

**Folsom Cordova Unified School District
125 East Bidwell Street
Folsom, California 95630**

March 27, 2006

MINUTES

Citizens Oversight Committee
Measure B
Cordova Lane Elementary School
Library
2460 Cordova Lane
Rancho Cordova, California 95670

CITIZEN'S OVERSIGHT COMMITTEE

Craig Osborn, Chairperson
Guy Anderson
Roger Benton
Russ Davis
Conrade Mayer
Neil Orchard
Mike Passof
Mary Sebastien
Liane Sousa

Committee members Roger Benton, Russ Davis, Conrade Mayer, Neil Orchard, Craig Osborn, Mike Passof, Mary Sebastien and Liane Sousa were present. Guy Anderson was absent. Also present were school district staff Debbie Bettencourt, Grant Smith, and Pam Parsons. Rob Wells, who is interested in becoming a member of the committee, was in attendance.

Meeting convened at 4:34 p.m.

APPROVAL OF MINUTES

Roger Benton moved to approve the minutes and Neil Orchard seconded the motion. Minutes were approved unanimously.

BOND AUDIT

- Steve Wescoatt, Perry-Smith Inc., was available to answer questions about the audit process and how transactions are selected.
- This audit of the disbursement of bond funds meets the requirements of Proposition 39 for the required performance audit.
- This audit does not review internal controls because those are audited at the district level which includes bond and general funds.
- For the performance audit, the auditor looks at the size of the population, or the number of transactions and the dollar amount. The audit fee is based on how many sample items are selected. A random sampling is done that is tailored to try to get coverage across all the different projects. A representative sample includes transactions from \$1,000 to \$1,000,000.
- It would become cost prohibitive due to the number of transactions to increase the sampling size to 75% or 80%. It then goes beyond the nature of an audit and becomes a verification. In doing this audit, as well as the district's regular audit, no problems with the internal controls were discovered, allowing the auditor to make the statement that the bond money is being spent on the projects contemplated in the bond issuance.
- The committee was given the opportunity to ask questions.
 - Craig Osborn asked if it is appropriate to use this report as the required performance audit. Steve Wescoatt explained that Proposition 39 requires a Citizens Oversight Committee and a separate financial audit and a performance audit for the bond funds.

The problem is that the Education Code does not provide a definition of performance audit. The only definition of performance audit in the government auditing standards relates to an efficiency study of management, which has nothing to do with how bond money is spent. After consulting with other CPA firms that do school district auditing, the State Controllers Office, and Department of Education, Perry Smith, Inc. came to the conclusion that an agreed upon procedures report meets the intent of Proposition 39. It is not an audit, but more detailed in some respect, and specifically focuses on verifying the bond expenditures.

- Steve Wescoatt clarified that there is not a need to do a separate financial audit on the bond funds because they are audited as part of the district's financial and internal controls audit.
- Liane Sousa feels that a larger percentage of transactions should be audited. Steve Wescoatt explained the Rancho Cordova bond funds consisted of a lot of small dollar transactions and Folsom bond funds had fewer transactions but for higher dollar amounts. If the number of audited transactions was increased from 60 to 120, it may only increase the percentage of the total transactions a small amount if the spending pattern occurred the same way. This could roughly double the cost of the agreed upon procedures. The cost is paid out of general funds.
- Liane Sousa said clarification should be made known that the financial audit is separate from the performance audit.
- Debbie Bettencourt answered specific questions on the detailed financial transactions.
 - Liane Sousa asked for an explanation of the "transfer to state school building fund" expenditure (page 1). Debbie Bettencourt explained it is a transfer out to a state construction fund. If a project qualifies for state funding, the expenditures are required to be tracked in a state account, where bond monies are also transferred in to cover the expenditures.
 - Liane Sousa noted that Kitty Hawk looks like it had some type of tree service (page 9). Grant Smith believes the work involved removing trees to allow for the installation of new student care buildings and the cost came out of student care program funds.
 - Liane Sousa questioned the "repair/labor" category for Cordova High School (page 39). Grant Smith explained when installing the new HVAC systems, problems with the existing systems were discovered and repaired so units would all function properly together. This category also included floor repairs and moving expenses.
 - Liane Sousa asked if the total expenditure of \$8,244,255 shown on page 60 is the remaining balance of the bond. Debbie Bettencourt explained it is the budget balance. At the beginning of the year, the district budgets what they think the expenditures will total. It includes the transfers out.
 - Liane Sousa asked what is the actual amount of bond funds remaining. Debbie Bettencourt responded that funds are getting low and she would bring an update to the next meeting.
- Liane Sousa moved to accept the audit findings, Roger Benton seconded the motion, and the audit findings were accepted unanimously.
- At the next meeting, the committee will discuss increasing the percentage of dollars audited in the future. The Board of Education would have to approve a new agreement and the additional costs from the general fund.

