

San Joaquin County Grand Jury



LINCOLN UNIFIED SCHOOL DISTRICT 2008/2009 San Joaquin County Grand Jury Case 01-08C FOLLOW UP FINAL REPORT

SUMMARY

The 2008/2009 San Joaquin County Grand Jury chose to follow up on prior year Case 06-07, Lincoln Unified School District (LUSD). Jurors wanted to determine if LUSD had taken steps to prevent authorization to sell bonds from becoming “misplaced” again.

The Grand Jury is confident LUSD has taken the necessary steps to account for both bonds, Community Facilities District 1 (CFD-1) and Measure P. According to an independent audit, no authorization for CFD-1 and less than \$5,000 authorization for Measure P remain.

BACKGROUND

The 2007/2008 Grand Jury received a citizen complaint stating that LUSD was negligent in the handling of bond funds. The complaint noted that the LUSD “lost” or “misplaced” the authorization to sell bonds from one bond measure before voters passed a second bond measure.

In 1991 voters approved a \$40,000,000 Mello-Roos Community Facilities District bond (CFD-1), of which approximately 48% was sold prior to placing a second bond, Measure P, on the ballot. LUSD’s authorization to sell the remaining \$21,000,000 of the CFD-1 bond was, in the words of the President of the Board of Trustees, “...misplaced in part due to a turnover in staff.”

In 2004 a \$50,000,000 general bond, Measure P, was approved by voters. After the passage of Measure P, The Record newspaper reported that Caldwell, Flores and Winters, an auditing firm hired by LUSD, found unsold authorization from the 1991 CFD-1 bond that had been misplaced.

METHOD OF INVESTIGATION

Materials Reviewed

- Lincoln Unified School District, Community Facilities District No. 1, Debt Service for Outstanding Bonds, Stone & Youngberg LLC, 1/8/09

- Letter from Perry-Smith LLP, to LUSD, regarding General Obligation Bonds and Community Facilities Bonds, dated 1/12/09
- Minutes of the Regular Meeting of the Board of Trustees, LUSD, 7/16/08
- Annual Report to the Community, Measure P Oversight Committee, 3/09

RECOMMENDATIONS: 2007/2008 GRAND JURY; 2008/2009 GRAND JURY FINDINGS

1. Future authorized unused bond authorization should remain categorized on the budget until they are used to prevent being overlooked.

Board of Trustees Response: Partial agreement. There is no approved formal method of categorizing unused bond in or on State approved budget documents and forms. However, we believe that including any outstanding authorizations in the budget narrative portion of the budget document may satisfy this recommendation.

2008/2009 Grand Jury Finding: The Board and administration have implemented this recommendation. Clear and accurate accounting summaries from two firms show there is very little unsold bond authorization remaining from both bond measures. The annual report prepared by the Measure P Oversight Committee provides a summary of both bond authorizations and where they were spent.

RECOMMENDATIONS: 2008/2009 GRAND JURY

No recommendations

RESPONSE REQUIRED

No response required