

MORGAN HILL UNIFIED SCHOOL DISTRICT

Citizens' Oversight Committee

Wednesday, December 7, 2016

10:00am

San Martin/Gwinn Academy

13745 Llagas Avenue

San Martin, CA

Room #35

*** SI USTED DESEA DIRIGIRSE AL COMITÉ DE SUPERVISIÓN DE CIUDADANOS ***

Si usted desea dirigirse al Comité de Supervisión de Ciudadanos y necesita el servicio de traducción en español, por favor llame 48 horas con anticipación a la oficina de la asistente superintendente al (408-201-6052). Las reglas para dirigirse a la mesa directiva están disponibles en español en la recepción de la junta.

*** IF YOU WISH TO ADDRESS THE CITIZENS' OVERSIGHT COMMITTEE ***

Please submit a "Speaker's Request" card (which can be found near the entry to the meeting area) to the Assistant Superintendent's Secretary prior to the meeting being called to order. Upon recognition by the Chairperson, please come forward and identify yourself before speaking. In accordance with Government Code Section 54954.3(b), the Citizens' Oversight Committee reserves the right to limit speaking time to three (3) minutes or less per individual, and to limit the total time for public communication to no more than 20 minutes.

Non-Agenda Items may be addressed under "Public Comment and Communication"

Agenda Items may be addressed either under "Public Comment and Communication" or during the Regular Agenda. Public comment on agenda items occurs before staff presentation.

Special Accommodations In compliance with the Americans with Disabilities Act, if you need special assistance to access the meeting room or to otherwise participate at this meeting, including auxiliary aids or services, please contact Allison Murray at 408-201-6052. Notification at least 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the meeting.

Public Records related to the public session agenda that are distributed to the Citizens' Oversight Committee less than 72 hours before a regular meeting may be inspected by the public at 15600 Concord Circle during regular business hours (8am to 5pm, Monday through Friday).

Agenda

1. Call to order

a. Roll call

2. PUBLIC COMMENT AND COMMUNICATION

This opportunity is for communication regarding items not on the agenda. Members of the public may address the Committee regarding items on the agenda immediately prior to their being discussed by the Committee.

3. DISCUSSION / INFORMATION AND/OR ACTION

		Presenter		
A)	Approval of minutes from September 7, 2016 meeting: Motion: Ayes: Second: Noes:	<i>Cristy Gieg</i>	<i>Action</i>	<i>1 min</i>
B)	Introduction of New COC Member	<i>Kirsten Perez</i>	<i>Information</i>	<i>3 min</i>
C)	Expenditure Report	<i>Anessa Espinosa</i>	<i>Information</i>	<i>5 min</i>
D)	2015-16 Audit Report	<i>Kirsten Perez</i>	<i>Information</i>	<i>9 min</i>
E)	Measure G Projects Update	<i>Casino Fajardo</i>	<i>Information</i>	<i>10 min</i>
F)	Agenda Online	<i>Kirsten Perez</i>	<i>Information</i>	<i>5 min</i>
G)	Future Meeting Sites	<i>Kirsten Perez</i>	<i>Information</i>	<i>5 min</i>
H)	Tour San Martin/Gwinn Campus	<i>Casino Fajardo</i>	<i>Information</i>	<i>20 min</i>

Estimated time for scheduled items: 60 minutes

4. SUGGESTED TOPICS FOR FUTURE COMMITTEE MEETINGS

5. ADJOURNMENT

Future Meeting Dates:

- March 8, 2017 – Paradise Valley Elementary School
- June 7, 2017
- September 6, 2017
- December 6, 2017

REGULAR MEETING OF September 7, 2016
Library Conference Room
Live Oak High School
12:30pm
1505 East Main Ave.
Morgan Hill, CA

