

Citizens' Bond Oversight Committee Meeting Measure D

Education Center Board Room
1901 Arena Boulevard

Monday, January 25, 2016 - 6:30 p.m.

The Purpose of the Committee is to inform the public at least annually concerning the expenditure of bond proceeds approved by the voters by issuing a written report. (Bylaws Section 2)

AGENDA

I. ROLL CALL

II. COMMUNICATIONS

- a) Welcome/Introductions

III. PUBLIC COMMENTS

Presentations from the public are limited to two (two) minutes regarding any item that is within the Committee's subject matter jurisdiction. Please note that Government Code Section 54954.2(a) limits Committee Members responses to public comments.

IV. INFORMATION ITEMS

- a) Committee Membership Status
- b) 2014-15 Performance Audit Report
- c) Measure D Projects and Financial Update
- d) 2015-16 Performance Audit Firm Search and Selection Process

V. ACTION ITEMS

- a) Approve November 2, 2015 Meeting Minutes
- b) Approve 2014-15 Annual Report
- c) Approve Project Audit Report (D-9 Security Systems – NHS)

VI. NEW BUSINESS

VII. FUTURE AGENDA ITEMS

Approve Project Audit Report (D-STAR)

Approve Proposal to Establish Sub-Committee and Functions

VIII. ADJOURNMENT

Next Meeting: April 25, 2016

Note: Assistance for the Disabled: Please contact the Deputy Superintendent's Office at (916) 567-5457 at least 24 hours before the scheduled Citizens' Bond Oversight Committee meeting to request disability-related accommodations in order to participate in the public Citizens' Bond Oversight Committee meeting at the Education Center.

NATOMAS UNIFIED SCHOOL DISTRICT
Sacramento, California

MEASURE D GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2015

NATOMAS UNIFIED SCHOOL DISTRICT
Sacramento, California

MEASURE D GENERAL OBLIGATION BONDS
June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Natomas Unified School District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of Natomas Unified School District (the "District") Measure D General Obligation Bonds activity included in the Building Fund of the District, as of and for the year ended June 30, 2015, 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 from material misstatement.

An audit includes examining, on a test basis, evidence supporting 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 the financial statements, whether due to fraud or error. 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Natomas Unified School District Measure D General Obligation Bonds as of June 30, 2015, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present financial activity and balances of the Measure D General Obligation Bonds only, and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2015, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015 on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Building Fund. 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 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 in assessing the results of our audit.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 3, 2015

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2015

ASSETS

Cash in County Treasury (Note 2)	\$ 10,087,070
Receivables	11,868
Due from other funds	<u>496,616</u>
Total assets	<u>\$ 10,595,554</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	<u>\$ 100,367</u>
Fund balance – restricted (Note 3)	<u>10,495,187</u>
Total liabilities and fund balance	<u>\$ 10,595,554</u>

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
For the Year Ended June 30, 2015

Revenues:	
Interest income	\$ 14,283
Expenditures:	
Books and supplies	3,225
Contract services and operating expenditures	69,881
Capital outlay	<u>353,139</u>
Total expenditures	<u>426,245</u>
Deficiency of revenues under expenditures	<u>(411,962)</u>
Other financing sources:	
Transfers in from other funds	8,933
Transfers out to other funds	<u>(1,453,384)</u>
Total other financing uses	<u>(1,444,451)</u>
Net change in fund balance	(1,856,413)
Fund balance, July 1, 2014	<u>12,351,600</u>
Fund balance, June 30, 2015	<u>\$ 10,495,187</u>

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Natomas Unified School District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The activities of the Measure D Bonds are recorded along with other activities in the District's Building Fund. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include the activity and balances of the Measure D General Obligation Bonds, only. The activities of the Measure D General Obligation Bonds are recorded along with other activities in the District's Building Fund. These financial statements are not intended to present the financial position and results of operations of Natomas Unified School District as a whole.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The basic financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By State law, the District's Board of Trustees must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements.

The District's Board of Trustees and Superintendent revise the budgets during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Receivables: Receivables are made up principally of amounts due from local and state agencies for shared project reimbursements and funding. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2015.

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Accounting Estimates: The presentation 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.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – CASH AND INVESTMENTS

Cash at June 30, 2015 consisted of the following:

Cash in County Treasury	\$ 10,087,070
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Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Sacramento County Treasurer's Pooled Investment Fund. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the Pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the Sacramento County Treasury may invest in derivative securities with the State of California. However, at June 30, 2015 the Sacramento County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2015, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2015, the District had no concentration of credit risk.

NOTE 3 – FUND BALANCE CLASSIFICATION

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of the Measure D General Obligation Bonds is restricted, as described below.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

NOTE 4 – PURPOSE OF BOND ISSUANCE

Bond Authorization: By approval of the proposition for Measure D by at least 55% of the registered voters voting on the proposition at an election held on June 6, 2006, Natomas Unified School District was authorized to issue and sell bonds of up to \$145,500,000 in aggregate principal amount.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – PURPOSE OF BOND ISSUANCE (Continued)

Purpose of Bonds: “To improve the quality of education throughout Natomas Unified School District, provide additional classrooms, construct facilities, modernize classrooms, renovate playfields, improve access to schools for students, staff and the community, reviewed by a citizens' oversight committee, independent audits, and no money for administrators salaries.”

As required by the California Constitution, the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

NOTE 5 – GENERAL OBLIGATION BOND ISSUANCES

The bonds are general obligations of the District, and Sacramento County is obligated to levy ad valorem taxes for the payment of and interest on, the principal of the bonds. The Bond Interest and Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the payment of interest and redemption of principal of the bonds issued by the District.

