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CHICO UNIFIED SCHOOL DISTRICT

**Citizens' Bond Oversight Committee
Measure E**

2012-2013 Annual Report
June 2014

I. Introduction

This is the 2012-2013 Annual Report of Citizens' Bond Oversight Committee (CBOC) for Measure E of the Chico Unified School District. This report is prepared, in conformance with California law, to summarize the work of the Bond Oversight Committee and review the past year of activity.

II. History and Overview of the Citizens' Bond Oversight Committee

On November 6, 2012, the Chico Unified School District ("District") submitted for voter approval Measure E, a bond measure to authorize the sale of \$78 million in bonds for needed repairs, upgrades and new construction projects for the District's schools. This measure was submitted to voters under the terms and conditions of Proposition 39 (Article XIII of the California State Constitution), which requires a 55 percent affirmative vote for passage. Measure E passed with 63.32 percent.

Because Measure E passed pursuant to Proposition 39, the District was required to establish a citizen's oversight committee and to conduct two independent audits. The first audit is a financial audit included in the District's annual financial audit. The second audit is a performance audit.

III. Committee Membership

California Education Code, Sections 15278-15282 established the duties of school district and its duly formed citizens' oversight committee with respect to Proposition 39 bond measures. This code requires that the governing board establish and appoint members to an independent citizens' oversight committee within 60 days of the date that election results are certified.

The Committee must consist of at least seven members to serve a term of two years without compensation and for no more than two consecutive terms. The Committee must include:

- a. One member who is active in a business organization representing the business community located within the school district.
- b. One member active in a senior citizens' organization.
- c. One member who is a parent or guardian of a child enrolled in the school district.
- d. One member is both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization.
- e. One member who is active in a bona fide taxpayers' organization.

A seven-member Citizens' Bond Oversight Committee was appointed by the Board in March 2013, to provide oversight of all bonds passed under Proposition 39, as required by law.

Current Committee membership includes:

Seth Derish - Member
Mark Francis - Member
Sean Greenwald - Member
Les Heringer, Jr. - Member
Gary Loustale - Chair
Peter Milbury - Member
Tino Nava - Member
Robert Todd Sturgis - Vice Chair

The CUSD Citizens' Bond Oversight Committee met on the following dates:

- May 20, 2013
- August 26, 2013
- March 31, 2014

IV. CBOC Actions

Measure E expenditures for fiscal year 2012-13 were reviewed by the Committee and accepted at the meeting held on March 31, 2014.

V. Performance and Financial Audit Reports

In accordance with the California State Constitution, the District will continue to have a performance audit completed annually until all Measure E funds have been expended. These reports are designed to meet the requirements of Article XIII of the California State Constitution; to inform the community of the appropriate use of funds generated through the sale of bonds authorized by Measure E; and to help the District improve its overall bond program.

The June 30, 2013 annual independent financial audit was conducted by Matson & Isom. Their report, dated January 28, 2014, states that in their opinion the financial statements present

experts could convince us that our conclusions are incorrect. Should the Trustees deem that further investigation into the Committee's concerns be warranted, it would be the Committee's recommendation that fully independent legal counsel, consultants and/or other advisors be retained for that purpose. Clearly, advisors used for purposes related to Measure E carry a real or perceived conflict of interest.

The Chico Unified School District website, <http://www.chicousd.org/Departments/Measure-E-Information/index.html> , provides information on Measure E, annual performance and financial audits, meeting agendas and minutes.