

**LODI UNIFIED SCHOOL DISTRICT  
PROPOSITION 39 AND  
MEASURE U  
GENERAL OBLIGATION BONDS  
SACRAMENTO, CALIFORNIA  
PERFORMANCE AUDIT  
YEAR ENDED JUNE 30, 2022**

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

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JUNE 30, 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

**Board of Education and  
Measure U 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 U General Obligation Bonds for the year ended June 30, 2022.

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 findings and conclusions 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 U 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 U General Obligation Bond funds for the year ended June 30, 2022 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  
Sacramento, California**

**December 5, 2022**

**LODI UNIFIED SCHOOL DISTRICT  
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**OBJECTIVES**

The objectives of our performance audit were to document the expenditures charged to Measure U General Obligation Bonds (the Measure) which were approved under Proposition 39, determine whether expenditures for fiscal year ended June 30, 2022 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, 2022. Expenditures incurred after the issuance of the bonds and prior to July 1, 2021, were covered in previous audits. The expenditures included all object and project codes associated with the Bond projects. Expenditures incurred subsequent to June 30, 2022 were not reviewed or included within the scope of our audit.

**BACKGROUND INFORMATION**

On November 8, 2016, \$281,000,000 in general obligation bonds were authorized by voter approval of Measure U. The first series of Measure U Bonds in the amount of \$80,000,000 was issued on May 10, 2017 (2017 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 second series of Measure U Bonds in the amount of \$110,000,000 was issued on January 1, 2020 (2020 issue). The total proceeds from the bond series less the bond issuance costs are to be used to modernize, replace, renovate, construct, and rebuild District Facilities, including playgrounds and athletic fields.

The third series of Measure U Bonds in the amount of \$91,000,000 was issued in July 2021 (2021 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 school facilities; and pay costs of issuance of bonds.

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, 2022. 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 U 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, 2022, 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 U Bond funds for 52 projects. The District incurred total expenditures of \$162,329,673 through June 30, 2022, for the Measure U projects listed below.

Description	Prior Activities	June 30, 2022 Activities	Total
<b>Sources:</b>			
Bond Proceeds	\$ 190,000,000	\$ 91,000,000	\$ 281,000,000
Other	5,722,551	(1,316,809)	4,405,742
	<u>195,722,551</u>	<u>89,683,191</u>	<u>285,405,742</u>
<b>Uses:</b>			
Undesignated Facility & Planning (0000/5510/5800)	1,304,866	589,372	1,894,238
Parking Lot Safety Improvement @ Westwood (8056)	64		64
Tokay HS Athletic Field Improvements (8118)	6,597,410		6,597,410
Westwood Roofing Project (8201)	649,773		649,773
Bear Creek Painting Project (8202)	481,090		481,090
McNair Painting Project (8203)	568,104		568,104
Joe Serna Roofing Project (8204)	698,128		698,128
Lodi HS Renovation Project (8206)	52,697,535	13,245,396	65,942,931
Houston Modernization (8207)	2,413,251		2,413,251
Lodi MS Fire Alarm Upgrade (8208)	742,049	155,572	897,621
Ansel Adams Facility Improvements (8209)	1,637		1,637
Beckman Parking Lot/Playground (8210)	911,337	284,862	1,196,199
Lois E Borchardt Facility Improvements (8211)	3,331		3,331
Clairmont Facility Improvements (8212)	20,545		20,545
Creekside Facility Improvements (8213)	390,244		390,244
Davis Facility Improvements (8214)	101,962	65,819	167,781
Elkhorn Facility Improvements (8215)	146,952	30,629	177,581
Heritage Fire Alarm Upgrade (8216)	1,187,936	41,572	1,229,508
Clyde W Needham Modernization (8217)	11,608,066	7,547,879	19,155,945
John Muir Facility Improvements (8218)	110,085	450,032	560,117
Lodi HS Pool Project (8219)	590,937	3,986,776	4,577,713
Julia Morgan Facility Improvements (8220)	1,053		1,053
Lakewood Facility Improvements (8221)	447,192	107,722	554,914
Ellerth E Larson Facility Improvements (8222)	79,629	286,327	365,956
Lawrence Elementary (8223)	494,062		494,062
Live Oak Parking Lot/Playground (8224)	812,891		812,891
Lockeford Facility Improvements (8225)	656,836		656,836
George Lincoln Mosher Facility Improvements (8226)	608		608
Leroy Nichols Facility Improvements (8227)	7,617	31,730	39,347
Oakwood Facility Improvements (8228)	20,573		20,573
Parklane Facility Improvements (8229)	1,079,361		1,079,361
Podesta Ranch Facility Improvements (8230)	108		108
Reese Parking Lot/Playground (8231)	754,502		754,502
Manlio Silva Facility Improvements (8232)	485		485
Sutherland Facility Improvements(8233)	3,277		3,277
Turner Academy Facility Improvements (8234)	141,918		141,918
Victor Fire Alarm Upgrade (8235)	193,886		193,886
Vinewood Facility Improvements (8236)	459,358	171,166	630,524
Wagner-Holt Facility Improvements (8237)	6,249		6,249
George Washington Facility Improvements (8238)	122,518	35,233	157,751
Woodbridge Facility Improvements (8239)	10,726		10,726
Christa McAuliffe MS Facility Improvements (8240)	238,743		238,743
Delta Sierra MS Facility Improvements (8241)	76,765	212,319	289,084
Henderson MS Facility Improvements (8242)	31,415	12,467	43,882
Millswood MS Facility Improvements (8243)	1,398		1,398
Morada MS Facility Improvements (8244)	57,851	41,287	99,138
Liberty HS Facility Improvements (8245)	209,877		209,877
Plaza Robles HS Facility Improvements (8246)	747,968		747,968
Tokay HS Facility Improvements (8247)	28,329,475	4,250,985	32,580,460
Lincoln Technical Academy Fac Imprv (8248)	16,857	19,519	36,376
Bear Creek HS Facility Improvement (8249)	89,116	369,720	458,836
M&O Facility - Guild (8993)	13,913,523	162,150	14,075,673
	<u>130,231,139</u>	<u>32,098,534</u>	<u>162,329,673</u>
<b>Ending Balance</b>	<b>\$ 65,491,412</b>	<b>\$ 57,584,657</b>	<b>\$ 123,076,069</b>

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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 U 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 U 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.

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 U 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 U 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 2021-2022 as it struggles to retain the required number of members and did not prepare an annual report following the completion of the 2020-2021 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:** The District scheduled Measure U Bond Citizen's Oversight Committee on 3/1/22, 4/18/22, and 4/25/22. But due to lack of attendance from the committee members, all meetings were eventually cancelled.

**Corrective Action:** The District will continue its efforts to recruit an adequate number of Measure U Bond Oversight Committee members which would allow the District to coordinate an annual meeting and establish a quorum with the Committee members to prepare an annual report that summarizes the activities and present it to the Board of Education 60 days following the completion of the District's annual audit of the financial records.