On August 1, 2006, the District issued series 2006 General Obligation Bonds, totaling \$60,000,000. Repayment of the Bonds is made from ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Bonds bear interest at rates ranging from 4.25% to 5.00% and are scheduled to mature through 2031. In December 2014 the District issued \$52,530,000 of 2014 General Obligation Refunding Bonds to refund a portion of the District's outstanding General Obligation Bonds, Election of 2006, Series 2006 Bonds and to pay costs of issuing the Refunding Bonds. The Bonds mature in varying amounts through August 2030 with interest rates from 1.0% to 5.0%. As of June 30, 2015, no amounts of the refunded bonds were outstanding.

On August 1, 2007, the District issued series 2007 General Obligation Bonds, totaling \$54,999,999. Repayment of the Bonds is made from ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Bonds bear interest at rates ranging from 3.90% to 5.65% and are scheduled to mature through 2032.

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

Board of Trustees
Natomas Unified School District
Sacramento, California

We have audited, 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 the financial statements of Natomas Unified School District (the "District") Measure D General Obligation Bonds (the "Bonds") activity included in the Building Fund of the District, as of and for the year ended June 30, 2015, and related notes to the financial statements and have issued our report thereon dated December XX, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Natomas Unified School District Measure D General Obligation Bonds activity included in the Building Fund of the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Natomas Unified School District Measure D General Obligation Bonds activity included in the Building Fund of the District's internal control. Accordingly, we do not express an opinion of the effectiveness of Natomas Unified School District Measure D General Obligation Bonds activity included in the Building Fund of the District'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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Natomas Unified School District Measure D General Obligation Bonds activity included in the Building Fund of the District's financial statements are free of material misstatement, we performed tests of the District's 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

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 3, 2015

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

No matters were reported.

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

No matters were reported.

NATOMAS UNIFIED SCHOOL DISTRICT
Sacramento, California

MEASURE D GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2015

NATOMAS UNIFIED SCHOOL DISTRICT
Sacramento, California
MEASURE D GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Natomas Unified School District
Sacramento, California

We have conducted a performance audit of the Natomas Unified School District (the "District") Measure D General Obligation Bond funds for the year ended June 30, 2015.

We conducted our performance audit in accordance with *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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 4 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure D General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Natomas Unified School District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of Natomas Unified School District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal control.

The results of our procedures indicated that, in all significant respects, Natomas Unified School District expended Measure D General Obligation Bond funds for the year ended June 30, 2015 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 3, 2015

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
June 30, 2015

LEGISLATIVE HISTORY

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, "for the 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," upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.

A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

NATOMAS UNIFIED SCHOOL DISTRICT MEASURE D GENERAL OBLIGATION BONDS

The Natomas Unified School District Election of 2006 General Obligation Bonds, Measure D were authorized at an election of the registered voters of the Natomas Unified School District held on June 6, 2006 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$145,500,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the addition and modernization of certain District facilities. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. The summarized text of the ballot language was as follows:

"To improve the quality of education by upgrading school facilities, shall Natomas Unified School District issue \$145.5 million in bonds, within legal interest rates, for purposes including:

- *New Schools – Site acquisition, construction, furnishing and equipment.*
- *Completion of Schools – Construction, furnishing and equipment.*
- *Campus infrastructure, facilities and equipment.*
- *District technology and equipment.*

The financial activity related to the Measure D General Obligation Bonds is recorded in the Building Fund (Fund 21) in the District's audited financial statements.

On August 1, 2006, the District issued series 2006 General Obligation Bonds, totaling \$60,000,000. Repayment of the Bonds is made from *ad valorem* taxes to be levied annually upon all property subject to taxation by the District. The Bonds bear interest at rates ranging from 4.25% to 5.00% and are scheduled to mature through 2031. In December 2014 the District issued \$52,530,000 of 2014 General Obligation Refunding Bonds to refund a portion of the District's outstanding General Obligation Bonds, Election of 2006, Series 2006 Bonds and to pay costs of issuing the Refunding Bonds. The Bonds mature in varying amounts through August 2030 with interest rates from 1.0% to 5.0%. As of June 30, 2015, no amounts of the refunded bonds were outstanding.

On August 1, 2007, the District issued series 2007 General Obligation Bonds, totaling \$54,999,999. Repayment of the Bonds is made from *ad valorem* taxes to be levied annually upon all property subject to taxation by the District. The Bonds bear interest at rates ranging from 3.90% to 5.65% and are scheduled to mature through 2032.

(Continued)

**NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2015**

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure D General Obligation Bond funds for the year ended June 30, 2015 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all Measure D General Obligation Bond project expenditures for the year ended June 30, 2015 (the "List"). A total of \$1,879,629 in expenditures and interfund transfers out from July 1, 2014 through June 30, 2015 were identified.

METHODOLOGY

We performed the following procedures to the List of Measure D General Obligation Bond project expenditures for the year ended June 30, 2015:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Documented District procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- Performed tests to determine that the District controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Verified the mathematical accuracy of the expenditures list.
- Reconciled the list to total bond expenditures and interfund transfers out as reported by the District in the District's audited financial statements for the year ended June 30, 2015, presented as the Building Fund.
- Selected a sample of 7 expenditures and 2 interfund transfers out totaling \$642,494 (Attachment A) from Measure D. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verified that funds were used for authorized projects as developed by the District's Board of Trustees. Verified that funds were used for new school site acquisition (construction, furnishing and equipment), completion of schools (construction, furnishing and equipment), campus infrastructure, facilities and equipment, and District technology and equipment.

