



BOND OVERSIGHT COMMITTEE MEETING #11

February 21, 2018

NMCHS District Office

8142 Moss Landing Road, Moss Landing, CA

2013 MEASURE 'H' BOND

MEETING MINUTES

A. Call To Order. The meeting was called to order at 5:35 p.m. by Chair, Lori Miranda. Roll call was taken and verified that a quorum was present.

Committee Members Present:

Lori Miranda	Chair, Business Org. and Parent, departure at 6:08pm
Manuel Osorio	Vice-Chair, Bona Fide Taxpayer Assoc., arrived at 5:37pm
Cosme Padilla	Senior Citizen Organization
Jose Anaya	Community-At-Large, Business Community and Parent
Margaret Stone	Community-At-Large
Deborah Trice	Community-At-Large, Parent Teacher Group, Parent
Larry Calhoun	Community-At-Large and Business Community

Committee Members Absent:

Eddie Centeno	Community-At-Large and Parent NMC High School
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Staff Present:

Kari Yeater	Superintendent
Liann Reyes	Assistant Superintendent, Business Services
Rick Diaz	Director of Facilities Planning & Construction
Virginia Boyce	Project Management Supervisor

B. Review and Approve Meeting Minutes October 11, 2017. Chair, Lori Miranda, made a motion to review and approve the meeting minutes of October 11, 2017, Deb Trice seconded, and the matter was opened for discussion and review. Larry Calhoun motioned to approve the minutes as is.

Motion to approve: Larry Calhoun

Second by: Manual Osorio

Motion Carried: 7-0

C. Review and Accept Independent Audit Report. Liann Reyes provided a comprehensive overview of Measure H Bond Building Fund of NMCUSD Audit Report for the Twelve Months Ending June 30, 2017, prepared by Vavrinek, Trine, Day & Co., LLP, dated December 11, 2017. Audit highlights are reflected below:

- The report focuses only on Measure H Bond Building Fund (Pg. 6). The District's audit report is a separate report available for review on its website.
- This report, the third since bonds were issued on May 1, 2014, is for the 12 months beginning July 1, 2016 and ending June 30, 2017.
- In accordance with the requirements of a Proposition 39 bond, the auditors have reviewed the financial and performance aspects of the bond. In their opinion, they reported that the financial statements referred to above "present fairly, in all material respects, the financial position of the Building Fund (Measure H) of the NMCUSD at June 30, 2017, and the respective changes in financial position for

the year then ended in accordance with accounting principles generally accepted in the U.S.A.” (Pg. 3)

▪ **FINANCIAL AUDIT:**

- The Balance Sheet (Pg. 4) is a perpetual statement which shows on June 30, 2017 that \$9,808,738 remained for capital project improvements as identified in the ballot language.
- The Statement of Revenues, Expenditures, and Changes to Fund Balance (Pg. 5) identifies other local revenue in the amount of \$317,036. This revenue is the E-Rate rebate received as a result of qualifying technology improvements installed at the various campuses with Measure H Bond funds.
- Note 2 - Investments (Pg. 8) discloses that the District is an involuntary participant in the Monterey County Treasurer pool as required by Education Code Section 41001. A credit risk assessment of the pool of funds was made by the auditor. Risk was assigned to the District’s funds relative to the percentages assigned at the County level. In the discussion regarding interest rate risk, it is noted that the average maturity has decreased approximately 100 days and averaged 398 days during the reporting period. (Pg. 9)
- Note 6–Construction Commitments discloses the value of the District’s open contracts on the last day of the fiscal year (Pg. 11); an amount of \$875,710.
- On August 3, 2016, the District issued Election of 2013, Series B General Obligation Bonds in the principal amount of \$8,300,000. The Series B Bonds represent the second and final issuance of bonds under the 2013 Authorization. The bonds were issued as current interest bonds with interest payable [by the taxpayers] semiannually on May 1 and November 1 of each year, commencing on February 1, 2017. The bonds mature through May 1, 2044. The previous year reporting of outstanding bonds of \$14,520,000, plus current year issuance of \$8,300,000, less taxpayer payments redeeming \$220,000 leaves the amount of bonds outstanding as of June 30, 2017 at \$22,600,000. (Pg. 13)
- The comments on Page 15 are in reference to the District’s annual closeout of its books. Where the report states “there were no adjustments to the Unaudited Actuals which required reconciliation to the Audited Financials” signifies the excellent result of the auditors not needing to make any adjustments to the District’s financial records.
- On Page 18 begins the review of internal controls that the District has in place for ensuring all activity is in accordance with Proposition 39 bond requirements. On Page 19 the auditors reported, “during our audit we did not identify any deficiencies in internal control that we consider being material weaknesses, and no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.”
- Page 22 concludes the financial portion of the audit with no audit findings and page numbering starts again with the performance audit report.