REVIEW OF CONSTRUCTION PROJECTS AND TIMELINES

- Grant Smith reviewed construction projects and timelines

Cordova Lane Elementary & White Rock Elementary:

- Received DSA approvals and will bid the two jobs together on April 12.
- The District is not using a construction manager on these two projects. Management is not needed due to heavy HVAC and roofing and can save money without the construction management overhead.

Navigator Elementary:

- Completion scheduled for May with the school opening in August 2006.

Mills Middle School:

- Project completed with small remaining details being done through purchase orders.

Mitchell Middle School:

- Renovation is postponed till after the November bond election. If the bond is not successful, the scope of work will have to be significantly reduced.

Cordova High School:

- Project is complete with minor items being addressed as they come up.
- Grant Smith provided the committee with a report from Enovity on the outstanding commissioning issues. District and Enovity will continue to follow up on all issues until resolved.
- Conrade Mayer asked about the drainage issues at Mills Middle and Cordova High Schools. Debbie Bettencourt explained the repairs will be done under Deferred Maintenance. Don Butler is checking to see if these repairs are identified on the five-year plan. The five-year deferred maintenance plan is a five-year look ahead identifying maintenance projects and allocating the funds. If the item is not on list, the District must revised and resubmit to state for approval.

CHS Concession:

- Project is in progress.
- Neil Orchard asked if it is within budget. Debbie Bettencourt reminded the committee that the funds are from the CHS project contingency. There is a \$100,000 gap and the district will fill by using interest earnings from the bond.

Mather High/Morrison Creek Middle School:

- The project is in the design process.

Miscellaneous:

- Future Rio del Oro, and Easton/Westborough/Glenborough schools are in the design process.
- Grant Smith referenced a summary of the CHS modernization occupancy survey results included in the handouts.
- Neil Orchard asked for project budgets to be included on the monthly construction update.
- Conrade Mayer asked if the proposed field house could be modified to include additional space for use other than a field house. Debbie Bettencourt indicated storage area is cheaper in metal buildings than the concrete concession stand.

FUTURE BOND CAMPAIGN

- The Facilities Department has distributed a questionnaire to the school sites to identify facility needs/improvements. Also asking for maintenance technicians and technology staff input.
- Debbie Bettencourt distributed a technology improvement planning report. There are three levels of funding 1)conservative - \$1,914,400; 2)moderate - \$5,236,800; and 3)aggressive, replacing all computers over a 8 year period - \$8,544,400. Measure B included \$1.2 million for technology improvements.
- The bond amount could be \$50 - \$70 million, depending on projection of assessed valuation of growth in existing Rancho Cordova. Limited by tax rate of \$60 per \$100,000 of assessed value.
- The Board of Education has selected Lakewood Research to complete voter surveys. They will telephone poll 400 voters in Folsom and 400 in Rancho Cordova the third week of April. The Board will look at the survey results for level of support and to target market and campaign messages.
- Debbie Bettencourt asked the committee to provide a list of people willing to work on a bond campaign to her by the end of April.
- In order to place a measure on the ballot for November, the District has to formulate the SFID boundaries by June and the Board has to declare an election in August.

REVIEW COMMUNICATION PLAN

- The annual report to voters will be mailed out in the April Allied Waste billings.

NEXT MEETING DATE

The next meeting is scheduled for Monday, April 24, 2006, 4:30 p.m., at Navigator Elementary School.

Meeting adjourned at 5:30 p.m.

Respectfully submitted,

Craig Osborn, Chairperson