

Lodi Unified School District

**MEASURE L CITIZENS' OVERSIGHT COMMITTEE**

**ANNUAL REPORT**

July 1, 2011 through June 30, 2012

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 Feb. 12, 2013.

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, Philip Estrada, Melvin Settles, Lester Patrick and Dean Plassaras, Mr. Homar Juarez, and Tony Espinoza.

Additionally, regular committee meeting participants have included Art Hand, Marie Fong, Angel Murnan and Desiree Wise. These individuals are staff members of the Lodi Unified School District, and have provided financial reports and other information at committee meetings. Due to a lack of activity the committee did not meet in December 2012 for its quarterly meeting.

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 2011– 2012 Quarterly Financial Statements.
- Reviewed and accepted the Auditors Financial Report for the Fiscal Year ending June 30, 2012.
- Reviewed quarterly financial reports, and monitored the history of Measure L projects.
- Due to continued 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 2011-2012 was \$59.50 as shown below. Consequently, that figure falls 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 .0595

The above tax rates are per \$100.00 property assessed value. Consequently, the average annual tax for 2011-2012 is \$59.50 per \$100,000.00.

This rate is primarily due to the continued national financial crisis. 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. This trend has continued throughout 2011-2012 but recent forecasts projects an upward trend for 2012- 2013.

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 2011-2012 is below the allowable \$60.00 per \$100,000.00 assessed value allowed and does not violate the Measure L Bond requirement.

### LUSD 2011-2012 Financial Statements with Independent Auditor's Report

During the January 31, 2013 Measure L Committee's meeting the Committee received and reviewed the 2011-2012 Financial Audit Report provided by Gilbert Associates, Inc. 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. Last year the committee expressed its preference for a full audit. The committee's decision was that it would monitor activity through mid-year and make a final decision based on activity to that point as to whether we should ask for a full audit.
2. This year's report consisted of the required 40 transactions. But due to such little activity these few transaction represented roughly 76% of total transactions for the year compared to the normal 20%. The committee did not request a full audit.
3. 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 not to engage in this accounting practice because of the potential risks involved. In view of the recent "State of the State Address" given by the governor of California, the future funding of many major state programs including education is uncertain. As in the last three reports we strongly urge the board to reevaluate this accounting practice.
4. 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.

5. One problem that the Measure L committee has identified this year is a need to change the bylaws to address the term limits for committee member extensions. The committee will submit a request to modify the bylaws to address this concern.
6. One new member, Mr. Tony Espinoza has joined the committee.

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.



Lester Patrick – Chairman



Phil Estrada – Secretary