The meeting of the Measure D Citizens’ Oversight Committee was held at, 6500 Soquel Drive, room 2030, Aptos, CA on Thursday, February 6, 2014 at 9:00 am.

Present: Blaine Brokaw, Ceil Cirillo, Carter Frost, Sharon Gray, Ronald Kaplan, Brian Mathias

Staff: Laurel Jones, Victoria Lewis, Graciano Mendoza, Joe Nugent

Guests: Terri Montgomery, Auditor, Vavrineck, Trine, Day

Absent: Kathy Blackwood

Notetaker: Tatiana Bachuretz

Blaine called the meeting to order at 9:08. The committee introduced themselves.

I. Agenda Modifications: Victoria stated that Mr. Mathias requested financials that are more current than 6/30/13. She will distribute them at the end of the meeting.

II. Comments from the Public: Victoria noted that at the College Planning Council meeting yesterday and wanted to send thanks to the Citizens’ Oversight Committee and to the community for all of the facilities constructed with bond funds.

III. Minutes: The minutes of October 31, 2013 were approved (Cirillo/Frost).

IV. 2012-13 Bond Performance and Financial Audit
The draft 2012-13 audit was emailed to the committee in December, 2013. Terri Montgomery reviewed both the Financial Audit Report and the Performance Audit as of June 30, 2013. Ms. Montgomery noted that the Independent Auditors’ Report looks a little different this year; the District’s and Auditors responsibilities are delineated, but nothing has change in terms of audit procedure. There are no findings or issues to report (pages 13-14).

Mr. Kaplan asked about interest rate risk on page 7. Ms. Montgomery replied that Districts are required to put money in the county pool unless there is a need to park the funds for a long time. The Board of Trustees receives a quarterly report from the county committee that manages the funds. Mr. Kaplan recommended going with a fixed annuity in order not to lose money. Ms. Montgomery replied that Cabrillo is a government agency and there are limited choices.
Ms. Lewis agreed that Cabrillo operates under strict guidelines for investments. The county investment pool oversees the investments. Mr. Kaplan stated that security is important and recommended safe investments with fixed returns such as annuities. Ms. Cirillo asked whether the value has changed since June 30, 2013. Ms. Montgomery replied that we don’t know if the loss was recovered, it could be up or down on any given day. Ms. Lewis stated that some districts chose a different investment strategy and lost upwards of $3 million. Mr. Kaplan, as a licensed insurance agent, recommended a fixed annuity that won’t lose value.

Ms. Montgomery reviewed the Performance Audit. The purpose of this report is different from the financial audit. The auditor reviews expenditures and compares them to the purpose of the voter measure. Fifty percent of expenditures were reviewed, and the conclusion on page 4 is that the District has properly accounted for expenditures and those expenditures were made for authorized bond projects. Mr. Mathias asked about the list of expenditures that were audited. Ms. Montgomery replied that it was a random sampling of half of all small and large expenditures between 7/1/12-6/30/13.

Ms. Montgomery will present the audit to the Board in March, 2014 and, generally, the Board asks if there are any issues. Ms. Lewis will relay the issue that Mr. Kaplan raised to the Board. Ms. Montgomery noted that audit standards have changed over the years. When that occurs it is discussed with the board. Mr. Brokaw asked whether the sample is random. Yes, it is a random sample of expenditures between $1000 and $1 million, and the auditor also reviewed the list of descriptions for anything that may stand out. In Cabrillo’s case, the auditor reviewed a larger than usual sample (50%) of all expenditures. Ms. Montgomery stated that an internal review looks at every expense. Further, a list of warrants of every payment that is issued is submitted to the Board of Trustees each month. Ms. Lewis stated that the Board of Trustees reviews the list of warrants for all District expenditures. Ms. Montgomery stated that for construction funds, an inspector has to certify that the work has actually been done.

Mr. Brokaw asked whether an audit firm would ever look at every expenditure. Ms. Montgomery replied that yes, while that could be done by special arrangement, typical ranges are 25-50% and that option has not been selected among the 200 districts in the state to her knowledge. Ms. Gray asked whether an independent inspector has been used, as in K-12. Not typically, unless there is a complaint or suspected fraud.

It was moved (Cirillo/Gray) to accept the financial and performance audit reports. The motion carried.

V. Annual Report:
Mr. Mathias raised a concern about a sentence near the end of the letter from the Chair of the committee: He suggested that the sentence read: “Based on this report, the members of the COC conclude that the Measure D bond expenditures have been made in accordance with the California Education Code 15278 and exclusively for the projects identified in the Bond Measure.” Ms. Cirillo noted that the list of projects includes the Building 800 renovation which opened in October 2013. This will be removed from the letter.

The committee discussed how the report should be distributed. Dr. Jones offered to make a link in the community updates portion of the website and when making community
presentations publicize where the report is available. It was recommended that the final report be publicized once all funds are spent. Dr. Jones will take the lead in how to disseminate the information to the public.

It was moved (Mathias/Gray) to edit the letter in the draft annual report as suggested by Mr. Mathias. The motion carried. Staff will relay the edits to Ms. Blackwood. There was a motion to accept the annual report (Frost/Mathias) as amended to be sent to Board of Trustees. The motion carried.

VI. Project Status Update:
   - **800 STEM Center**: Occupied in fall 2013. DSA closure anticipated soon.
   - **600 Building**: 3 upgraded classrooms are fully operational. Ready to close out with DSA.
   - **Building 100 HVAC renovation bid**: The project is under way but is currently two weeks behind schedule. Staff has been moved out and the HVAC system has been demolished. Ms. Cirillo asked how students know where to go for services—information is disseminated at the welcome tables, at meetings, there is a new map, flags, etc.
   - **Smart classroom upgrades**: Seven classrooms were upgraded in record time and four more will be done for the fall. Upgrades include white boards, the “Elmo” projector and other new technology. The IT department has developed training videos on how to use the new technology.

VII. Status of Measure D Bond Program:
   - Ms. Nugent distributed a list of recommended projects for the remaining bond funds. Mr. Mathias asked what goes into the duplicate building number project to make the expense so high. Kiosk signage, new maps, powder coated metal due to the marine environment we live in, renumbering each building, it is an enormous undertaking. We are conservative when we start a project to be sure we do not overspend available funds. If there is not adequate funding for these projects, we will seek other funding.
   - Ms. Cirillo asked whether another bond is being considered. Currently, staff is developing a Total Cost of Ownership presentation about what the cost is to own and operate our buildings for their useful life of 30-50 years.
   - Ms. Lewis distributed the financials for the bond as of 12/31/13.

VIII. Next meeting: October 16, 2014 December 4, 2014 at 9:00 am.

Action items:

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The meeting adjourned at 10:16 pm.