12/1/2016 4:30 PM

	<i>Kirsten Perez, Assistant Superintendent Business Services, explained that the site is for future children, the moving of the sixth graders to the middle schools helped with overcrowding at the elementary school sites this year. Roger wanted to know how deep staff would have to go down for off hauling, Kirsten explained one to three feet and explained staff will be performing air quality testing as well. She also explained that the value we are getting out of the land that is donated is a good deal even with the cost of off hauling. Staff is projecting the close of the property in December of 2016 before starting remediation. Casino went over the Education Specifications with the different district departments for what works at each location and that information will go to the Board and then to the COC meeting.</i>
D)	<i>COC Member Vacancy: Kirsten Perez, Assistant Superintendent Business Services, explained that Cristy Gieg is switching her committee title from “Parent/Guardian of a Child Enrolled in our District and Active in H&SC” to “At Large Community Member.”</i>
E)	<p><i>Determine Future Meeting Locations:</i></p> <p><i>Kirsten Perez, Assistant Superintendent Business Services invited COC members to join in the Board of Education Facility Site Tour on September 23, 2016.</i></p> <p>December 7, 2016 – San Martin/Gwinn Academy March 8, 2017 – Paradise Valley Elementary June 7, 2017 - TBD September 6, 2017 - TBD December 6, 2017 - TBD</p>
F)	<i>Tour Live Oak High School: Casino Fajardo, Director of Construction, guided the group on a tour of Live Oak High School at the start of the meeting in anticipation of the arrival of Cristy Geig to make quorum.</i>
II.	<p>ADJOURNMENT</p> <p>The meeting was adjourned at 1:37pm by Cristy Geig</p>
	<p>Future meeting topics:</p> <p>1.</p>

Future Meeting Dates:

- December 7, 2016 – San Martin/Gwinn Academy
- March 8, 2017 – Paradise Valley Elementary
- June 7, 2017 - TBD
- September 6, 2017 - TBD
- December 6, 2017 - TBD

Series A Bond Expenditure Report

As of November 30, 2016

General			
	Subtotal	2,279,549	General

Technology/Infrastructure			
	Subtotal	5,772,184	Technology/Infrastructure

Technology/Hardware			
	Subtotal	4,772,297	Technology Hardware

Staff and Student Technology			
	Subtotal	2,776,929	Staff and Student Technology

Britton New Campus			
Alpha Land Surveys	11,300	Topographic Map	
Bay Area Tree Specialists	6,250	Tree Removal	
Cleary Consultants	38,900	Testing and Inspections	
Daily Journal Corp	261	Bid Advertisement	
Fehr and Peers	14,601	Transportation Planning and Engineering Services	
HMC Corp	170,875	Plan Study for Reconstruct & Renovation	
O'Connor Construction	16,960	Cost Estimating Services	
SC County Clerk	53	CEQA	
School Site Solutions	3,639	CEQA Consulting Services	
Underwood & Rosenblum	11,800	Topographic/Underground Services	
	Subtotal	274,638	Britton New Campus

Gwinn Roof Replacement			
Stronger Building Services	106,200	Contractor	
	Subtotal	106,200	Gwinn Roof Replacement

Nordstrom Multi Use Bldg			
Alpha Land Surveys	15,000	Topographic Map	
Fehr and Peers	16,720	Environmental Impact Report	
McKim Design Group	22,478	Architect Services	
McKim Design Group	103	Reimbursables	
	Subtotal	54,300	Nordstrom Multi Use Bldg

Paradise Valley Multi Use Bldg			
Alpha Land Surveys	15,000	Topographic Map	
Cleary Consultants	18,100	Special Testing and Inspections	
McKim Design Group	20,961	Architect Services	
McKim Design Group	42	Reimbursables	

Paradise Valley Multi Use Bldg (cont.)

O'Connor Construction	4,620	Cost Estimating Services
School Site Solutions	98	CEQA
Subdynamic Locating Services	371	Utility Survey

Subtotal	59,192	Paradise Valley Multi Use Bldg
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Charter School/Encinal MPR & Wastewater System

Subtotal	4,729,335	Charter School/Encinal MPR & Wastewater
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Jackson, Paradise Valley & Nordstrom-Fire Alarm Upgrade

Subtotal	1,198,018	JNP-Fire Alarm Upgrade
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Jackson, Paradise Valley & Nordstrom-HVAC and Roof Replacement

Subtotal	5,343,780	JNP-HVAC/Roof Replacement
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LBJ Educational Center

Subtotal	7,252,241	LBJ Educational Center
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Los Paseos Roofing

Subtotal	268,283	Los Paseos Roofing
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Martin Murphy Fence

Subtotal	35,580	Martin Murphy Fence
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Martin Murphy Roof

Subtotal	846,998	Martin Murphy Roof
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PA Walsh Modernization