- **PERFORMANCE AUDIT:**
 - Performance auditing looks at whether or not expenditures are on voter approved projects. The letter on page 1 of the performance audit concludes “the results of our tests indicated that the District expended Building Fund (Measure H) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.”
 - The objectives of a performance audit are “to determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure H”, and “to determine whether salary transactions charged to the Building Fund were in support of Measure H and not for District general administration or operations.” (Pg. 3)
 - The scope of the performance audit was for the period July 1, 2016 to June 30, 2017. The auditors sampled 71% of the District’s transactions totaling \$5,691,917, where they “verified that the expenditures were for construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects,” and they also determined that “the funds were not used for administrative salaries other than bond project administration.” (Pg. 4)
- **CONCLUSION:** The report concludes with no findings for the current year and no audit findings reported in the prior year’s findings. Overall, a very clean audit.

A motion to approve and accept the annual independent audit report of Vavrinek, Trine, Day & Co., LLP, dated December 11, 2017, for the period ending June 30, 2017 was made.

Motion to accept:	Larry Calhoun
Second by:	Margaret Stone
Motion Carried:	7-0

- D. **Review Expenditures 09/01/2017 through 01/31/2018.** Staff presented to Committee Measure H Bond expenditures for the period identified.
- E. **Bond Budget Status.** Staff reported on current budget overall and by project.
- F. **Current Project Status Update.** Staff report on current projects.
 - HS Access Controls Project:
 - The project is in the final design and construction estimating phase and has been sent to the State for review. The project includes the following scope of work:
 - perimeter fencing with ornamental fencing at front of property
 - placement of a district-owned and stored 40’x75’ modular building to be used as a team room located between the athletic field and main campus

- accessible path of travel with a new ramp between the new team room and main campus
 - removal of existing portable rooms known as the “horseshoe” at the back of the property
 - repave the “horseshoe” area and stripe as teacher parking.
- Central Bay New Classroom and Accessible Path:
 - The project is in early design phase with emphasis on engineering. The greatest difficulty encountered thus far has been addressing costs associated with ADA Path of Travel issues from previous DSA applications that must be resolved within the current project application to the State.

G. Superintendent Update. Kari Yeater reminded those present of the Bond Oversight Committee Membership By-Laws which indicate that when a committee member misses two or more meetings, a letter prepared by staff requesting resignation will be sent to any committee members who fall into that category. The letter of resignation is then addressed by the Board of Education at its next meeting as a consent item.

H. Committee Requests.

- Cosme Padilla raised concern for a lack of identified funding for a much needed STEM building at the high school, especially in light of the failure of Measures E & F. Manual Osorio, speaking on behalf of Hartnell College, expressed continuation of the partnership. Superintendent Yeater indicated the District is looking for grants, endowments, and other forms of financing in hopes of finding sources to proceed with a STEM classroom building at the high school.
- The next scheduled BOC meeting is on May 23, 2018. The committee agreed to a start time of 5:00 p.m. at the District Office.

I. Adjournment. The meeting was adjourned at 6:38 p.m.

Motion to Adjourn: Lori Miranda
Second by: Deborah Trice
Motion Carried: 7-0

Next Meeting: May 23, 2018, 2017 at 5:00 p.m., District Board Room