000 was issued in October 2018 (2018 issue). The total proceeds from the bond series less the bond issuance costs are to be used to modernize, replace, renovate, construct, acquire and rebuild the District facilities.

A Citizens Oversight Committee (the Committee) was appointed to comply with the California Constitution and the Education Code. The purpose of the Committee is to monitor and report on the expenditure of the Measure's bond proceeds, and to inform the public concerning the expenditure of the bond proceeds. Section 1(b)(3) of Article XIII A of the California Constitution requires an annual performance audit be conducted to ensure that the funds have been expended only on the specific projects publicized by the District.

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PROCEDURES PERFORMED

We obtained the Building Fund general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2019. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the Proposition 39 and Measure L General Obligation Bond funding. We performed the following procedures:

- We reviewed the list of projects being performed to verify that the list of intended projects is consistent with the District's Facilities Project List.
- We verified that the District created the required debt service fund and capital outlay fund in order to account for the bond proceeds and expenditures.
- We verified that the proceeds from the sale of bonds were deposited in an appropriate debt service fund and a capital outlay projects fund.
- We determined that the Committee is fulfilling its duties as outlined in the Citizens' Bond Oversight Committee Bylaws.
- We selected a sample of expenditures in the fiscal year ended June 30, 2019, and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
- We verified that funds were used for the construction, acquisition, furnishing, and equipping of District facilities, and we verified that funding was not used for salaries of school administrators or other operating expenses of the District.

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RESULTS OF PROCEDURES PERFORMED

The District utilized Measure L Bond funds for 38 projects. The District incurred total expenditures of \$71,236,110 through June 30, 2019, for the Measure L projects listed below.

Description	Prior Activities	June 30, 2019 Activities	Total
Sources:			
Bond Proceeds	\$ 50,000,000	\$ 9,000,000	\$ 59,000,000
Net Interfund Transfers	20,857,537	-	20,857,537
Other	2,465,386	279,978	2,745,364
	<u>73,322,923</u>	<u>9,279,978</u>	<u>82,602,901</u>
Uses:			
Undesignated Facility & Planning (0000/5510/5800)	546,882	209,929	756,811
North Stockton Projects (5803)	5,616	-	5,616
Elkhorn Elementary Sch. (8003)	187,391	-	187,391
Delta Sierra MS (8004)	1,280,794	-	1,280,794
McNair HS (8005)	940,206	-	940,206
John Muir ES (8007)	87,860	-	87,860
Morada MS (8009)	74,960	-	74,960
Oakwood Parking Lot (8011)	-	112,085	112,085
Wagner-Holt Jive System (8015)	-	21,408	21,408
Playground Improvement @ Silva (8022)	37,400	245,562	282,962
Facility Master Plan (8023)	188,725	-	188,725
Clairmont Parking/Playground Improvement (8036)	153,565	-	153,565
BCHS Fire Alarm Upgrade (8041)	-	110,037	110,037
Parklane Fire Alarm Upgrade (8043)	-	50,416	50,416
Wagner-Holt Fire Alarm Upgrade (8044)	247	43,987	44,234
Westwood Parking Lot Safety Improvement (8056)	75	7,700	7,775
Davis Parking lot Safety Improvement (8057)	255,969	-	255,969
Bear Creek Jive System (8059)	-	174,588	174,588
Creekside Jive System (8069)	-	644	644
Parklane Jive System (8078)	-	24,332	24,332
Bear Creek Lab Conversion (8090)	179,769	-	179,769
Academy High School Special Education (8101)	12,195	-	12,195
Playground Replacement-Stockton (8106)	142,946	-	142,946
Morada Middle #1 Emergency Repair Project (8420)	158,548	-	158,548
Morada Middle #2 Emergency Repair Project (8422)	228,494	-	228,494
Morada Middle #3 Emergency Repair Project PN-0062 (8424)	438,426	-	438,426
Delta Sierra Science Classroom (8711)	2,570,759	-	2,570,759
Morada Science Classroom (8712)	2,504,394	-	2,504,394
McNair Storm Drain Pump Station (8866)	-	-	-
Podesta Ranch Elementary (8922)	18,757,341	-	18,757,341
Future Elementary Site F (8923)	2,502,371	-	2,502,371
Future Middle Site #1 (8924)	4,897,068	-	4,897,068
BCHS Athletic Facility Improvement (8928)	2,021,799	-	2,021,799
Bear Creek High School Addition Phase II (8933)	21,129,020	-	21,129,020
School Facility Improv Dist Safety Projects (8934)	9,039,930	-	9,039,930
Sanctuary Elementary (8935)	736,425	-	736,425
Sanctuary High (8936)	96,824	-	96,824
Academy High School (8974)	1,059,423	-	1,059,423
	<u>70,235,422</u>	<u>1,000,688</u>	<u>71,236,110</u>
Ending Balance	\$ 3,087,501	\$ 8,279,290	\$ 11,366,791

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CONCLUSION

Based upon the procedures performed, we found that for the items tested, the Lodi Unified School District has properly accounted for the expenditures of the Measure L General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

MANAGEMENT COMMENTS AND RECOMMENDATIONS

BOND OVERSIGHT COMMITTEE

Criteria: Measure L Citizens' Bond Oversight Committee Bylaws and Proposition 39 require the Citizens' Bond Oversight Committee (Committee) to be comprised of at least seven members who meet the following criteria:

- This Committee shall have seven (7) members, appointed by the District Board of Education.
- All members shall be voting members.
- The members shall elect a Chairperson and a Secretary.
- The composition of the Committee shall meet the requirements of Education Code Section 15282.
- All members must reside within the boundaries of the Lodi Unified School District and its Special Facilities District #1.

Committee Bylaws and Proposition 39 also requires the Committee to have at least one annual meeting with quorum and to approve an annual report summarizing activity. The Committee shall cause an annual report to be furnished to all District Governing Board members, not later than 60 days after the completion of the annual audit of the year-end close of the District's financial records. The report shall contain the following summary information in appropriate detail:

- (1) Committee's ongoing review summary of activities on the expenditure of Measure L bond proceeds;
- (2) Advice given to the public (annually/quarterly) whether the estimated tax to be levied exceeds \$60 per \$100,000 assessed value (Cal. Const. Art. XIII A, Section 1(b)(3).)
- (3) Results of whether bond proceeds were expended on project costs and not used on teacher or administrative salaries or other operating expenses.
- (4) Provide a copy of any report issued to the public in the event the Committee determined Measure L funds were spent improperly or wastefully.
- (5) The annual report shall be accompanied by any report thereon of independent accountants, or, if there is no such report, the certificate of an authorized officer of the Committee that such statements were prepared without audit from the books and records of the Committee.

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Condition: We noted the Committee did not meet in fiscal year 2018-2019 as it struggles to retain the required number of members and did not prepare an annual report following the completion of the 2017-2018 annual audit of the District's financial records.

Recommendation: We understand that the District struggles to retain Committee members and to establish a quorum at scheduled meetings. We recommend the District attempt to obtain a quorum of the required number of members. Additionally, the committee is required to hold, at the minimum, an annual meeting and prepare an annual report.

District Response: Some members of the Measure L Bond Citizen's Oversight Committee (the Committee) resigned and the District was unable to hold a forum due to lack of members.

Corrective Action: The District appointed a new member at the October 15, 2019 board meeting. The Committee will resume meetings and an annual report will be issued no later than 60 days following the completion of the District's annual audit of the financial records, accompanied by the Performance Audit report of the Measure L Bond expenditures conducted by the auditor for the District.