

Lodi Unified School District

**MEASURE L CITIZENS' OVERSIGHT COMMITTEE**

**ANNUAL REPORT**

July 1, 2009 through June 30, 2010

This annual report is submitted in accordance with section 7(b) of the Bylaws for the Lodi Unified School District Measure L Citizens' Oversight Committee. This is the third annual report submitted by the Measure L Committee. In accordance with the Bylaws this report is being presented to the LUSD Board of Education within the required 60 days after the completion of the annual audit of the year-end close of the District's financial records. Accordingly, it meets all of the requirements outlined in the Bylaws. The report was reviewed and approved by the Committee during its special meeting held February 8, 2011.

Overview

The Bylaws of the Measure L Citizens' Oversight Committee requires that the committee consist of seven members. During the period being reported on, the committee included the following seven members;

Kevin Thompson, David Jimenez, Charlie Hamilton, Phillip Estrada, Melvin Settles, Lester Patrick and Dean Plassaras. Although the committee is comprised of seven members, two members have not attended consistently. This lack of attendance has had a negative impact on the overall effectiveness of the committee. This will be addressed later in the report.

Additionally, regular committee meeting participants have included Art Hand Jr., Carrie Hargis, Desiree Wise, with the Superintendent present on occasion. These individuals are staff members of the Lodi Unified School District, and have provided financial reports and other information at committee meetings. The committee has met on a quarterly basis.

Summary of Measure L Committee's Activities

All activities of the committee are governed by the Bylaws. The activities that were performed by the committee this year included the following:

- Received and reviewed LUSD 2009–2010 Financial Statements.
- Reviewed and accepted Auditor's Report (independent accountant's report on applying agreed upon procedures) for the Fiscal Year ending June 30, 2010.
- Reviewed quarterly financial reports, and monitored the history of Measure L projects.
- Due to slowdown in building activity no onsite inspections of on-going or completed Measure L projects for compliance with Measure L bond requirements were conducted.
- Monitored all LUSD Board of Education Agendas for any agenda items related to Measure L projects or issues.

### Measure L Tax Rate Estimate

In accordance with Section 7(b)(2) of the Bylaws, the committee is required to provide advice 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))

The Average Annual Tax per \$100,000.00 of Assessed Property Value is prohibited from exceeding \$60.00. The Average Annual Tax per \$100,000.00 of Assessed Property Value for the year ending 2010-2011 is \$52.50. Consequently, that figure falls within the allowable Average Annual Tax per \$100,000.00 of Assessed Property Value.

The Average Annual Tax per \$100,000.00 of Assessed Property Value for 2008-2009 was \$62.70. The decrease is primarily due to the recent national financial crisis. As pointed out in last year's report, the strong downturn in the real estate market throughout San Joaquin County has caused property values to decrease precipitously in North Stockton. This trend has continued throughout 2009-2010 and is expected to continue throughout 2010 - 2011.

The Board of Supervisors of the County of San Joaquin issued its annual tax rates on the secured role on September 7<sup>th</sup> 2010. Additional taxes were levied and collected for school purposes for fiscal year 2010-2011 such that provision will be made for the redemption on bonds and payment of interest and other indebtedness approved by the voters pursuant to law and approved by the San Joaquin County Superintendent of Schools, to be levied and collected upon Each One Hundred Dollars (\$100.00) of assessed valuation of the respective districts, after due allowance for delinquency.

Accordingly the tax rate for Lodi Unified Schools is as follows:

Lodi Unified School District	Bond	.0525
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The above tax rates are per \$100.00 property assessed value. Consequently, the average annual tax for 2010-2011 is \$52.50 per \$100,000.00.

In accordance with Cal. Const. Art. XIII A, Section 1(b) (3), the estimated tax to be levied cannot exceed \$60 per \$100, 000 assessed values. Accordingly, the \$52.50 per \$100,000.00 assessed by the San Joaquin County Board of Supervisors for 2010-2011 is below the allowable \$60.00 per \$100,000.00 assessed value allowed and does not violate the Measure L Bond requirement.

### LUSD 2009-2010 Financial Statements with Independent Auditor's Report

During the January 20, 2011 Measure L Committee's meeting the Committee received and reviewed the 2009-2010 Financial Audit Report provided by Gilbert Associates, Inc. In addition to the Financial Audit Report, the Committee received an Independent Accountant's Report on applying previously agreed upon procedures. This supplement to the full audit consisted of a representative sampling of Measure L Bond expenditures. In keeping with the requirements of the Bylaws, the sample size was at least 20% of expenditures but did not exceed 40 transactions. The findings are as follows:

- Samplings verified that expenditures agreed to the supporting documentation including requisitions, invoices, purchase orders and construction contracts.

- The samplings verified that expenditures were in compliance with the regulations of the Article XIII A, Section 1 (b) (3) of the California Constitution and construction projects outlined by Measure L.
- The samplings verified that expenditures were not used for teacher and administrative salaries or other school operating expenses as required by section 7(b)(3) of the Bylaws.
- Lastly, the sampling verified expenditures to be in compliance with the District's system for monitoring project expenditures.