Subtotal	2,629,542	PA Walsh Modernization
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PA Walsh Multi Use Bldg Restrooms

Subtotal	440,586	PA Walsh Multi Use Bldg Restrooms
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PA Walsh Parking Lot

Subtotal	698,278	PA Walsh Parking Lot
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San Martin/Gwinn Admin Mod

Subtotal	1,815,909	SMG Admin Mod
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San Martin/Gwinn Environmental Courtyard & Lunch Shelter

Subtotal	876,036	SMG Environmental Courtyard & Lunch Shelter
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San Martin/Gwinn Modernization

Subtotal	1,933,185	SMG Modernization
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San Martin/Gwinn Parking Lot and Drop Off

Subtotal	927,858	SMG Parking Lot and Drop Off
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Total as of November 30, 2016	45,090,919	81%
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Revenue

Proceeds from Bond Sales	55,000,000
Interest	556,759
Cost of 2012 A COI	17,968
Total Revenue	55,574,727

MORGAN HILL UNIFIED SCHOOL DISTRICT

**2012 MEASURE G FUND
ANNUAL FINANCIAL REPORT
AND PERFORMANCE AUDIT**

FOR THE YEAR ENDED JUNE 30, 2016

MORGAN HILL UNIFIED SCHOOL DISTRICT

**2012 MEASURE G FUND
ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2016

**MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND**

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JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

Governing Board and Citizens' Oversight Committee
Morgan Hill Unified School District
Morgan Hill, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Morgan Hill Unified School District's (the District) 2012 Measure G Fund (the Fund) as of and for the year ended June 30, 2016 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Fund as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial position of the Fund and are not intended to present fairly the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2016, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered with the results of our audit.



Palo Alto, California
November 13, 2016

MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND

BALANCE SHEET
JUNE 30, 2016

ASSETS

Cash and investments	\$ 12,861,255
Interest receivable	27,936
Other local receivable	2,000
Total Assets	<u>\$ 12,891,191</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Vendors payable	\$ 908,950
Total Liabilities	<u>908,950</u>

FUND BALANCE

Restricted for capital projects	<u>11,982,241</u>
Total Fund Equity	<u>11,982,241</u>
Total Liabilities and Fund Balance	<u>\$ 12,891,191</u>

The accompanying notes are an integral part of these financial statements.

MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES

Interest revenue	\$ 111,962
Total Revenues	<u>111,962</u>

EXPENDITURES

Current expenditures	
Classified salaries	230,456
Employee benefits	58,039
Services and operating expenditures	46,024
Capital outlay	<u>7,247,877</u>
Total Expenditures	<u>7,582,396</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(7,470,434)
FUND BALANCE, BEGINNING OF YEAR	<u>19,452,675</u>
FUND BALANCE, END OF YEAR	<u>\$ 11,982,241</u>

The accompanying notes are an integral part of these financial statements.

MORGAN HILL UNIFIED SCHOOL DISTRICT

2012 MEASURE G FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 2012 Measure G Fund (the Fund) of the Morgan Hill Unified School District (the District), conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Financial Reporting Entity

The financial statements include only the Fund used to account for 2012 Measure G projects. This Fund was established to account for the expenditures funded with proceeds from general obligation bonds authorized under 2012 Measure G. These financial statements are not intended to present fairly the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the Fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

**MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The \$12,861,255 of investments on June 30 has a fair value of \$12,884,721 and a weighted average maturity of 439 days, as reported by the County Treasurer.

MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedule below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Uncategorized – Investments in the Santa Clara County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

NOTE 4 - 2012 MEASURE G BONDS

Summary

Under the modified accrual basis of accounting, liabilities for long-term debt are reported in the Government-wide Statement of Net Assets of the District rather than in the Bond or other funds. Therefore, the debt for repayment of the 2012 Measure G bonds and the amount available in the Bond Interest and Redemption fund for repayment are not included on these financial statements.

