

LAKE FOREST SCHOOL DISTRICT

STATEWIDE SCHOOL DISTRICT
CONSTRUCTION ENGAGEMENT
FOR FISCAL YEAR ENDED JUNE 30, 2020

Report Summary

Lake Forest School District Statewide School District Construction Engagement For Fiscal Year Ended June 30, 2020



What Was Performed?

An examination engagement of the Lake Forest School District Schedule of Construction Projects to determine whether it is in accordance with the criteria set forth in the Delaware Code, The State of Delaware Department of Education School Construction Technical Assistance Manual, and the State of Delaware Budget and Accounting Policy Manual.

Why This Engagement?

In accordance with 29 Del. C. §7526, the State Auditor is mandated to conduct post-audits of any school construction improvement authorized by a school construction bond authorization act. This engagement was performed to examine financial data, recordkeeping and reports generated by the school district and related to Bond Bill construction projects.

Since fiscal year 2015, state and local funding for Lake Forest School District totaled \$4.7 million in construction appropriations, including approximately \$41 thousand expended in FY2020. Our responsibility is to obtain reasonable assurance by evaluating the Schedule of Construction Projects against the criteria set forth in the Delaware Code, the State of Delaware Department of Education School Construction Technical Assistance Manual, and the State of Delaware Budget and Accounting Policy Manual and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation.

What Was Found?

We have examined the Lake Forest School District's financial data, recordkeeping and reports related to its Schedule of Construction Projects for the fiscal year ended June 30, 2020 to determine whether the district's Capital Budget process was in accordance with the criteria set forth in the Delaware Code, the State of Delaware Department of Education School Construction Technical Assistance Manual and the State of Delaware Budget and Accounting Policy Manual.

It is my pleasure to report this engagement contained no findings on the Schedule of Construction Projects for Lake Forest School District.

The Lake Forest School Districts' Statewide Construction Projects Examination Engagement can be found on our website: [Click Here](#)

For any questions regarding the attached report, please contact OAOA_Comms@delaware.gov.

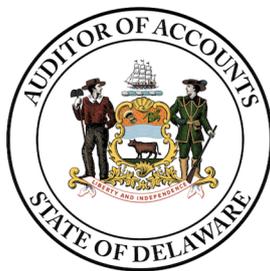
\$ 4.67M

TOTAL: \$ 4,727,932

\$ 54K

EXPENDED TO DATE

BALANCE



THE CHART BELOW OUTLINES TOTALS BY SCHOOL DISTRICT ACCORDING TO THE SCHEDULE OF CONSTRUCTION PROJECTS OF EACH DISTRICT TESTED IN THIS YEAR'S EXAMINATION

School District	Total Funding to Date	Total Expended to Date	Balance as of 06/30/2020
Appoquinimink	\$ 200,925,046	\$ 147,669,519	\$ 53,255,527
Brandywine	\$ 46,963,667	\$ 40,793,389	\$ 6,170,278
Caesar Rodney	\$ 96,878,776	\$ 72,126,538	\$ 24,752,238
Cape Henlopen	\$ 149,121,389	\$ 119,242,967	\$ 29,878,422
Capital	\$ 53,090,675	\$ 36,715,563	\$ 16,375,112
Christina	\$ 17,911,770	\$ 4,339,195	\$ 13,572,575
Delmar	\$ 4,103,900	\$ 4,103,900	-
Indian River	\$ 33,471,585	\$ 1,953,121	\$ 31,518,464
Lake Forest	\$ 4,727,932	\$ 4,673,624	\$ 54,308
Laurel	\$ 47,972,069	\$ 46,737,001	\$ 1,235,068
NCC Vo-Tech	\$ 73,585,500	\$ 69,495,280	\$ 4,090,220
Red Clay	\$ 14,866,223	\$ 14,712,236	\$ 153,987
Smyrna	\$ 6,303,668	\$ 6,090,953	\$ 212,715