### Measure L Committee Findings

Below are the findings of the Measure L Bond Oversight Committee. Some of the findings stated reflect the same findings from last year's report. Consequently, the school board and or public should pay close attention to these repeat findings.

1. The Committee would have preferred the insights provided by a full audit of the Measure L Bond expenditures. The Committee is limited in its ability to report to the LUSD Board of Education and public under the current sampling methodology. While the Committee understands that the sampling method is significantly less expensive than a full audit, the Committee believes it would allow for a more thorough execution of its duties.
2. The Committee continues to monitor the use of "temporary borrows" from one project to another. These borrows are the result of the lag in the receipt of state money from the Office of Public School Construction. This lag causes a potential financial insolvency for the project. By borrowing money from one project that is not as far along, LUSD is able to keep projects moving ahead. According to LUSD, the temporary borrowing has never caused a delay to the start of another project. Nevertheless, in these very uncertain financial times this committee still believes that it would be prudent for the district to re-evaluate this practice and the potential risks involved.
3. The committee again emphasizes that the current economic environment represents both challenges and opportunities. For that reason, the Committee would like to urge LUSD to capitalize in the current construction slowdown and obtain favorable bids for its future projects. This would result in maximized value for both LUSD and the community which it serves.
4. Last year the committee requested that it receive the annual audit report at a minimum of seven days prior to the meeting in the fourth quarter. Although there was a delay in the report being presented to the school board this year, the Measure L Committee did receive the report at least seven days prior to the meeting.
5. Also last year due to the lack of attendance of two members, we cited to the board the need to modify the bylaws to include procedures to be followed to replace committee members due to lack of attendance. This request was so that we can ensure the committee is in compliance with the Bylaw requirement of maintaining a seven member committee. Since that time we have placed several phone calls to both members and sent emails to request their intentions of remaining on the committee.

One member has expressed his desire to remain on the committee and has resumed attendance at meetings. One member still has not responded to either emails or phone calls. The committee has unanimously voted to remove this individual from the committee.

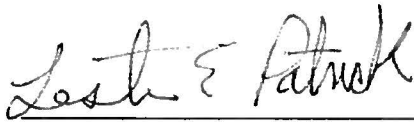
Additionally, the committee has requested legal guidance in how to go about removing this individual from the committee. The legal advice received correlates with the actions this committee has already taken.

Consequently we are requesting that this board modify the Measure L Bond Oversight Committee Bylaws to reflect a procedure for dismissing any member who has poor attendance at meetings.

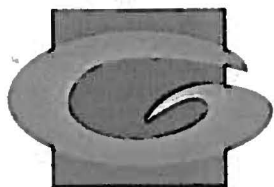
6. On Jan 21, 2011 Mr. Charles Hamilton, business representative submitted his resignation due to moving out of the district. This means that we are now two members short of the seven member committee requirement. We request that this board move very quickly to announce and replace both positions.

#### Conclusion

The Measure L Citizen's Oversight Committee members have concluded that LUSD is in compliance with the requirements set forth by the Measure L Bond election.

A handwritten signature in cursive script, appearing to read "Lester Patrick", is written over a horizontal line.

Lester Patrick, Chairman      2/8/11



**Gilbert Associates, Inc.**  
CPAs and Advisors

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Lodi Unified School District and  
Measure L Citizens' Oversight Committee  
1305 East Vine Street  
Lodi, California 95240

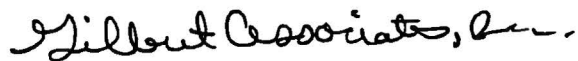
We have performed the procedures enumerated below, which were agreed to by Lodi Unified School District (District) and Measure L Citizen's Oversight Committee (the specified parties, collectively), solely to assist the District in documenting its compliance with the regulations of article XIII A, Section 1 (b)(3) of the California Constitution for the twelve month period ending June 30, 2010. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Obtained the General Obligation Bonds, Series 2006 Official Statement and Measure L Voter's Pamphlet.
2. As directed by the specified parties, we generated a random sample of project costs identified by the District. (Sample size of at least 20% of expenditures but not to exceed 40 transactions incurred through June 30, 2010). Selected expenditures are detailed at Attachment 1.
3. For selected expenditures at Attachment 1, we performed the following:
  - a. Agreed expenditures to supporting documentation including requisitions, invoices, purchase orders and construction contracts. No exceptions were found as a result of applying this procedure.
  - b. Verified that expenditures were in compliance with the regulation of the article XIII A, Section 1 (b)(3) of the California Constitution and construction projects outlined by Measure L. No exceptions were found as a result of applying this procedure.
  - c. Verified that expenditures were not used for teacher and administrator salaries or other school operating expenses. No exceptions were found as a result of applying this procedure.
4. Obtained an understanding of the system used by the District for monitoring project expenditures and reviewed expenditures for appropriate compliance with the system. No exceptions were found as a result of applying this procedure.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the Districts compliance with the regulations of article XIII A, Section 1 (b)(3) of the California Constitution. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Lodi Unified School District and Measure L Citizen's Bond Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Gilbert Associates, Inc." followed by a horizontal line.