CONCLUSION

The results of our procedures indicated that, in all significant respects, Natomas Unified School District expended Measure D General Obligation Bond funds for the year ended June 30, 2015 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS
SCHEDULE OF SPECIFIC EXPENDITURES TESTED
June 30, 2015

	Vendor	Date	Amount
1	Transfer - West Lakeside Elementary	04/17/15	\$ 400,000
2	Transfer - STAR Academy	04/17/15	80,000
3	Team SOS Special Order	10/02/14	61,116
4	HCI Systems	06/04/15	59,531
5	HCI Systems	06/18/15	22,419
6	DecoTech Systems	10/02/14	9,160
7	Team SOS Special Order	10/02/14	7,160
8	CDW Governmental	10/14/14	2,535
9	CDW Governmental	08/21/14	<u>573</u>
			<u>\$ 642,494</u>

**Measure D
Citizens' Bond Oversight Committee (CBOC)**

Project Status Report

ACTIVE Projects:

Project No.	Project Name	Project Audit Reports approved by Committee	Project Audit Assignments
D-1	West Lakeside Site Acquisition	4/22/2008	Michael Reed, Robby Lake
D-2	Computer & Support Infrastructure - Estimated Completion - Ten Year Project (This project may be audited every two to three years during the ten year project period) Project length reduced to 7 1/2 yrs when Extron became part of D-2 Fiber Installation	1/31/2012 8/27/2012 1/27/14 11/2/2015	1 Kathleen Gill, Robert Quade & Giselle Jayme 2 Dianne Mattar, Jennifer Slay 3 Scott Dosick, Jennifer Slay 4 H.K. Allen, Eric Stern 5 Eric Stern
D-8.2	Playground Improvements – Elementary Schools		
D-9	Security Systems	6/24/2013	Jennifer Slay, Dianne Mattar (Margaret Mack, David Kawada -Aug. 2015)
D-13	School Conversions (Bannon Creek Conversion: 3 Phases)	8/27/2012	Bill Stanglin, Dianne Mattar (Phase I only)
	Westlake Charter School (aka Northborough II) Measures D and J		
	Natomas STAR Academy (aka Natomas Crossing) Measures D and J		(Anita Lopez, Jennifer Slay-Aug 2015)
	Districtwide Wireless		

FUTURE Projects:

D-11	Preschool Facility		Michael Bratman, Tom McDonagh
D-12	Buses and Service Vehicles		Brett Hopkins
D-13	School Conversions (Bannon Creek Conversion: 3 Phases)		

CLOSED/Completed Projects:

D-3	Westlake Charter Site Relocation - Phase I	1/27/2009	Raul Ramirez
D-4	Heron K-8 Conversion	10/27/2009	Edward Lewis
D-5	Inderkum High School Athletic Field & Track Update	4/27/2010	Robby Lake, Raul Ramirez
D-6	Natomas High School Athletic Field & Track Update	4/27/2010	Robby Lake, Raul Ramirez
D-7	Natomas Charter School Gymnasium	2/1/2011	Scott Dosick Ken Le
D-8.1	Playground Improvements – Elementary Schools	4/26/2011	Michael Bratman, Bill Stanglin
D-10	Safe Routes to School	6/24/2013	Bill Stanglin, Jennifer Slay
D-14	Shade Structures	4/27/2010	Robby Lake, Justin Toomsen
D-15	2005 COP Payment	5/24/2011	Brett Hopkins
D-16	H. Allen Hight Learning Center – Elementary	4/27/2010	Robby Lake, Phe Bach
D-17	H. Allen Hight Learning Center – Middle	4/27/2010	Robby Lake, Phe Bach
D-18	Westlake Charter Site Relocation – Phase II	8/29/2011	Jennifer Slay
	NCS Theater		
	NCS Portables		

Citizen's Bond Oversight Committee 2006 Measure "D" Report

Pending Board Review: January 22, 2016

Measure D Funding

Local Bond

Fund 21 Resource 9357

Data as of

12/31/2015

Starting Balance	
Issue#1	\$60,000,000.00
Issue#2	\$54,999,998.95
Future Issuance	\$30,500,000.00
	\$145,499,998.95
Reduced does not include	
issuance #3 interest	\$7,594,488.00
Total Projected Funding	\$153,094,486.95

Total Measure D Allocation October 14, 2015	\$150,168,316.27
Unallocated Project Fund Balance	\$2,926,170.68

Measure D: Open Projects

Project Number	Description	10-14-15 Board Approved Allocation	Year to Date Spending	Total Project Expenditures	Project Balance
aa	Annual Independent Audit	\$233,780.00		\$123,765.00	\$110,015.00
bb	Cost of Issuance	\$1,328,536.05	\$1,854.44	\$1,329,600.77	-\$1,064.72
cc	Bannon Creek Conversion	\$7,755,431.05	\$725,201.15	\$6,810,632.20	\$944,798.85
dd	Playground Improvements	\$1,764,441.50		\$764,441.50	\$1,000,000.00
ee	Project Management	\$896,650.00	\$5,658.50	\$48,463.58	\$848,186.42
ff	West Lakeside Site Acquisition	\$1,479,115.10	\$14,735.75	\$933,684.80	\$545,430.30
202	Westlake Charter K-8 Campus	\$1,557,500.00	\$719,571.52	\$1,222,084.59	\$335,415.41
201	Star Academy new Campus	\$1,100,000.00	\$149,129.07	\$1,100,000.00	\$0.00
ggg	Security Systems	\$4,378,907.00	\$163,118.74	\$658,790.80	\$3,720,116.20
207	Security Cameras		\$0.00	\$0.00	
	Security Fencing			\$0.00	
203	Fencing Phase I		\$128,668.00	\$128,668.00	
204	Fencing Phase II		\$2,000.00	\$2,000.00	
205	Fencing Phase III		\$32,450.74	\$32,450.74	
206	Fencing Phase IV			\$0.00	
210	Lighting Upgrades		\$0.00	\$0.00	
gg	NHS Alarm Systems	\$327,290.00	\$66,779.50	\$283,627.14	\$43,662.86
hh	Tech Refresh-computer/support infrastructure	\$6,039,874.00	\$242,346.99	\$5,882,220.84	\$157,653.16
mm	Buses and Service Vehicles	\$250,000.00			\$250,000.00
	Total Open Projects	\$27,111,524.70	\$2,088,395.66	\$19,320,429.96	\$7,954,213.48

