

SALINAS UNION HIGH SCHOOL DISTRICT
INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
for SCHOOL BOND MEASURES F & M

ANNUAL REPORT TO THE VOTERS for 2012
December 12, 2012

Executive Summary

The Oversight Committee, reformed in 2010 to include both bond measures M and F, has reviewed all available data on the expenditures of the bond funds, and found that none of the funds were spent on projects not included in the bond measure specifications nor for any expenses not allowed under the law.

Background

In May of 2010 the separate oversight committees for Measure F and Measure M were combined to a single committee, as is allowed in state law and as was approved by each of the committees independently and by the Trustees of the Salinas Union High School District. This report is issued by the combined committee.

Measures F and M, both general obligation school bond measures, were passed in March of 2002 and November of 2002, respectively, by the voters of the Salinas Union High School District (hereinafter "District") in accordance with Proposition 39. The funds raised by Measure F are dedicated specifically to the repair, maintenance, physical improvement and expansion of the District's high schools (including purchase of a site for a new high school) and the Salinas Adult School. Funds raised by Measure M are dedicated specifically to the repair, maintenance, physical improvement and expansion of the District's middle schools, and purchase of a site for and construction of a new middle school.

The Committee

Under Proposition 39, applicable implementing legislation relating thereto, and the California Education Code (together hereinafter "Law"), the District was required to establish a Citizens' Oversight Committee for each of the bond measures. This was done in 2002, and the committees were combined (hereinafter the "Committee") in 2010 as indicated above. The Law and the Committee's current Bylaws (available for viewing on the District's website: www.salinas.k12.ca.us) set forth the required membership of the Committee. All Committee members serve for fixed two-year terms.

The Bylaws of the separate committees were melded and amended during 2010 to combine the committees and to adjust the Committee membership. As of this report, the Committee consists of the following members:

Diane Ausonio, Business Representative, current term expires 5/31/14.
Richard Giffin, Taxpayers' Representative, current term expires 5/31/14.
John Musni, School Site Council Member, Vice Chairman, current term expires 5/31/13.
Margie Martin, Parent Representative, current term expires 5/31/14.

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Emily Mercado, Parent Representative, current term expires 5/31/14.
Janet Collins, Seniors Representative, current term expires 5/31/14.
Michael T. Payne, Community at Large, Chairman, current term expires 5/31/14.
Anna Smithey, Community at Large, current term expires 5/31/13.
Marvin Wolf, Community at Large, current term expires 5/31/13.

As of the date of this report, all positions on the Committee required by the Law are occupied. The Committee's Bylaws allow for up to four additional members if there are eligible community members interested in serving and if they are appointed by the Trustees.

Serving as non-voting advisors in a resource capacity to the Committee are:

Tim Vanoli, Superintendent, Salinas Union High School District.
Karen Luna, Manager of Maintenance, Facilities and Planning, Salinas Union High School District.
Lisa Gonzales, secretary of the Salinas Union High School District Business Services Department and administrative assistant to the Committee.

The Committee met two times in 2012. Agendas for and approved Minutes of these meetings are posted to the District's website: www.salinas.k12.ca.us.

Committee Responsibilities

Applicable California law states that the Committee shall actively review and report on the expenditures of school bond revenues raised under the provisions of Proposition 39. Specifically these responsibilities are listed in the Committee's Bylaws. In summary they include the following:

- Ensuring that Measure F and M bond funds are spent only as allowed by the Law.
- Reviewing copies of annual performance and financial audits.
- Inspecting projects financed by Measure F and M funds at school sites.
- Reviewing cost-saving efforts by the District to maximize the efficient use of bond funds.
- Reporting annually to the voters on the results of its activities.

Findings of the Committee

The Committee has received full cooperation and all data requested from the District for the facilitation of its review of the expenditure of Measures F and M funds as required by the Law.

The status of all the bond projects, as well as an accounting for fund expenditures and balances, may be found in Appendix 1 for Measure F and in Appendix 2 for Measure M. These appendices are attached to and made a part of this report.

As of this date, only one Measure F project, Plans and Specifications for the New High School, remains to be completed. The work on the Restrooms/Concessions Building at North Salinas High has been completed but there is still a balance in its budget because some final payments to

the contractors involved are presently held up in bankruptcy court action. The Construction of the new high school was not included in the Measure F specifications, and a new bond measure will eventually be required to finance construction.

Only three Measure M projects, purchase of a site for the new middle, site costs associated with that purchase, and its construction, remain to be completed. The latter is not shown in Appendix 2 yet because it has not yet been scheduled. The unsold remainder of the Measure M bonds (\$8,501,072) will eventually be sold to help finance this construction.

All completed Measure M and F projects have been accomplished at or below budget and on time except for some brief weather delays.

As of this date the cash balance in Measure F funds is \$2,418,866 and in Measure M funds it is \$12,646,736. These balances reflect initial bond sales, plus refinancing bond sales, plus interest received on fund balances held pending payments on projects, less net investment losses (see notes in Appendices 1 and 2), and less the costs to date of the projects. These cash balances, plus the revenue from the sale of the yet unsold Measure M bonds (\$8,501,072), will be used to complete the remaining uncompleted projects (including construction of a new middle school), to pay any legitimate bills outstanding on approved projects, and to expand projects where allowable under law and within the project definitions approved in the ballot measure specifications.

The Committee has reviewed periodic reports submitted by the District on the expenditures of Measures F and M funds, and has found no indication that any expenditures to date of Measures F or M funds were made in violation of the Law. No Measures F or M funds have been spent on salaries, operating expenses or projects not included in the Measures F and M specifications, and no administrative expenses have been charged to Measures F or M funds except as permitted by Law.

The Committee has reviewed the legally required performance audits for Measures F and M (performed by Perry-Smith LLP, CPA, an independent third party) for the year ending June 30, 2011, the latest such audit reports available at this writing. In these performance audits a random sampling of the projects in progress during the audit period were examined, and, within these samples, the auditors found no violations of law in the expenditure of Measures F or M funds. This audit has been accepted and approved by the District's Board of Trustees and by the Committee.

The financial audit of the District's financial condition, practices and accounting by an independent third party (Perry-Smith LLP, CPA) for the fiscal year ending June 30, 2012 was not available to the Committee as of the date of this report, but the Committee sees no reason to assume it will be anything but satisfactory, as was the last financial audit report reviewed by the Committee for the fiscal year ending June 30, 2011.

The Committee continues to monitor the District's efforts to maximize efficiency and effectiveness in the expenditure of Measures F and M funds, and is satisfied that the District is

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139 spending those funds for achievement of the best long-term value to the District rather than
140 simply contracting for the cheapest products.

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142 Conclusions

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144 The District appears to be in full compliance with the Law with respect to the use of Measures F
145 and M bond funds. Further, the District appears to be spending Measures F and M bond funds
146 effectively and efficiently.

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148 Respectfully submitted for the Committee by

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151 Michael T. Payne, Chairman