



*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 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 - 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

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 XIII A 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								
2012-13 Measure E Expenditures - Building Fund								
Cost of Issuance (COI)				\$	271,000			
Salaries & Benefits				\$	43	Coding error to be corrected 2013-14		
Darden Architects - Facilities Master Planning Services				\$	9,747			
Darden Architects - Facilities Master Planning Services				\$	61,456			
Darden Architects - Facilities Master Planning Services				\$	2,974			
Darden Architects - Facilities Master Planning Services				\$	10,497			
				\$	355,718			

**VIII. Conclusions**

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 February of 2014, find 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. The Committee is of the opinion that interest is not an acceptable use of Bond Proceeds because it was not included as a use or a project and was not properly disclosed to voters.

It is important to note that the Committee has come to this opinion, without legal counsel, consultants or other outside advisors assigned for the Committee’s specific use. Our primary concerns were first raised in August of 2013 and we have worked with District staff since that time gathering additional information and asking questions. It couldn’t please us more if

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.