BACKGROUND

School District Construction Projects

In accordance with 29 Del. C. §7509, the Department of Education (DOE) shall determine the present necessity for any school construction program. Once a School District (the District) identifies the need for a construction project and receives approval from its local Board of Education (the Board), it submits a request for Certificate of Necessity to the DOE by August 31 each year. The DOE then meets with the District to review appropriate documentation and discuss the necessity of the project. If it is deemed necessary, the DOE will include the project in its budget request for the following fiscal year. All projects that are included in the budget request are then issued a Certificate of Necessity (CN) by late October of each fiscal year, which authorizes the construction project and details the scope and cost limits for the project.¹

The DOE calculates the amount of the State of Delaware (the State) funding the District will receive using a standard school construction formula. The formula is uniform throughout the State and is based on pupil capacity for the type of school requested (i.e., elementary, middle, or high school). The remainder of the cost is paid with local tax receipts, thus referred to as the local share. Before a District can issue bonds to fund the local share of the construction costs, taxpayers must approve the bond sale through a referendum.² A referendum may occur any time after a CN is issued, and the District has one year and two opportunities to pass a successful referendum before needing to request a new CN from the DOE. The timing of each referendum is at the discretion of the Board. Vocational-Technical Districts are not subject to the referendum process. Instead, the Legislature approves these Districts' tax rates.³

The District must provide adequate public notice of the referendum that includes the purpose and amount of the proposed bond issuance, as well as the estimated annual amount of tax increase upon approval.⁴ The estimated increase, however, is based on certain assumptions that are subject to change, such as the anticipated interest rate on new bonds.⁵ Therefore, taxpayers are voting on the approval of the construction project and cannot rely on the advertised referendum rate as the effective tax rate. The District may ask its taxpayers to approve a local share in excess of the school construction formula to finance additional options. For example, if a construction project included expanding a particular school building and the District wished to continue the same flooring throughout the entire building, taxpayers may be asked to fund the costs in excess of the State formula. This particular request must be clearly labeled on the referendum voting ballot using the language set forth in 14 Del C. §2004.

¹ DOE's School Construction Technical Assistance Manual, Section 1.10, *Summary of Steps in the Major Capital Improvement Process*

² 14 Del. C. §2122

³ 14 Del. C., c. 26

⁴ 14 Del. C. §1074 (b)

⁵ Other rates that are not subject to voter approval (e.g., tuition, minor capital improvements) may be increased by the District to meet annual demands, thus resulting in the effective tax rate for the District.

The DOE presents its budget of all the State's Districts' construction projects to the Office of Management and Budget for approval and inclusion in the Governor's Recommended Budget. ⁶ The Governor's Recommended Budget is then subject to final approval by the Bond Bill Committee and the Legislature via the Bond and Capital Improvements Act (also referred to as the Bond Bill). If a District fails to obtain a successful referendum before June 30, its project is removed from the Governor's Recommended Budget and not included in that year's Bond Bill.

The District's Board then has the "power to employ engineers, architects and such other employees as it deems essential..." for its construction project per 29 Del. C. §7521. All final plans and specifications, including costs of construction under any school construction bond authorization act, are approved by the DOE. ⁷

Depending on various factors (e.g., the total cost of the project, other projects within the State), the District will receive funding for its construction project over the course of several fiscal years. For each State bond sale, the District receives an aggregate allocation of funds and must pay back a portion of those funds with local tax receipts. The local share for each District in the State can vary,⁸ depending on an assessment of the District's ability to meet its obligations. ⁹

The District coordinates with the Office of the State Treasurer to pay the local share of its outstanding principal and interest payments in accordance with 14 Del. C. §2108. Annually, the Office of Auditor of Accounts audits the Districts' local tax collections and debt service management in a separate engagement. Further, this engagement examines Bond Bill construction project expenditures.

In the event the construction project comes in under budget, the District may request permission from the State legislature to redirect the State-funded portion of the excess budget amount to fund another project. The subsequent epilogue language in the Bond Bill dictates if the District must put forth local tax receipts and what sources of funding the District may use, such as Minor Capital Improvement funds. Since this is a result of Delaware law, the change does not require a referendum.

There are no legal or statutory provisions that would prohibit a District from utilizing excess funds for early repayment of its debt.

Maintenance of Records

The District should maintain all appropriate documentation related to its construction projects and related debt, including documents related to the referendum process, for audit purposes.