Measure D: Future Projects

Project Number	Location	10-14-15 Board Approved Allocation	Year to Date Spending	Total Project Expenditures	Project Balance
ii	Yearly Independent Audit	\$24,000.00		\$0.00	\$24,000.00
	Cost of Issuance and Yearly FA Fees	\$900,000.00		\$0.00	\$900,000.00
jj	Preschool Facilities	\$3,994,761.47		\$0.00	\$3,994,761.47
ll	School Conversions	\$21,914,568.95		\$0.00	\$21,914,568.95
mm	Buses and Service Vehicles	\$250,000.00		\$0.00	\$250,000.00
	Total Future Projects	\$27,083,330.42	\$0.00	\$0.00	\$27,083,330.42

Measure D: Completed Projects

Project Number	Location	10-14-15 Board Approved Allocation	Year to Date Spending	Total Project Expenditures	Project Balance
a	Heron K-8 Conversion	\$1,638,009.63		\$1,638,009.63	\$0.00
b	H Allen Hight ES	\$8,723,172.35		\$8,723,172.35	\$0.00
c	H Allen Hight MS	\$11,181,968.36		\$11,181,968.36	\$0.00
d	Natomas Charter School Gym	\$2,469,891.70		\$2,469,891.70	\$0.00
e	Westlake Charter Site Relocation	\$1,769,895.16		\$1,769,895.16	\$0.00
f	2005 COP	\$62,915,193.76		\$62,915,193.76	\$0.00
g	NHS Athletic Field and Track	\$2,898,359.02		\$2,898,359.02	\$0.00
h	IHS Athletic	\$2,785,559.09		\$2,785,559.09	\$0.00
i	Shade Structures	\$62,251.63		\$62,251.63	\$0.00
j	District Wide Wireless	\$396,329.92		\$396,329.92	\$0.00
k	Natomas Charter School Theater	\$328,735.00		\$328,735.00	\$0.00
l	Natomas Charter Portables	\$25,000.00		\$25,000.00	\$0.00
m	Safe Routes to School	\$764,750.00	-\$12,030.80	\$690,687.97	\$74,062.03
n	Preschool Facilities	\$5,238.53		\$5,238.53	\$0.00
o	Northborough II	\$9,107.00		\$9,107.00	\$0.00
	Total Closed Projects	\$95,973,461.15	-\$12,030.80	\$95,899,399	\$74,062
Grand Totals		\$150,168,316.27	\$2,076,364.86	\$115,219,829	\$35,111,606

Notes:

1) City of Sacramento refunded funds for this project

Citizens' Bond Oversight Committee – Measure D

Education Center, Board Room
1901 Arena Boulevard, Sacramento

Monday, November 2, 2015 – 6:30 PM

MINUTES - draft

1. ROLL CALL

Present:	Committee Members		Staff
	Anita Lopez	Tom McDonagh	Mark Covington
	Nathanial Pelczar	Jennifer Slay	Sherry Duschka
		Eric Stern	Brenda Monson
			Jennifer Mellor
			Paul Anderson
Absent:	H.K. Allen	Margaret Mack	William C. Young
	David Kawada	Manpreet Narwal	

Meeting called to order by Chair, Jennifer Slay at 6:32 p.m. with 5 members in attendance establishing a quorum. Ms. Slay indicated that the current committee membership is at 9 and noted that the Board of Trustees recently accepted the resignation from Sarah Clough. She announced that Bill Young was not able to attend due to illness and his designee for the meeting would be Mark Covington, Executive Director of Facilities & Planning.

II. COMMUNICATIONS

- A. **Welcome/Introductions** – No guests were present.

III. PUBLIC COMMENTS

Ms. Slay explained that as stated in The Brown Act, each regular meeting must provide an opportunity for members of the public to speak to the committee on matters within the subject matter jurisdiction of the committee and those comments will be limited to two minutes. She also noted (as shown on the agenda) that committee members are limited in their responses to statements or questions from the public (per Government Code 54954.2).

IV. INFORMATION ITEMS

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Ms. Slay reported there are 2 vacancies on the committee and encouraged members to spread the word in the community to fill spots to represent the Business Community and the Taxpayers' Organization. She noted that the Taxpayers' Organization spot has been vacant for all but 1 of the last 4 years she has served on the committee.

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Tom McDonagh explained that last year he and Nate Pelczar worked with staff prepare the report. Ms. Slay asked for volunteers to serve as a team to work with staff and prepare the 2014-15 Annual Report. She explained that the Report will be reviewed at the January CBOC meeting then submitted to the Board of Trustees for approval in February. Tom McDonagh and Nate Pelczar agreed to work on the Annual Report again this year.

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- Jennifer Slay reported that she met with Eric Stern and David Kawada on Sept 27 as a subcommittee (team). Eric Stern reported the following on behalf of the team:
- The team agreed it is a good business practice to establish standing subcommittees to oversee various ongoing projects so they could serve for an extended period of time and it wouldn't be necessary during the year to appoint teams to audit projects because sometimes we have trouble making quorums. He reported that it is a good standard statewide practice that is recommended by the league of bond oversight. The team will come forward with a plan at the January meeting with a small number of subcommittees and it'll be contingent upon the information from the District on the Measure D spending plan. He noted that unlike the previous years (during the building moratorium) there appears to be a pretty aggressive schedule to spend the remaining Measure D funds which will increase the committee workload. This team will work with the District to identify areas to focus on as subcommittees are established. The advantages of this plan for members is to allow flexibility to work on monitoring projects at your own pleasure and checking back with the CBOC when you feel it is appropriate; as opposed to waiting for a CBOC meeting to establish an ad-hoc committee. This is a better business practice and will hopefully get more members involved.
- Jennifer Slay added: With the same group of people looking at a project over time, they can see the consistency and efficiencies in the project and be able to identify those. If a new group is looking at (for example) computer infrastructure projects each time a review is needed, each group starts over from scratch each time. Having the same subcommittee group reviewing the project as it's growing, they have a better big picture look at it rather than one little snapshot. As Measure D is coming to a close, the subcommittees will look at the big projects that are left and have the same group of people looking at a project from now to the end of the project and they will be performing

