

**BOND OVERSIGHT COMMITTEE MEETING #08**

February 8, 2017

NMCHS District Office

8142 Moss Landing Road, Moss Landing , CA

MEASURE 'H' BOND**Meeting Minutes #08**

A. Call To Order. The meeting was called to order at 5:39 p.m. by Chair, Lori Miranda. Roll call was taken and verification that a quorum was present.

Committee Members Present:

Lori Miranda	Chair, Business Organization and Parent
Cosme Padilla	Senior Citizen Organization
Margaret Stone	Community-At-Large
Larry Calhoun	Community-At-Large and Business Community
Deborah Trice	Community-At-Large, Parent Teacher Gp, Parent

Committee Members Absent:

Eddie Centeno	Community-At-Large and Parent NMC High School
Manuel Osorio	Vice-Chair, Bona Fide Taxpayer Association
Jose Anaya	Community-At-Large, Business Community and Parent
Dean Lines	School Site Council/Parent Teacher Group

Staff Present:

Kari Yeater	Superintendent
Liann Reyes	Assistant Superintendent, Business Services
Rick Diaz	Bond Program Manager
Virginia Boyce	Bond Account Specialist

B. Introduction & Welcome of New Committee Member.

With the departure of Patricia Alva from the District, the vacancy was publicly posted and an application was received. On November 3, 2016, the NMCUSD BOE approved the position to be filled by Deborah Trice.

C. Review and Approve Meeting Minutes from September 21, 2016. Meeting minutes for September 21, 2016 were reviewed and approved by the committee.

Motion to approve and accept: Larry Calhoun
Second by: Margaret Stone
Motion Carried: 5-0

D. Review Expenditures 09/01/2016 through 12/31/2016. Staff presented to Committee Measure H Bond expenditures for the period identified.**E. Review and Accept Independent Audit Report.** Liann Reyes provided a comprehensive overview of Measure H Bond Building Fund of NMCUSD, County of Monterey, Moss

Landing, CA, Audit Report for the Fiscal Year Ending June 30, 2016, prepared by: Vavrinek, Trine, Day & Co., LLP, dated December 14, 2016. Points of interest are reflected below:

- The report only focuses on Measure H Bond Building Fund.
- The audit report is an opinion by the independent auditor that “financial statements presented fairly, in all material respects, the financial position of the Building Fund (Measure H)” and used “accounting principles generally accepted in the U.S. (Pg. 3)”.
- The Balance Sheet presented on page four of the report is a perpetual statement which shows on June 30, 2016 that \$9,298,770 remained for capital project improvements as identified in the ballot language. (Pg. 4)
- The Statement of Revenues, Expenditures, and Changes in Fund Balance for the year ending June 30, 2016 show total expenditures for the period of \$4,260,968. When expenditures (Pg. 5) are added to the amount represented on the current balance sheet (Pg. 4) reflects the total dollar amounts that were available at the beginning of the reporting period as reported in the last audit report.
- The statements presented are for the individual Measure H Bond Building Fund and are not intended to be a complete representation of the District’s financial position on operations (Pg. 6).” The audit report for the District is a separate document and available for review on the District’s website.
- The information provided on page nine of the report under General Authorizations is a reflection of total cash in the County Treasury pool of funds for all of Monterey County. A credit risk assessment of the pool of funds was made by the auditor. “The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains a Building Fund (Measure H) investment of \$9,279,992 with the Monterey County Investment Pool, with an average maturity of 491 days.” (Pg. 9)
- Notes to Financial Statements included at Note 8, Subsequent Event, reports after the closing date of the report on June 30th a significant event occurred: “On August 3, 2016, the District issued Election of 2013, Series B General Obligation Bonds in the principal amount of \$8,300,000.” (Pg 12)
- Schedule of Long-Term Obligations found on page 14 pertains only to Measure H Bonds.
- “There were no adjustments to the Unaudited Actual Building Fund (Measure H), which required reconciliation to the audited financial statements at June 30, 2016 (Pg. 15)”, reflects the accuracy of the initial financial reports provided to the auditors.
- Page 18 of the report begins the findings of the District’s financial reporting. In the final paragraph at the bottom of the page, three important definitions are provided: deficiency in internal controls, material weakness, and significant deficiency. Page 19 reports if any of those conditions were found. The report indicates the independent auditors “did not identify any deficiencies in internal controls that we consider to be material weaknesses.” Results of “tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.”