⁶ Same as footnote 1

⁷ 29 Del. C. §7518

⁸ 29 Del. C. §7503 (b)

⁹ An Equalization Committee, as defined by 14 Del. C. §1707 (j), is comprised of 10 to 15 members appointed by the Secretary of the DOE. The equalization formula (detailed in 14 Del. C. §1707) incorporates an annual survey conducted by the University of Delaware and is annually reviewed and approved by the Equalization Committee.

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INDEPENDENT ACCOUNTANT'S REPORT

Dr. Steven V. Lucas
Superintendent
Lake Forest School District
5423 Killens Pond Road
Felton, Delaware 19943-9801

The Honorable Mark A. Holodick, Ed.D.
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, Delaware 19901

We have examined the accompanying State of Delaware Lake Forest School District (the District) Schedule of Construction Projects for the fiscal year ended June 30, 2020 to determine whether it is in accordance with the criteria set forth in the Delaware Code, the State of Delaware Department of Education School Construction Technical Assistance Manual (SCM), and the State of Delaware Budget and Accounting Policy Manual (BAM). The District's management is responsible for the presentation of the Schedule of Construction Projects in accordance with the criteria set forth in the Delaware Code, the SCM, and the BAM. Our responsibility is to obtain reasonable assurance by evaluating the Schedule of Construction Projects against the criteria set forth in the Delaware Code, the SCM, and the BAM and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we obtain reasonable assurance by evaluating the District's presentation of the Schedule of Construction Projects for the fiscal year ended June 30, 2020 against the criteria set forth in the Delaware Code, the SCM, and the BAM and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the District's presentation of the Schedule of Construction Projects for the fiscal year ended June 30, 2020. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the District's Schedule of Construction Projects was not in accordance with the criteria set forth in the Delaware Code, the SCM, and the BAM in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

Dr. Lucas
Lake Forest School District

In our opinion, the District's Schedule of Construction Projects for the fiscal year ended June 30, 2020 presents fairly, in all material respects, based on the criteria set forth in the Delaware Code, the SCM, and the BAM.

The amounts reported in the Expended in Prior Years column of the Schedule of Construction Projects contain expenditures incurred prior to July 1, 2019 that were examined by other accountants. The fiscal year ended June 30, 2019 report dated October 16, 2020, expressed an unmodified opinion on the Schedule of Construction Projects. As a result, we did not examine the amounts reported in the Expended in Prior Years column of the Schedule of Construction Projects for the fiscal year ended June 30, 2020 and, therefore, express no opinion on it.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the District's Schedule of Construction Projects; and any other instances that warrant the attention of those charged with governance, noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether District's Schedule of Construction Projects is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control applicable to preparing the District's Schedule of Construction Projects or on compliance and other matters; accordingly, we express no such opinion. Our examination disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of District management and board members, the Office of Auditor of Accounts, and the Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del. C. §10002, this report is public record, and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, General Assembly, Office of the Attorney General, and Office of Management and Budget.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

Wilmington, Delaware
April 24, 2023

**SCHEDULE OF CONSTRUCTION PROJECTS
FISCAL YEAR ENDED JUNE 30, 2020**

Project Name	FY	APPR	Source of Funding (State/Local)	Original Funding Amount	Increases (Decreases) in Funding	Total Funding to Date	Expended in Prior Years	Expended in Current Year	Total Expended to Date	Balance as of 6/30/2020
Lake Forest High School	2016	50440	66/34	\$ 3,124,900	\$ 242,769	\$ 3,367,669	\$ 3,329,976	\$ 15,650	\$ 3,345,626	\$ 22,043
	2017	50440	78/22	800,100	203,319	1,003,419	954,921	18,237	973,158	30,261
Central Elementary School Renovations	2015	50441	66/34	25,200	-	25,200	25,000	-	25,000	200
	2016	50441	66/34	478,500	(146,856)	331,644	322,885	6,955	329,840	1,804
Construction Projects Total				\$ 4,428,700	\$ 299,232	\$ 4,727,932	\$ 4,632,782	\$ 40,842	\$ 4,673,624	\$ 54,308