I. **Introduction**

This is the 2014-2015 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 Termed out May 2015
Les Heringer, Jr. – Member
Gary Loustale – Chair Resigned December, 2014
Peter Milbury – Member Termed out May 2015
Tino Nava - Member
Todd Sturgis - Chair

The CUSD Citizens’ Bond Oversight Committee met on the following dates in 2014-15:

- August 6, 2015 (No quorum was present)
  A tour of current master plan projects, including those funded with Measure E dollars, was provided by the CUSD Facilities Department. Members in attendance were pleased to observe the progress on the following work:

1) Loma Vista-Window coverings for code red lockdown in all classrooms.

2) Bidwell Junior High School- Complete tear-out and reconstruction of new Administration with the addition of a large conference room, Modernization of the library, multi-purpose room (including new in-wall tables) and gymnasium, addition of heating and ventilation systems to gymnasium, construction of a new safe drop-off/pick-up and ADA upgrades to parking lots.

3) Fair View High School-ADA improvements at front parking lot, new monument signage, window coverings for code red lockdown in all classrooms.

4) Citrus Elementary School-Addition of ADA pedestrian ramp at school entrance, concrete sidewalk repair.

6) **Rosedale Elementary** - Safety and Security modifications to both parking lots, including signage and striping at drop-off pick-up lot, fencing to work towards creating a single point of entry.

7) **Marsh Junior High School** - Although not visible, the committee was told about the Technology Infrastructure Upgrades at Marsh while viewing the construction of the new Multi-purpose building (not funded with Measure E).

   - January 11, 2016
     The committee reviewed and discussed the 2014-15 draft bond audit reports, discussed committee recruitment ideas, received an update on master plan projects and was provided information on a potential new school bond on the November 2016 election ballot.

The District is currently spending the remaining $5M (approx.) dollars from the series A Measure E bond sale on the completion of master plan projects phases 1 and 2. These projects include:

1. Completion of the Phase 1 Master Plan projects
2. Completion of the Phase 2 Technology Infrastructure projects
3. Completion of the Phase 2 Bidwell Junior High School Modernization project

- February 8, 2016
  The committee met to finalize the Annual Report to the Board of Education which will be presented at the February 17, 2016 meeting.

IV. **CBOC Actions**
Measure E expenditures for fiscal year 2014-15 were reviewed by the Committee and accepted at the meeting held on February 8, 2016.

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 Tittle & Company, LLP. Their report, dated January 22, 2016, 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, 2014, 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 Tittle & Company, LLC. Their report dated January 22, 2016 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 Section1(b)(3)(C) of Article XIIA 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 is 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>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADA Phase 1</td>
<td>204,108</td>
</tr>
<tr>
<td>Safety &amp; Security</td>
<td>242,871</td>
</tr>
<tr>
<td>Technology Infrastructure Phase 1</td>
<td>2,120,930</td>
</tr>
<tr>
<td>Junior High Planning (refunded)</td>
<td>(1,868)</td>
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<tr>
<td>MJHS Site Drainage</td>
<td>413,082</td>
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<tr>
<td>BJHS Conversion/Modernization</td>
<td>1,915,272</td>
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<tr>
<td>Technology Infrastructure Phase 2 (Junior High Schools)</td>
<td>479,090</td>
</tr>
<tr>
<td>Total</td>
<td>$ 5,373,485</td>
</tr>
</tbody>
</table>

VIII. Conclusions

As stated in the 2013/14 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, 2015 agrees the balance of the bond proceeds maintained in the building fund were used in compliance of the California Constitution.