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- Eric Stern explained that the bond financing team would be providing big spending finance oversight, looking at the big picture and not just specific project expenditures. Stern added that another handful of project subcommittees would also be assigned and explained that in a sense this is already happening because he's been looking at the computer infrastructure project for 2 years now. He explained that the team wants to balance this out and not turn it into a significant work load. He noted that meetings are only held once a quarter and members volunteer their time to serve on the CBOC so it's important to balance that time wisely. He added that it would save meeting time, because the business of establishing audit and review teams during the quarterly meetings wouldn't be needed. Jennifer Slay explained that each active project would have a subcommittee or possibly grouping them together if they have similar scope. Eric Stern explained that the team will need to meet with Bill Young and Mark Covington to get the 'lay of the land', and then report back in January to the committee to make a recommendation to formally establish the subcommittees.
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or reason” to leaving a balance as “unallocated”, Mark indicated it is standard practice and serves as available funding within Measure D approved projects for contingencies as the Board identifies the best use and timing of allocating those funds. Responding to a question about whether future allocation adjustments are expected, Mark explained that yes, as needs surface the Board of Trustees can move quickly to allocate funds where needed for approved Measure D projects.

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Mark Covington reported that most of activity is related to the Natomas STAR Academy Project (D-Star) and Westlake Charter School project which are using Measure D funding as a spring board to get these 2 projects moving forward with plans prepared for state submittal and getting the projects completely bid out. He reported that the Natomas STAR Academy project has moved into construction and is no longer drawing money from Measure D (with the exception of some architectural fees). These next project phases on Natomas Star Academy will be shifting to Measure J Bond funds. The Westlake Charter School project has been submitted to DSA for approval for plan check review. When the plans come out of DSA, the project will go out to bid in the spring of 2016 and the next phase will shift to Measure J Bond funds.

He reported that recent D-9 Security Systems activity includes fencing projects to make campuses more secure at Natomas High, Discovery High, American Lakes and Leroy Greene Academy. Adding that fencing plans are also moving forward for Heron, Two Rivers, Natomas Park and Witter Ranch. He noted the fencing contractors have been approved by the Board of Trustees on this D-9 project. He explained that while the Facilities Department refers to these as multiple projects (along with the security camera and lighting work) it is all inclusive of D-9. He explained that the lighting project work will be starting soon and the District will leverage the Measure D monies with Proposition 39 monies for clean energy jobs act and also with Maintenance monies. The goal is to move to LED outside lighting at all campuses. The security system piece will improve lighting for safety issues while saving energy. Maintenance funds can be used because it's considered replacement of equipment. Eric Stern asked if the lights will also be on the athletic fields (such as soccer field areas used by outside organizations). Mark indicated that is not included in the current plan. The brighter outside lighting will allow security patrols to see more of the campus at night & potentially cut down on vandals. He reported that the District is working closely with SMUD with selecting fixtures and connecting us with vendors; and they are a vital part of the team on this project. He added that the new Environmental Support Manager, Lori Lewis is working with Facilities on the Prop 39 expenditure plans. As reported during the discussion on project allocations, D-13, the Bannon Creek 2-story classroom building is moving forward as a modular building. That project is scheduled to be open in the fall of next year. This is a fast moving project that relies on Measure D funds. Interim relocatable classrooms are being used (and are part of this project) to house the students and allows construction to occur during the 2015-16 school year.

Jennifer Slay inquired about the status of D-8 Playground Improvements which is listed as a current/active project. Mark Covington referred to the Financial Report and reported that the additional \$1 Million was allocated on that project by the Board in December 2014. Adding that there are plans for playground improvements at NP, JF, WR, and possibly AL (he will need to double check). Following committee discussion, he clarified these are improvements to the hard court, not playground equipment. Sherry Duschka indicated the report reflects all financial activity to date for Measure D. Mark Covington explained that the projects are grouped in line with the Project Allocation Report showing 'C' for Closed Projects, 'A' for Active Projects and 'FP' for Future Projects. Eric Stern indicated this will be helpful as they move forward with identifying the subcommittees.

G. Project Audit Teams (D-9 Security Systems) (STAR Academy Project)

Jennifer Slay explained that David Kawada and Margaret Mack were assigned on this project at the August meeting and neither are present tonight. She reported that she and Anita Lopez will be reviewing the STAR Academy Project and advised staff to include both projects as action items for the next meeting.

