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CITIZENS' OVERSIGHT COMMITTEE INFORMATION

This memo will explain the functions which the citizens' oversight committee is required to perform in connection with the general obligation bond issue of the District, the timing of its creation, and the make-up of the Committee.

Constitutional Reporting Requirements. In order to understand the role of the Committee, it is helpful to start with a discussion of Proposition 39, which amended Article XIII of the California Constitution to permit school districts and community college districts to issue general obligation bonds with a 55% vote. Proposition 39 contains two specific reporting requirements applicable to the District's general obligation program, as follows:

1. "A requirement that the ... school district board ... conduct an annual, independent **performance audit** to ensure that the funds have been expended only on the specific projects listed."

2. "A requirement that the ... school district board ... conduct an annual, independent **financial audit** of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects."

These audit functions are not specifically made the responsibility of the Committee, although it is clear that they must be prepared by an organization which is "independent" of the district. The purpose of the first audit is to review what facilities the bond proceeds have been spent on, relative to the description of authorized facilities contained in the ballot measure. The purpose of the second audit is a bit murkier, although we believe it is to review how the bond proceeds have been spent, i.e. the manner in which the expenditure program has been undertaken, including a review of the amount and purpose of individual expenditures.

Timing of Creation of Committee. The Citizens Oversight Committee must be created within 60 days of the date that the governing board enters the election results on its minutes (Education Code Section 15278).

Make-up of the Committee. The Committee must consist of at least 7 members, 5 of whom must meet the following criteria: 1 member must be an active member of the business community, 1 member shall be active in a senior citizens' organization, 1 member shall be active in a bona fide taxpayers' organization, 1 member shall be the parent or guardian of a child enrolled in the district, and 1 member shall be both a parent or guardian of a child enrolled in the district and active in a parent-teacher organization. No employee or officer of the District may serve on the Committee, nor may any vendor, contractor or consultant of the District serve on the Committee. (Section 15282 of the Education Code.)

Statutory Duties of the Committee. The implementing legislation (Sections 15278 through 15282 of the Ed. Code) states that the purpose of the Committee is "to inform the public concerning the expenditure of bond revenues." This is a general statement which does not dictate the specific functions of the Committee. The specific mandatory functions of the Committee are set forth in the Ed. Code as follows:

1. Actively review and report on the proper expenditure of taxpayers' money for school construction.

2. Advise the public as to whether the District is in compliance with the Section 1(b)(3) of Article XIIIA.

3. Provide oversight for both of the following:

   (a) ensuring that bond revenues are expended only for the purposes described in Article XIIIA, Section 1(b)(3), and

   (b) ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.

4. Issue regular reports on the results of activities, at least once a year.

Discussion. In order to discharge its duties, it is clear that the Committee must review the annual performance audit and the annual financial audit which the District is required to provide under Article XIIIA as cited above. This review is specifically required in order for the Committee to perform its duties under category 2 above.

Presumably, the annual performance audit and the annual financial audit will provide sufficient information for the Committee to discharge its remaining functions as well, since the audits should contain all of the information which the Committee needs to discharge its duties under categories 1 and 3 above. We would recommend that the independent party(ies) undertaking the annual performance audit and the annual financial audit be instructed by the District to ensure that sufficient detail is contained in these reports to enable the Committee to perform its functions described above.

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