

Lodi Unified School District

**MEASURE L CITIZENS' OVERSIGHT COMMITTEE**

**ANNUAL REPORT**

July 1, 2013 through June 30, 2014

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. 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 Jan. 30, 2015.

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, Phillip Estrada, Lester Patrick, Homar Juarez, Tony Anthony Espinoza, and Jeff Seybold.

Additionally, regular committee meeting participants have included Angel Murnan, and Warren Sun. These individuals are staff members of the Lodi Unified School District, and have provided financial reports and other information at committee meetings.

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 2013– 2014 Financial Statements.
- Reviewed and accepted Auditors Report (independent accountant's report on applying agreed upon procedures) for the Fiscal Year ending June 30, 2014.
- Reviewed quarterly financial reports, and monitored the history of Measure L projects.
- Conducted onsite visits at Bear Creek High School, Delta Sierra, and Creek Side for the inspection of completed Measure L projects to ensure compliance with Measure L bond requirements.
- 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 2013-2014 was \$63.10 as shown below. Consequently, that figure does not fall within the allowable Average Annual Tax per \$100,000.00 of Assessed Property Value.

The tax rate for Lodi Unified Schools is as follows:

Lodi Unified School District	Bond	.0631
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The above tax rates are per \$100,000.00 property assessed value. Consequently, the average annual tax for 2013-2014 is \$63.10 per \$100,000.00.

This rate is primarily due to the upward turn in the economy. As pointed out in last year’s report and the previous 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. Due to improvement in the economy, there has been an upward trend in the real estate market throughout 2013-2014. Recent forecasts projects a continued upward trend for 2014-2015.

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 \$63.10 per \$100,000.00 assessed by the San Joaquin County Board of Supervisors for 2013-2014 is above the allowable \$60.00 per \$100,000.00 assessed value allowed and does violate the Measure L Bond requirement.

LUSD 2013-2014 Financial Statements with Independent Auditor’s Report

During the December 16, 2014 Measure L Committee’s meeting the Committee received and reviewed the 2013-2014 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. 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. This year's report meets the required 40 transactions. But due to such little activity these few transactions roughly a large percentage of transaction activities for the year compared to the normal 20%. The committee did not request a full audit.
2. The Committee continues to monitor the use of "temporary borrows" from one project to another. There were no temporary borrows for fiscal year 2013-2014. We commend the district for eliminating this accounting practice but still obligated to continue monitoring for it.
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 continue to capitalize on 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. The Measure L committee identified this year a need to either change the bylaws to address the term limits for committee member extensions or replace several members whose terms are up. The committee submitted a request to modify the bylaws to address this concern. A recent response from the district's legal representatives indicated that no member could serve more than three consecutive terms of 2 years. Consequently, 4 of the total 7 committee members have termed out, and will need to be replaced immediately.

## Conclusion

The Measure L Citizen's Oversight Committee members have concluded that with the exception of the 2013/2014 tax rate the LUSD is in compliance with the requirements set forth by the Measure L Bond election and its bylaws.