V. ACTION ITEMS

A. Approve Meeting Minutes for April 27, 2015

Ms. Slay explained that these minutes were not approved at the August meeting due to lack of a quorum. Nate Pelczar moved to approve the April 27, 2015 meeting minutes. Motion seconded by Anita Lopez. Motion carried 5-0

B. Approve Meeting Minutes for August 24, 2015

Jennifer Slay indicated that even though there was no quorum at the August 24, 2015, there was a lot of discussion and it is included in the meeting minutes. Jennifer Slay moved to approve the August 24, 2015 meeting minutes. Motion seconded by Nate Pelczar. Motion carried 5-0

C. Approve Project Audit Report (D-2 Computer & Support Infrastructure)

Jennifer Slay explained that at the last meeting it was decided that H.K. Allen (who was not at the last meeting) would be consulted to review & provide input on the new D-2 audit report that Eric Stern prepared prior to the August 2016 meeting. (H.K. was part of the 2-person subcommittee assigned on the previous project audit for D-2 in January 2014 and staying in line with committee practice would be included as part of the team providing the current report.) Following discussion, it was determined that H.K. had not been contacted about the report. Eric Stern asked if the report can move forward for approval since it has been nearly 6 months since he met with staff, visited the campus, reviewed prior year financial documents and prepared the report. Jennifer Slay expressed her concern that the report was prepared solely by Eric Stern and no other member reviewed it; but indicated that the committee may decide whether to move approval at this time. Eric Stern preferred not to wait until the next meeting, noting that there seems to be a pattern where 6 to 9 months goes by before action is taken on things because we only meet quarterly and suggested that another member (present at tonight's meeting) review and add their name to the report. Jennifer Slay invited the members to review the report. Nate Pelczar moved to approve the D-2 Project Audit Report. Motion Seconded by Tom McDonagh. Before the vote, Eric Stern shared:

- That he has been looking at the computer projects for 3 years and in the last report it was confirmed that the District is spending bond proceeds for computers and members of the committee had some comments and criticism that it's probably not the most efficient use of longer bond proceeds to be buying iPads, chrome books and such.
- This has been an issue that has been in the news a lot around the state and especially LA Unified.
- CBOC members made sure these comments (via the report) were forwarded to the Board.
- What's interesting is that Measure J stipulates that the bond proceeds cannot be used for computers and such.
- Maybe the CBOC can take credit for swaying the Board on that.

- When going through all the records, a couple things stood out to him. One – it's not just one big project, it's a collection of small, individual projects; and to a lay person, he sat down with Sherry Duschka and it was almost impossible to figure out what the invoices are for and he couldn't make sense of it.
- He thought would be interesting to see if we could track where the equipment and parts actually are.
- He met with the head of IT at the NHS campus; and she was showing him the online tracking system. While in the library, he pulled a chrome book out and showed her the ID number and asked her to show she could track it in her system. They did that a couple times.
- They demonstrated the District is able to track the equipment and he thought it was helpful and seemed to be a robust system.
- The second thing he noticed as a concern is there was still expenditures being made; and noticed that the Board continued to approve buying additional chrome books out of D-2.
- Since Measure J is prohibited from using bond funds for iPads etc., his recommendation is to discourage the Board from using Measure D funds for any more iPad or chrome book purchases.
- He acknowledged that it's not the CBOC's job to tell the Board how to spend the money, but it can report concerns.
- He hoped the CBOC felt the same way and approves the report.

Motion carried 4 yes/1 no. Eric Stern asked staff to make sure the approved report is forwarded to the Board of Trustees. Jennifer Slay replied that staff will set that in motion for the next Board Meeting. Committee Chair Jennifer Slay explained that she voted "no" to have record in the minutes that this didn't follow prior committee patterns.

VI. NEW BUSINESS – None to report.

Members discussed the need to have an opportunity at the January 2016 meeting to talk about the next performance audit selection process, timeline and scope of work. Eric Stern indicated that the Subcommittee team will discuss this and be prepared to talk about it at the next meeting.

VII. FUTURE COMMITTEE AGENDA ITEMS

- A. Receive and Review 2014-15 Performance Audit Report (January)
- B. Review 2014-15 Annual Report (January)
- C. Procedural Rules and Norms of Conducting Meetings *(are Bylaw revisions needed to move forward with establishing Subcommittees and their functions? Any concerns from the Brown Act?)*
- D. Approve Establishing Sub-Committees and Functions
- E. Approve Project Audit Report (D-9 Security Systems)
- F. Approve Project Audit Report (D-STAR – Natomas STAR Academy)
- G. Discussion: 2015-16 Performance Audit Scope and Establishing a Standing Committee

VIII. ADJOURNMENT

Committee Chair Jennifer Slay adjourned the meeting at 7:20 p.m. and announced the next meeting will be held January 25, 2016.

Note: Assistance for the Disabled: Please contact the Business Services Office at (916) 567-5457 at least 24 hours before the scheduled Citizens' Bond Oversight Committee meeting to request disability-related accommodations in order to participate in the public Citizens' Bond Oversight Committee meeting at the Education Center.

Citizens' Bond Oversight Committee – Measure D

Education Center, Board Room
1901 Arena Boulevard, Sacramento

Monday, November 2, 2015 – 6:30 PM

MINUTES - draft

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Present:	Committee Members		Staff
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		Eric Stern	Brenda Monson
			Jennifer Mellor
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F. Measure D Projects and Financial Update

Mark Covington reported that most of activity is related to the Natomas STAR Academy Project (D-Star) and Westlake Charter School project which are using Measure D funding as a spring board to get these 2 projects moving forward with plans prepared for state submittal and getting the projects completely bid out. He reported that the Natomas STAR Academy project has moved into construction and is no longer drawing money from Measure D (with the exception of some architectural fees). These next project phases on Natomas Star Academy will be shifting to Measure J Bond funds. The Westlake Charter School project has been submitted to DSA for approval for plan check review. When the plans come out of DSA, the project will go out to bid in the spring of 2016 and the next phase will shift to Measure J Bond funds.