The outstanding 2012 Measure G general obligation bonds are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2015	Redeemed	Bonds Outstanding June 30, 2016
2012	8/1/2042	2.00-3.25%	\$ 55,000,000	\$ 50,340,000	\$ 4,660,000	\$ 46,200,000

Repayment of the Bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be collected and disbursed out of a separate Bond Interest and Redemption Fund under the control of the Santa Clara County Controller's Office. This fund is not included as part of these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

Bonded Debt

The bonds mature through 2043 are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ -	\$ 1,820,975	\$ 1,820,975
2018	125,000	1,819,100	1,944,100
2019	195,000	1,814,300	2,009,300
2020	270,000	1,805,975	2,075,975
2021	355,000	1,793,475	2,148,475
2022-2026	3,255,000	8,633,550	11,888,550
2027-2031	6,555,000	7,515,740	14,070,740
2032-2036	10,655,000	6,028,454	16,683,454
2037-2041	16,275,000	3,435,500	19,710,500
2042-2043	8,515,000	346,900	8,861,900
Total	\$ 46,200,000	\$ 35,013,969	\$ 81,213,969

**MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2016, the Fund had the following commitments approved by the Board of Education for the capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Charter School of Morgan Hill New Multi-Purpose Room	\$ 76,366	Oct-16
San Martin/Gwinn Modernization	454,895	Oct-16
Nordstrom MPR	256,082	Aug-18
Paradise Valley MPR	255,480	Dec-17
Britton New Campus	506,628	Aug-20
	<u>\$ 1,549,451</u>	

Litigation

The Fund is not currently a party to any legal proceedings.

NOTE 5 - SUBSEQUENT EVENTS

Management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet dated November 13, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

INDEPENDENT AUDITOR'S REPORT



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board and Citizens' Oversight Committee
Morgan Hill Unified School District
Morgan Hill, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the 2012 Measure G Fund (the Fund), as of and for the year ended June 30, 2016, and have issued our report thereon dated November 13, 2016. As discussed in Note 1, the financial statements present only the Fund and are not intended to present fairly the financial position and results of operations of the Morgan Hill Unified School District (the District) in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Clausinek, Trine, Day & Co., LLP".

Palo Alto, California
November 13, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND

FINANCIAL STATEMENT FINDINGS
JUNE 30, 2016

None reported.

**MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

There were no audit findings reported in the prior year's schedule of financial statement findings.

MORGAN HILL UNIFIED SCHOOL DISTRICT

**2012 MEASURE G FUND
PERFORMANCE AUDIT**

JUNE 30, 2016

**MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND**

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and Citizens' Oversight Committee
Morgan Hill Unified School District
Morgan Hill, California

We were engaged to conduct a performance audit of the 2012 Measure G Fund (the Fund) of the Morgan Hill Unified School District (the District) for the year ended June 30, 2016.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the Fund's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

The results of our tests indicated that the District expended the 2012 Measure G 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.

A handwritten signature in black ink that reads 'Vavrinek, Trine, Day & Co., LLP'.

Palo Alto, California
November 13, 2016

MORGAN HILL UNIFIED SCHOOL DISTRICT

2012 MEASURE G FUND

JUNE 30, 2016

AUTHORITY FOR ISSUANCE

The Measure G Bonds (the Bonds) are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, the provision of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and other applicable provisions of law.

The District received authorization at an election held on November 6, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$198,250,000. The Measure was approved by at least 55 percent of the votes. The first series of the authorized bonds, Series A, in the amount of \$55,000,000, were sold on February 21, 2013.

PURPOSE OF ISSUANCE

The Bonds are being issued to improve student access to computers and modern technology and provide a quality education, repair or replace leaky roofs, upgrade old plumbing, heating and cooling systems, classrooms and outdated restrooms, upgrade fire safety, maximize energy efficiency, improve handicapped accessibility, and modernize, construct and acquire classrooms, equipment, sites and facilities.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizens' oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

MORGAN HILL UNIFIED SCHOOL DISTRICT

2012 MEASURE G FUND

JUNE 30, 2016

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Fund are consistent with the project list approved by the voters through the approval of 2012 Measure G.
2. Determine whether salary transactions, charged to the Fund are in support of the approved project list and not for district general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2015 to June 30, 2016. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2016, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period July 1, 2015 through June 30, 2016. From the population of expenditures, we obtained the invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the approved project list authorized by 2012 Measure G. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2015 and ending June 30, 2016, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included 44 transactions totaling \$6,034,325. This represents 80 percent of the total expenditures of \$7,582,396.
3. We verified that proceeds from the sale of bonds were only expended in support of construction, renovation, furnishing and equipping of District facilities constituting authorized 2012 Measure G projects.
4. We verified that funds were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held in the Fund were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Fund and that such expenditures were made for authorized projects as stipulated in 2012 Measure G.

**MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

None reported.

**MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

There were no audit findings reported in the prior year's schedule of financial statement findings.

MEASURE G BOND QUARTERLY REPORT

CASINO FAJARDO
DIRECTOR OF CONSTRUCTION AND MODERNIZATION

PRESENTED TO THE BOARD OF EDUCATION:
OCTOBER 4, 2016

MEASURE G PROJECT LIST

School / Project	Board Approved Budget 2015	Current Committed Costs	% complete	2016				2017			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
LBJ / Burnett / Central Modernization	\$ 7,252,241	\$ 7,252,241	100%								
Martin Murphy Fence	\$ 35,580	\$ 35,580	100%								
Charter School of Morgan Hill (Encinal Site) Multiuse Building Technology	\$ 5,000,000	\$ 5,000,000	100%								
Jackson, Nordstrom, Paradise Roofing & HVAC	\$ 5,343,780	\$ 5,343,780	100%								
San Martin Gwinn Mod	\$ 6,333,611	\$ 6,078,557	98%								
PA Walsh Modernization	\$ 3,959,745	\$ 3,959,745	100%								
Martin Murphy Roof	\$ 846,998	\$ 846,998	100%								
Los Paseos Roof	\$ 268,283	\$ 268,283	100%								
Jackson, Nordstrom, Paradise Fire Alarm Updgrades	\$ 1,196,103	\$ 1,196,103	100%								
Jackson, Nordstrom, Paradise Multiuse Building Design	\$ 900,000	\$ 481,250	21%								
Britton New Building Schematic Design	\$ 750,000	\$ 750,000	49%								
Programming & Project Management (thru Dec 2017)	\$ 2,800,000	\$ 2,800,000	84%								
Series A Total Budgets	\$ 55,532,278	\$ 48,328,201	87%								
<i>Series A Proceeds from Bond Sales</i>	\$ 55,000,000										
<i>Interest & Cost of 2012 A COI</i>	\$ 547,336										
Series A Total Proceeds	\$ 55,547,336										
Program Contingency		\$7,219,135									

REALLOCATION OF REMAINING PROGRAM CONTINGENCY

Paradise Valley Elementary School Master Plan

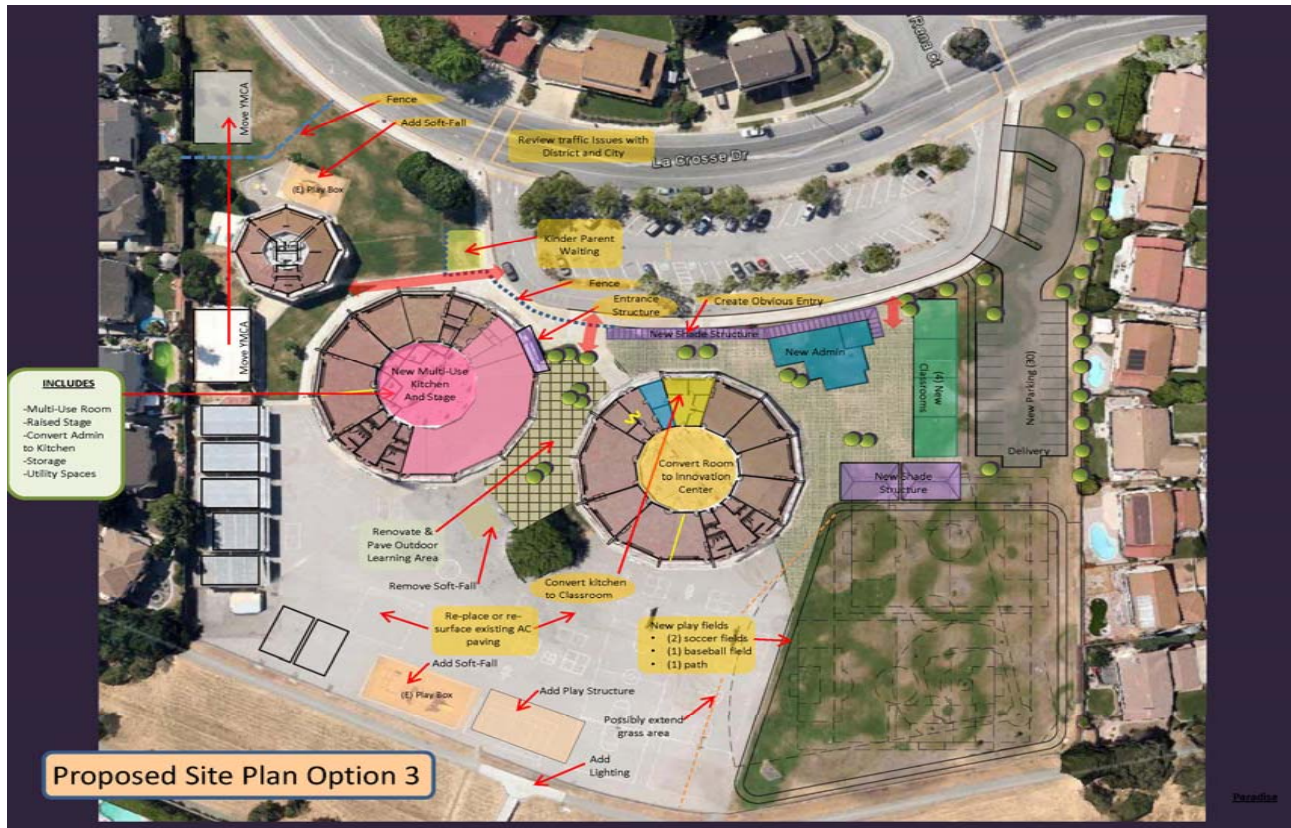
New Multi-use Building Modernization	\$ 3,499,425
New Gen7 Classrooms (6)	\$ 2,346,500
New Administration Building	\$ 1,347,500
Total Phase 1 (Series A)	<u>\$ 7,193,425</u>
Re-configure Parking Lot, New Landscaping, New Site Furnishings	\$ 1,970,116
Modernization (9) Remaining Pod Classrooms	<u>\$ 946,800</u>
	\$ 2,916,916 *