- There were no findings in the financial statements for the period ending June 30, 2016 (Pg. 21), and “there were no audit findings reported in the prior year’s schedule of financial statement findings (Pg. 22).”
- The report on performance follows the report on internal controls. The auditors reviewed the language of Proposition 39, the expenditures recorded, and found: “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.”
- Means and methods of the audit are recorded on page three of the performance report include the objectives of the audit, scope of the audit, and procedures performed. The auditors sample included “transactions totaling \$2,704,219, which represents 63 percent of the total construction related expenditures of \$4,260,968 (Pg. 3).”
- Conclusion: “The results of our test indicated that, in all significant respects, the NMCUSD has properly accounted for the expenditures in the Building Fund (Measure H) and that such expenditures were made for authorized Bond projects Further, it was noted that funds held in the Building Fund (Measure H), and expended by the District, were not used for administrative salaries other than bond project administration.” (Pg. 4)
- The Summary of Findings, of which there were none, can be found on the final pages of the report (Pgs. 5-6).

A motion to approve and accept the annual independent audit report of Vavrinek, Trine, Day & Co., LLP, for the period ending June 30, 2016 was made.

Motion to approve and accept: Cosme Padilla
Second by: Larry Calhoun
Motion Carried: 5-0

F. Current Project Status Update. Staff report on current projects.

- High School Heating Project:
 - DSA approval obtained
 - Current estimated project costs, which include a portion of roofing where significant roof penetrations of equipment occurs, is \$3.6 million.
- HS Roofing Project:
 - Project complete, final costs 9.6% under budget
 - DSA certification not required
- HS Library Media Center:
 - Project complete, final costs 8.7% under budget
 - DSA Certified Closure obtained
- HS Gym and Restroom:
 - Project complete, final costs 3.0% over budget
 - DSA Certified Closure obtained
 - Overages included interior painting of gym, tile upgrades in restrooms, and additional abatement of old gym floor.
- HS Athletic Field:

- Project is underway and approximately 33% complete, however, rain has had significant impact on the schedule throughout late December and January.
- The anticipated completion of the project is currently end of August 2017.
- Once the weather clears, staff will address options to accelerate the schedule and try to bring it back to start of the school year.
- The bleachers have been submitted to DSA and are nearing final backcheck appointment.
- Potential Projects Under Discussion:
 - Exterior Site improvement at the high school to include fencing and entrance gates, addition of two team rooms at athletic field, removal of old portable classrooms, and parking lot renovation at back of lot.
 - Exterior improvements at the middle school.
 - Modular classroom addition at Central Bay HS with path of travel improvements.

G. Bond Budget Status. Staff reported on Series A & Series B budget.

H. Superintendent Update. Superintendent Kari Yeater updated the committee members of facility needs related to increased enrollment and enrollment projections.

- Review of Measure H: Prior to going out for approval of Measure H the District reviewed its needs, created a Master Plan, project lists, property assessment, and historical enrollment projections. The Master Plan concentrated on preventive maintenance, heating and ventilation, and safety. Of the approximately \$80 million identified needs, Measure H at \$23.8 million addressed approximately 25% of the needs identified in 2013. Enrollment projects indicated a decline for the school year 2016/17.
- Current Assessment.
 - Enrollment. This year's enrollment is actually up by approximately 600 students throughout the district. A new enrollment report with projections to 2020 adds another approximate 450 students. With the additional 600 students currently housed, combined with the 450 increased projections from the new report, the district has an immediate need to house an additional 1,000 students.
 - Impact. 34 additional classrooms are needed. Lunches are currently being served from 10:30-1:30 to serve the amount of students daily in the inadequately sized cafeterias. Children residing in close proximity to one site are bused to sites further from their homes due to lack of classroom availability at the elementary schools, mainly Castroville Elementary. Insufficient parking is a major safety and issue of concern at all elementary and middle school sites.
 - Portable Classrooms. The District owns portable classrooms, many of which are reaching the end of authorized lifetime. The current sites' footprint for buildings are all occupied. Meaning, additional classrooms cannot be added to the current sites. Old portables can be replaced, but new additional classrooms cannot be added.

- Action. The District will be approaching the community with an option to reopen the Moss Landing site, demolish all existing buildings, and building a new school at that site.
- BOC Community Flyer. The Superintendent provided an example of a communication the BOC could publish to the community in the form of an annual report. The sample report contained information on program and budget overview, audit summary, and project status reports. It was discussed and decided that the Measure H BOC would like to produce and mail out a similar report to the NMCUSD community.

I. **Committee Requests.** No requests were received from committee members or the public.

J. **Adjournment.** The meeting was adjourned at 7:17 p.m.

Motion to Adjourn: Lori Miranda
Second by: Margaret Stone
Motion Carried: 5-0

Next Meeting: May 24, 2017 at 5:30 p.m. (location to be determined)