He reported that recent D-9 Security Systems activity includes fencing projects to make campuses more secure at Natomas High, Discovery High, American Lakes and Leroy Greene Academy. Adding that fencing plans are also moving forward for Heron, Two Rivers, Natomas Park and Witter Ranch. He noted the fencing contractors have been approved by the Board of Trustees on this D-9 project. He explained that while the Facilities Department refers to these as multiple projects (along with the security camera and lighting work) it is all inclusive of D-9. He explained that the lighting project work will be starting soon and the District will leverage the Measure D monies with Proposition 39 monies for clean energy jobs act and also with Maintenance monies. The goal is to move to LED outside lighting at all campuses. The security system piece will improve lighting for safety issues while saving energy. Maintenance funds can be used because it's considered replacement of equipment. Eric Stern asked if the lights will also be on the athletic fields (such as soccer field areas used by outside organizations). Mark indicated that is not included in the current plan. The brighter outside lighting will allow security patrols to see more of the campus at night & potentially cut down on vandals. He reported that the District is working closely with SMUD with selecting fixtures and connecting us with vendors; and they are a vital part of the team on this project. He added that the new Environmental Support Manager, Lori Lewis is working with Facilities on the Prop 39 expenditure plans. As reported during the discussion on project allocations, D-13, the Bannon Creek 2-story classroom building is moving forward as a modular building. That project is scheduled to be open in the fall of next year. This is a fast moving project that relies on Measure D funds. Interim relocatable classrooms are being used (and are part of this project) to house the students and allows construction to occur during the 2015-16 school year.

Jennifer Slay inquired about the status of D-8 Playground Improvements which is listed as a current/active project. Mark Covington referred to the Financial Report and reported that the additional \$1 Million was allocated on that project by the Board in December 2014. Adding that there are plans for playground improvements at NP, JF, WR, and possibly AL (he will need to double check). Following committee discussion, he clarified these are improvements to the hard court, not playground equipment. Sherry Duschka indicated the report reflects all financial activity to date for Measure D. Mark Covington explained that the projects are grouped in line with the Project Allocation Report showing 'C' for Closed Projects, 'A' for Active Projects and 'FP' for Future Projects. Eric Stern indicated this will be helpful as they move forward with identifying the subcommittees.

G. Project Audit Teams (D-9 Security Systems) (STAR Academy Project)

Jennifer Slay explained that David Kawada and Margaret Mack were assigned on this project at the August meeting and neither are present tonight. She reported that she and Anita Lopez will be reviewing the STAR Academy Project and advised staff to include both projects as action items for the next meeting.

V. ACTION ITEMS

A. Approve Meeting Minutes for April 27, 2015

Ms. Slay explained that these minutes were not approved at the August meeting due to lack of a quorum. Nate Pelczar moved to approve the April 27, 2015 meeting minutes. Motion seconded by Anita Lopez. Motion carried 5-0

B. Approve Meeting Minutes for August 24, 2015

Jennifer Slay indicated that even though there was no quorum at the August 24, 2015, there was a lot of discussion and it is included in the meeting minutes. Jennifer Slay moved to approve the August 24, 2015 meeting minutes. Motion seconded by Nate Pelczar. Motion carried 5-0

C. Approve Project Audit Report (D-2 Computer & Support Infrastructure)

Jennifer Slay explained that at the last meeting it was decided that H.K. Allen (who was not at the last meeting) would be consulted to review & provide input on the new D-2 audit report that Eric Stern prepared prior to the August 2016 meeting. (H.K. was part of the 2-person subcommittee assigned on the previous project audit for D-2 in January 2014 and staying in line with committee practice would be included as part of the team providing the current report.) Following discussion, it was determined that H.K. had not been contacted about the report. Eric Stern asked if the report can move forward for approval since it has been nearly 6 months since he met with staff, visited the campus, reviewed prior year financial documents and prepared the report. Jennifer Slay expressed her concern that the report was prepared solely by Eric Stern and no other member reviewed it; but indicated that the committee may decide whether to move approval at this time. Eric Stern preferred not to wait until the next meeting, noting that there seems to be a pattern where 6 to 9 months goes by before action is taken on things because we only meet quarterly and suggested that another member (present at tonight's meeting) review and add their name to the report. Jennifer Slay invited the members to review the report. Nate Pelczar moved to approve the D-2 Project Audit Report. Motion Seconded by Tom McDonagh. Before the vote, Eric Stern shared:

- That he has been looking at the computer projects for 3 years and in the last report it was confirmed that the District is spending bond proceeds for computers and members of the committee had some comments and criticism that it's probably not the most efficient use of longer bond proceeds to be buying iPads, chrome books and such.
- This has been an issue that has been in the news a lot around the state and especially LA Unified.
- CBOC members made sure these comments (via the report) were forwarded to the Board.
- What's interesting is that Measure J stipulates that the bond proceeds cannot be used for computers and such.
- Maybe the CBOC can take credit for swaying the Board on that.

- When going through all the records, a couple things stood out to him. One – it's not just one big project, it's a collection of small, individual projects; and to a lay person, he sat down with Sherry Duschka and it was almost impossible to figure out what the invoices are for and he couldn't make sense of it.
- He thought would be interesting to see if we could track where the equipment and parts actually are.
- He met with the head of IT at the NHS campus; and she was showing him the online tracking system. While in the library, he pulled a chrome book out and showed her the ID number and asked her to show she could track it in her system. They did that a couple times.
- They demonstrated the District is able to track the equipment and he thought it was helpful and seemed to be a robust system.
- The second thing he noticed as a concern is there was still expenditures being made; and noticed that the Board continued to approve buying additional chrome books out of D-2.
- Since Measure J is prohibited from using bond funds for iPads etc., his recommendation is to discourage the Board from using Measure D funds for any more iPad or chrome book purchases.
- He acknowledged that it's not the CBOC's job to tell the Board how to spend the money, but it can report concerns.
- He hoped the CBOC felt the same way and approves the report.

Motion carried 4 yes/1 no. Eric Stern asked staff to make sure the approved report is forwarded to the Board of Trustees. Jennifer Slay replied that staff will set that in motion for the next Board Meeting. Committee Chair Jennifer Slay explained that she voted "no" to have record in the minutes that this didn't follow prior committee patterns.