Total Modernization \$ 10,110,341*

Staff recommends approval of the overall project budget and funding total Phase 1 Improvements from Measure G Series A Program Contingency

*Costs based on the year 2018 with inflation

PARADISE MASTER PLAN



- Paradise Valley- Estimated cost analysis completed for the new Master Plan and new multi-use building/classroom configurations
- Staff recommends to start Paradise Valley modernization with program contingency

KEY PROJECT UPDATES

Construction Project Updates:

- San Martin/Gwinn Academy
 - New classroom buildings and parking lot
 - New administration building modernization

Planning Project Updates:

- Nordstrom
- Britton Middle School Master Planning and Schematic Design
- Educational Specifications

SAN MARTIN/GWINN NEW CLASSROOMS & PARKING LOT



SAN MARTIN/GWINN NEW CLASSROOMS & PARKING LOT



SAN MARTIN/GWINN NEW CLASSROOMS & PARKING LOT



SAN MARTIN/GWINN NEW CLASSROOMS & PARKING LOT



NORDSTROM MASTER PLAN



- Nordstrom- Traffic counts completed, study submitted to City of Morgan Hill on September 1st for consideration of planning new road
- City Public Works, City Parks, and MHUSD Staff to meet during the week of October 3rd to discuss delivery of project

PARADISE VALLEY ENGINEERING ACADEMY



BRITTON IMPROVEMENTS



MARTIN MURPHY IMPROVEMENTS



BRITTON MASTER PLANNING

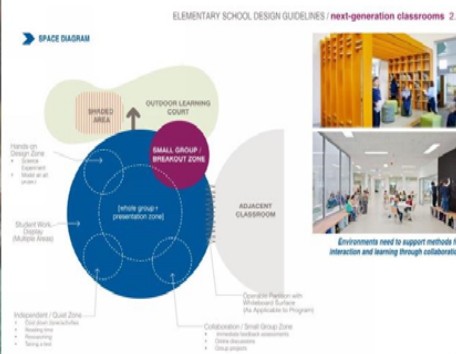


Special Board Study Session October 4, 2016 at 6pm

BRITTON MASTER PLANNING



EDUCATION SPECIFICATIONS DEVELOPMENT



- Educational Specifications completed by LPA, Inc.
- Requirement for Office of Public School Construction Funding

QUESTION AND ANSWER