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**December 10, 2010**

# LODI UNIFIED SCHOOL DISTRICT

## AGREED UPON PROCEDURES REPORT - MEASURE L ATTACHMENT 1

Selx #	Posting Date	Warrant #	Acct. # (22.0000 .0.0000.8500 .xxxx.xxx.xxx)	Payee	Amount	Description
1	1/19/2010	16255142	22.0851.0.0000.8500.6210.753.8935	Rainforth	\$ 53,982.00	Architectural Services for New Lodi K-8 School #1 (November 2009)
2	3/2/2010	16256681	22.0851.0.0000.8500.6210.753.8935	Rainforth	100,470.00	Architectural Services for New Lodi K-8 School #1 (January 2010)
3	3/30/2010	16257614	22.0851.0.0000.8500.6210.753.8935	Rainforth	50,235.00	Architectural Services for New Lodi K-8 School #1 (February 2010)
4	2/9/2010	16255965	22.0849.0.0000.8500.6220.500.8933	Division of State Architect	7,701.79	Plan Fees for Bear Creek HS Construction
5	9/17/2009	16251565	22.0872.0.9225.8500.6270.460.8424	Bobo Construction	119,501.10	Morada MS Emergency Repairs (July 2009)
6	9/29/2009	16252064	22.0872.0.9225.8500.6270.460.8420	San Joaquin County Public Works	30,952.00	Water Connection Fee for Morada MS ERP
7	12/17/2009	16254449	22.0872.0.9225.8500.6270.460.8424	Bobo Construction	63,557.10	Morada MS Emergency Repairs (September 2009)
8	1/19/2010	16255139	22.0850.0.0000.8500.6274.520.8934	Animal Damage Management	21,230.00	Install Pigeon Exclusion Canopies at McNair HS
9	2/23/2010	16256460	22.0850.0.0000.8500.6274.800.8934	Security Integration	10,000.00	Maintain Surveillance Systems-Sutherland for Beckman and McNair School Sites
10	1/22/2010	TV-000241	22.0872.0.9225.8500.6270.460.8424	Bobo Construction- Retainage	7,061.90	Retainage for Morada MS Emergency Repairs
11	11/17/2009	16253406	22.0849.0.0000.8500.5600.500.8933	Department of General Services	189.74	Procurement Surcharge (State)-Sunlight Communications-Data/Voice/CATV
12	11/17/2009	16253401	22.0874.0.0000.8500.6150.755.8974	Aperio Inc.	2,015.75	Construction Project Consulting-Future School Sites (October 2009)
13	12/10/2009	16254161	22.0874.0.0000.8500.6150.880.8974	Swanberg	3,500.00	Appraisal Fee for Future School Site Lot
14	12/17/2009	16254448	22.0874.0.0000.8500.6150.755.8974	Aperio Inc.	2,745.00	Construction Project Consulting for Future School Sites (December 2009)
15	12/22/2009	16254540	22.0852.0.0000.8500.6150.754.8936	Dept of Toxic Substances	159.35	Toxic Substance Activity Control for Future HS
16	2/18/2010	16256175	22.0874.0.0000.8500.6150.755.8974	Aperio Inc.	1,595.75	Construction Project Consulting for Future School Sites (February 2010)
17	2/23/2010	16256458	22.0874.0.0000.8500.6150.755.8974	Dept of Toxic Substances	1,500.00	Construction Phase I Review Fee for Academy HS
18	12/29/2009	16254718	22.0000.0.0000.8500.6240.460.8712	Wallace-Kuhl & Associates	130.00	Construction Materials Testing for Morada HS
19	8/13/2009	16250650	22.0872.0.9225.8500.6250.460.8420	Stockton Blue	456.79	Construction Plan Duplications for Morada MS
20	11/6/2009	TV-000140	22.0872.0.9225.8500.6270.460.8424	Bobo Construction- Retainage	13,277.90	Retainage for Morada MS Emergency Repairs
21	5/20/2010	16259099	22.0874.0.0000.8500.6150.755.8974	Dept of Toxic Substances	8,510.00	Advanced Payment of Services for Academy High School Site
22	5/4/2010	16258698	22.0851.0.0000.8500.6210.753.8935	Rainforth	50,235.00	Architectural Consulting Services for New Lodi USD K-8 School Design
23	6/30/2010	TV-000818	22.0850.0.0000.8500.6270.410.8934	Bockmon & Woody Electric Co - Retainage	23,340.00	Retainage for Delta Sierra Fire Alarm
24	6/30/2010	16262158	22.0849.0.0000.8500.6274.500.8933	Delta Bluegrass Company	6,570.90	Renovation, Core Aeration & Top Dressing of Bear Creek Football Field
25	6/30/2010	16261147	22.0850.0.0000.8500.6270.410.8934	Bockmon & Woody Electric Co	210,060.00	Delta Sierra Middle School Fire Alarm and Intercom