I. **Introduction**
This is the 2013-2014 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 an 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 – Vice Chair
Sean Greenwald - Member
Les Heringer, Jr. - Member
Gary Loustale – Chair. Resigned December, 2014
Peter Milbury - Member
Tino Nava - Member
Todd Sturgis - Chair

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

- February 5, 2015 (No quorum was present)

A tour of current American’s with Disabilities Act “ADA” and Safety & Security Projects was provided by the CUSD Facilities Department. The Committee was pleased to observe the progress on the following work:

1) Sierra View Elementary-fencing, repaired sidewalk transition at street and added drain, new speed bumps, asphalt seal coat and new striping for safety coming President’s Day weekend, new compliant ADA parking stalls, new compliant fire traffic lane, new compliant concrete from ADA parking stalls to front of school, new direction path of travel signage.

2) Chico High School-relocation of old ADA stalls to front of school, removal of old ADA ramp, new ADA compliant ramp, new ADA complaint drinking fountains with bottle fillers, removal of old non-working drinking fountain, new direction path of travel signage.

3) Hooker Oak Elementary-new ADA parking at front of school (much closer to main entrance), new complaint sidewalk and front entry concrete, new kindergarten fencing, fixed fence at play area, added gate at back per safety plan, new striping in both pick up and drop off locations for safety visibility, new direction path of travel signage.
4) **Corporation Yard** - New paved path of travel to provide access from the public street to main buildings, new ADA gate to provide access to site without having to cross through drive gates, new direction path of travel signage.

5) **Chapman Elementary** - new safety fencing for kindergarten and field area, new fence barrier between neighbor’s house and school yard, new slatted fence to block noise and visibility between park activities and school, new speed bumps and striping to slow traffic and improve visibility, new ADA complaint stalls, new ADA compliant concrete for sidewalk at path of travel to front office, new truncated domes and directional path of travel signage.

6) **Parkview Elementary** - Upgraded existing ADA stalls in both parking lots to be ADA compliant, repaired large gaps in path of travel, new compliant path of travel concrete sidewalk, new safety fencing at bike racks and kindergarten area, new asphalt sealcoat and striping plan to improve drop off and pick up visibility and safety, new direction path of travel signage including signage warning motorists about bike path in front of entrance/exit of parking lots.

- **February 26, 2015**
  An update on the implementation of phases 1 and 2 of the District’s Facilities Master Plan was provided to the Committee at this meeting. The Committee expressed satisfaction on the carefully planned implementation of the District’s Facilities Master Plan and the proposed use of Measure E funds.

The District will be spending approximately $35M dollars on the implementation of master plan projects phases 1 and 2 in the next two years. A combination of sources (Measure E Proceeds, Developer Fees, State Facility Funds, and Redevelopment Funds) will be utilized for these projects. These projects include:

1. Marsh Jr. High Drainage Improvements which is completed
2. Marsh Jr. High New Multipurpose Building which will break ground in March of 2015
4. Bidwell Jr. High Select Modernization which will begin in the spring of 2015
5. Americans with Disabilities Act Barrier Removal Projects (Districtwide), Technology Infrastructure Upgrades (Districtwide) and Safety & Security Projects (Districtwide) which are all currently under construction

- **March 5, 2015**
  The committee met to finalize the Annual Report to the Board of Education which will be presented at the March 25, 2015 meeting.

### IV. CBOC Actions
Measure E expenditures for fiscal year 2013-14 were reviewed by the Committee and accepted at the meeting held on February 26, 2015.

### 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, 2015 annual independent financial audit was conducted by Matson & Isom. Their report, dated December 15, 2014, states that in their opinion the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Chico Unified School District as of June 30, 2013, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The annual independent performance audit was conducted by Matson & Isom. Their report dated June 30, 2013 states that the results of their procedures indicated that the Chico Unified School District complied, in all material respects, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIA of the California Constitution.

VI. Communications with the Public
A CBOC website page, as required by law, exists, and the information that is posted includes CBOC meeting agendas and minutes and committee by-laws. Copies of the Bond Performance Audit have been posted, as a link for community members interested in becoming a member of the CBOC.

VII. Expenditures

Chico Unified School District
Bond Expenditures

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Fiscal 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Expenses</td>
<td>$1,880</td>
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<tr>
<td>Measure E Master Plan</td>
<td>552,143</td>
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<tr>
<td>Canopy Replacement CJHS &amp; Rosedale</td>
<td>248,277</td>
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<tr>
<td>CHS HVAC Replacement</td>
<td>260,180</td>
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<tr>
<td>PV Athletic Facility Planning</td>
<td>20,478</td>
</tr>
<tr>
<td>CHS Athletic Facility Planning</td>
<td>20,478</td>
</tr>
<tr>
<td>ADA Phase 1 - Some expenses moved to Fund 42 - Redevelopment</td>
<td>-</td>
</tr>
<tr>
<td>Safety &amp; Security</td>
<td>34,640</td>
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</tbody>
</table>
Energy Efficiency 3,391
Technology Infrastructure 156,520
MJHS MP Building 411,229
Junior High Planning 48,820
MJHS Site Drainage 5,637
BJHS Conversion/Modernization 4,697
Total $1,768,369

VIII. Conclusions

As stated in the 2012/13 Annual Report, the Committee continues to be concerned that the District may not be in compliance with the requirements of Article 13A, Section 1(b)(3) of the California Constitution as amended by Proposition 39 related to the use of “premium” sale proceeds to pay interest.

The Committee continues to be concerned that interest may not be an acceptable use of Bond proceeds as it was not included in the full ballot proposition as a use of proceeds and the use was not properly disclosed to voters. This will be a concern through 2016, when the premium is exhausted. The Committee recognizes that nothing can be done about this as California state law requires the premium portion of Bond sale proceeds to be used only pay interest and for no other purpose.

The Committee does appreciate the work of District staff in gathering additional information and understanding the concern. Further, the Board of Trustees held a Board Workshop dedicated solely to this topic that included bond counsel, independent bond advisors, and the county treasurer to further discuss the expressed concern. The Trustees and District staff are to be commended for their response to the Citizen’s Bond Oversight Committee’s concerns. The Committee is confident that prior to any additional Measure E bond sales this topic will be discussed in detail by District Staff and the Trustees, and the Committee will have an opportunity to provide input.

The Citizen’s Bond Oversight Committee, based on its review of the annual financial and performance audit reports and information received from District staff, Consultants and others, for expenditures through June 30, 2014 agrees the balance of the bond proceeds maintained in the building fund were used in compliance of the California Constitution.