



# DEL NORTE COUNTY UNIFIED SCHOOL DISTRICT

## **MEASURE A CITIZENS' OVERSIGHT COMMITTEE**

### ANNUAL REPORT TO THE COMMUNITY

*For Period Ending June 30, 2016*

*Chairman Dohn Henion*

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#### **Measure A Bond Authorization Background**

On November 4, 2008, the Del Norte County Unified School District submitted for voter approval Measure A, a bond election measure to authorize the sale of \$24,986,390 in bonds to be spent on specified school construction and renovation projects. This measure was submitted to the voters under the terms and conditions of Proposition 39, which requires a 55 percent affirmative vote for passage. Measure A passed with 57.61%.

The money generated by the sale of the bonds can only be spent on the projects authorized in the election. Several safeguards are required to ensure that the funds are spent for their authorized purposes. The school district is required to obtain an independent auditor's opinion discussing whether the funds have been properly expended. Secondly, a committee, called the Citizen's Oversight Committee, is appointed from specified categories of interested citizens, including a member from a taxpayer organization, to actively review and report to the public on whether the bond revenues were used for their proper purposes.

Measure A projects include upgrading and renovating classrooms and school facilities. Photos of the projects funded during the time period covered by this report are attached.

The bonds are general obligation bonds, which means that bond repayment is paid by levying a tax on all the real property paid by those who are obligated to pay property taxes. Federal, state and local governments, churches and some other entities do not pay property tax on the property they own. The tax levied is a maximum rate of \$60.00 per \$100,000 of property value. If you pay property taxes, the total amount collected from you each year is separately identified for each series of bond issuances as "School Facilities Bond, Series A, B, and C" on your property tax bill.

Since 2009 the school district has issued \$15,099,998 of the \$24,986,390 of the bonds

authorized. When interest on funds generated by the bond sales are awaiting expenditure, the accrued interest can only go toward completing the project list, not to new projects or other non-Measure A expenses.

Each issuance of bonds has associated costs with the transaction. These include professional fees to the school district's attorney's, other legal fees, underwriter discount, financial advisor's fees, bond insurance premium, printing costs, rating agency fees and other miscellaneous expenses. There is also the cost of paying the interest on the bonds.

In 2009 bonds were issued with a par value of \$5,099,998. The school district determined to refinance and refund those bonds in 2013 and the par value of that reissuance was \$5,010,000. The costs of issuance and interest paid on those bonds will be \$9,808,907 through maturity of the bonds. The \$10,000,000 in bonds issued in October 2013 and January 2014 carries a cost of repayment in the sum of \$17,493,704. The \$4,900,000 in bonds issued in February 2016 carries a cost of repayment in the sum of \$10,098,324. Thus of the \$19,910,000 in par value of bonds issued to date, the total cost of repayment to the taxpayer is \$32,787,510. Measure A still authorizes the sale of an additional series of bonds totaling 5,100,000. They cannot be issued until the previous bonds are paid down to the point that the maximum tax of \$60/\$100,000 property value is not exceeded.

#### **Citizens' Oversight Committee**

California law requires the formation of a Citizens' Oversight Committee to annually update the community on bond revenue spending and alert the public as to any waste or improper expenditure of school bond money that is detected. Upon any allegations of waste or misuse the legislature requires investigation by the appropriate law enforcement officials.

The committee provides only after-the-fact review and monitoring of how the district spends bond dollars. The committee does not have the authority to approve or determine how the bond funds are spent, rate of taxes collected, bond financing or any role in selection, or participate in any negotiations or bid process for contractors or consultants.

At present, 7 Committee members are acting and appointed by the DNCUSD Board of Education.

By law (Ed Code 15282), the Committee must include the following: 1) A person who is active in a business organization; 2) a person who is active in a senior citizens organization; 3) a person who is a member of a bona fide taxpayers' organization; 4) a parent who is a member of a PTSO or School Site Council; and 5) a parent who might or might not be a member of a PTSO or School Site Council. The remaining individuals serve as At Large representatives. Currently, the Committee has representatives from each of the required categories.

The COC basically meets on as needed basis. In addition, members participate in tours of school facilities to review "before" and "after" conditions of each project site.

The Committee wishes to express its gratitude to district employees, Assistant Superintendent, Jeff Napier and Executive Assistant, Linda Harrison for their cooperation with this committee and supplying the committee with technical and administrative support.

All COC meeting dates and times as well as agendas are posted on the district's web page at [www.delnorte.k12.ca.us](http://www.delnorte.k12.ca.us). All meetings are open and public and subject to the Brown Act. Members of the public are welcome to attend, to listen to district staff present to us the information supporting how Measure A funds were expended, progress on bond projects, as well as receive updates of any federal and state funds that might become available to supplement bond funds.

## **District Enrollment and Cost of Bonds**

During the 2015/2016 fiscal year the district had a student population of 3572 pupils. In the 1999/2000 school year it had 4854 students. It presently has 179 teachers, 13 certificated administration, 11 certificated pupil service providers, 363 classified employees and 7 classified managers. According to EdData.org, the district expends about \$11,389 per student, which is 104% of the statewide average. The district receives approximately 41 million dollars in total revenues. Approximately 30.6 million dollars of these revenues are expended on salaries and benefits for district employees. The remaining funding is utilized for operational needs such as books, utilities, paper, copiers, supplies, etc. As previously stated, Proposition 39 prohibits any use of bond proceeds for salaries and operating expenses, including the use of bond funding for this Committee.

Each issuance of bonds has associated costs with the transaction. These include professional fees to the District's attorney's, other legal fees, underwriter discount, financial advisor's fees, bond insurance premium (if any), printing costs, rating agency fees and other miscellaneous expenses. There is also the cost of paying the interest on the bonds. For an in depth review of the District's financial situation and the total cost of debt service on the various series of these bond issues, you may review this information at this website: <http://emma.msrb.org>.

The District has provided us with the following information regarding the costs of Measure A Bonds issued to date:

A. June 2, 2009 \$5,099,998 bond issuance would have carried a cost of repayment in the sum of \$10,467,252.

B. The May 7, 2013 Refinance and reissuance of the June 2, 2009 \$5,010,000 bond carries a cost of repayment in the sum of \$8,033,666. The costs of issuance, insurance premium and the underwriter's discount together with the payments on the 2009 bond between 2009 and its refinancing (\$1,775,241) makes the total cost of the first bond as refunded total the sum of \$9,808,907.

C. The October 2013 and the January 2014 bonds issued in the amount of \$10,000,000 carries a cost of repayment in the sum of \$17,493,704.

D. February 2016 the district issued bonds totaling \$4,900,000 which carries a cost of repayment in the sum of \$10,098,324.

The total cost of repayment by the Del Norte Property tax payers at full term of the \$19,910,000 in bonds issued to date is the sum of \$32,787,510.

## **The Independent Performance Audit**

The law governing school facilities bonds requires an annual financial and performance audit be performed by an independent auditor to ensure that funds have been spent according to law. The performance audits is required to be conducted pursuant to the Accepted Government Audit Standards. This requires that the auditor issue an opinion only after reviewing this information: Current bond program; management/program plan; design construction timelines/benchmarks; review of project budgets; uses of best practices in design and construction; payment procedures and processing; program management/construction management fees; construction change order procedures; construction delivery methods; best Practice procurement; evaluation of public outreach and transparency.

Messner and Hadley, LLP, is the auditing firm that performed the district's financial and Bond Performance Audits on Measure A funds for this time period. The school district has received, and the committee has reviewed, the financial and performance audit for the fiscal year ending 2016. The independent auditor

issued its Bond Performance Audit opinion concluding that:

“The results of our audit tests indicated that, in all significant respects, Del Norte County Schools has properly accounted for the expenditures of the funds held in the Measure A General Obligation Bonds Building Fund and that such expenditures were made for authorized bond projects. Further, it was noted that the funds held in the Measure A General Obligation Bonds Building Fund and expended by Del Norte County Schools were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 01-110 issued on November 9, 2004 by the State of California Attorney General.”

The latest bond audit was for the period ending June 30, 2015 with a full report going to the School board and to the Committee.

### **Committee Findings**

The Citizens' Bond Oversight Committee, based on its review of the annual financial and performance audit reports and information received at its meetings, **the Committee finds:**

- A) According to the sampling conducted by the independent audit of Measure A funds and that auditor's opinion, the bond revenues during this period were expended only for the purposes of construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities;
- B) No bond funds are used for any teacher or unpermitted administrative salaries or other school operating expenses. The independent auditor found that the District did pay salaries of administrators to the extent they performed administrative oversight work on Measure A construction projects as allowable per Opinion 01-110 issued on November 9, 2004 by the State of California Attorney General;
- C) A list of projects to be funded was included on the ballot;
- D) An annual independent performance audit for the period of time covered in this report was performed; and
- E) An annual independent financial audit for the period of time covered in this report was performed.
- F) That the amount of \$15,100,00 of the first, reissued first, refinanced first, second, and third issuances of Measure "A" funds has been appropriated.
- G) Bond premium dollars for the four series that have been issued and refunded to Measure "A" amounts to \$14,957,203.
- H) Interest generated (for the 15-16 fiscal year) is \$43,334.
- I) Total funds available to Measure A projects as of June 15, 2016 are \$9,625,398.

J) \$4,343,554 Million has been appropriated to specific projects.

K) \$5,341,773 has not been committed to specific projects.

### **Recommendations**

In its 2014/2015 Fiscal Year report the Committee made a number of recommendations to the Board of Trustees, namely to: 1) Provide a small operating budget to the committee for its education; 2) Provide the Committee with direct access to the website where its reports are posted or provide funds so that the Committee itself could make its information available to the public it represents; 3) The district staff provide the Committee with advance notice of the solicitation of professionals to provide an opportunity to assist in making cost-saving recommendations; and 4) For the Board of Trustees to appoint a liaison member to work with the committee.

A meeting between a School Board Trustee and this committee's chair did recently occur to discuss the recommendations.

### **Summary and Concluding Remarks**

Through passage of Measure A, Del Norte voters expressed their commitment to their local public schools. The Measure A Citizens' Oversight Committee is honored to provide oversight as to how taxpayer funds are spent and will continue to monitor, review, and report out to the community on a regular basis. The public is invited to call the Superintendent (707-464-0200) and/or to visit the District's web page at [www.delnorte.k12.ca.us](http://www.delnorte.k12.ca.us) for more information. The public is also welcome at all times to attend Committee meetings and Board meetings.

**Respectfully submitted by the  
Citizens' Oversight Committee:**

**Dohn Henion, Chair (Taxpayer Org)**  
**Scott Feller, Chair Pro Tem (Bus Org/Parent)**  
**Sandy Moreno (Senior Org)**  
**Mechelle Webb (Parent in PTSO)**  
**Lloyd Thompson (Parent)**  
**Janet Wortman (At Large)**  
**Haley Allen (At Large)**