VI. NEW BUSINESS – None to report.

Members discussed the need to have an opportunity at the January 2016 meeting to talk about the next performance audit selection process, timeline and scope of work. Eric Stern indicated that the Subcommittee team will discuss this and be prepared to talk about it at the next meeting.

VII. FUTURE COMMITTEE AGENDA ITEMS

- A. Receive and Review 2014-15 Performance Audit Report (January)
- B. Review 2014-15 Annual Report (January)
- C. Procedural Rules and Norms of Conducting Meetings (*are Bylaw revisions needed to move forward with establishing Subcommittees and their functions? Any concerns from the Brown Act?*)
- D. Approve Establishing Sub-Committees and Functions
- E. Approve Project Audit Report (D-9 Security Systems)
- F. Approve Project Audit Report (D-STAR – Natomas STAR Academy)
- G. Discussion: 2015-16 Performance Audit Scope and Establishing a Standing Committee

VIII. ADJOURNMENT

Committee Chair Jennifer Slay adjourned the meeting at 7:20 p.m. and announced the next meeting will be held January 25, 2016.

Note: Assistance for the Disabled: Please contact the Business Services Office at (916) 567-5457 at least 24 hours before the scheduled Citizens' Bond Oversight Committee meeting to request disability-related accommodations in order to participate in the public Citizens' Bond Oversight Committee meeting at the Education Center.

NATOMAS UNIFIED SCHOOL DISTRICT
Citizens' Bond Oversight Committee
Measure D

2014-15 Annual Report
January 2016

I. Introduction

This is the 2014-15 Annual Report of the Citizens' Bond Oversight Committee (CBOC) for Measure D of the Natomas Unified School District. This report is prepared, in conformance with California law, to summarize the work of the Bond Oversight Committee and review the past year of activity in the District's Bond Construction Program.

II. History and Overview of the Citizens' Bond Oversight Committee(s)

On November 5, 2002, the Natomas Unified School District ("District") submitted for voter approval Measure M, a bond measure to authorize the sale of \$45.88 million in bonds to improve school facilities. This measure was submitted to voters under the terms and conditions of Proposition 39 (Article XIII of the California State Constitution), which requires a 55 percent affirmative vote for passage. Measure M passed with 72.4 percent.

On June 6, 2006, the District submitted for voter approval Measure D, a bond measure to authorize the sale of \$145.5 million in bonds to improve school facilities. This measure was submitted to voters under the terms and conditions of Proposition 39 (Article XIII of the California State Constitution), which requires a 55 percent affirmative vote for passage. Measure D passed with 62.0 percent.

Because Measure D passed pursuant to Proposition 39, the District was required to establish a citizens' oversight committee and to conduct two independent audits. The first audit is a financial audit similar to a District's annual financial audit. The second audit is a performance audit, which evaluates the effectiveness, economy and efficiencies of the bond facilities program.

III. Committee Membership

California Education Code, Sections 15278-15282 established the duties of a school district and its duly formed citizens' oversight committee with respect to Proposition 39 bond measures. This code requires that the governing board establish and appoint members to an independent citizens' oversight committee within 60 days of the date that election results are certified.



The Committee must consist of at least seven members to serve for a term of two years without compensation and for no more than *three consecutive terms* (amended Education Code Section 15282). The Committee must include:

- a. One member who is active in a business organization representing the business community located within the school district.
- b. One member active in a senior citizens' organization.
- c. One member who is a parent or guardian of a child enrolled in the school district.
- d. One member is both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization
- e. One member who is active in a bona fide taxpayers' organization.

A fourteen-member Citizens' Bond Oversight Committee was appointed by the Board in March 2006, to provide oversight of all bonds passed under Proposition 39, as required by law.

As of June 30, 2015 ten members served on the committee as shown in the table below:

Committee Members:	Business	Senior	Taxpayers'	Parent	Parent	Community	Appointment by	Tax
	Community	Citizens	Organization	of NUSD Student	and PTO Member	Member At-Large	Board of Trustees	Measure Voting Rights
1 Allen, Hur-Khan				X	X		2013 June 12	D
2 Clough, Sarah				X			2014 Sept. 10	D
3 Kawada, David				X			2013 June 12	D
4 Lopez, Anita				X			2014 Sept. 10	D
5 Mack, Margaret		X					2013 June 12	D
6 McDonagh, Tom				X			2011 April 11	M & D
7 Narwal, Manpreet						X	2013 June 12	D
8 Pelczar, Nathaniel						X	2014 Sept. 10	D
9 Slay, Jennifer				X	X	X	2010 April 13	M & D
10 Stern, Eric				X		X	2013 June 12	D

Terms - Expiration Dates			
	FIRST	SECOND	THIRD
1 Allen, Hur-Khan	March 2015	March 2017	March 2019
2 Clough, Sarah	March 2016	March 2018	March 2020
3 Kawada, David	March 2015	March 2017	March 2019
4 Lopez, Anita	March 2016	March 2018	March 2020
5 Mack, Margaret	March 2015	March 2017	March 2019
6 McDonagh, Tom	March 2014	March 2016	March 2018
7 Narwal, Manpreet	March 2015	March 2017	March 2019
8 Pelczar, Nathaniel	March 2016	March 2018	March 2020
9 Slay, Jennifer	March 2013	March 2015	March 2017
10 Stern, Eric	March 2015	March 2017	March 2019



All Committee members are appointed by the Board of Trustees and serve without compensation representing the following groups described in Section 15278 of the Education Code:

Business Community Representative	Vacant
Senior Citizens' Representative	M. Mack
Bona-fide Taxpayers' Representative	Vacant
Parent or Guardian of an Enrolled Student	H.K. Allen; S. Clough ; D. Kawada; T. McDonagh; J. Slay; E. Stern
Parent or Guardian, Also Active in PTA	H.K. Allen; J. Slay
Community Member at Large	M. Narwal; N. Pelczar

Natomas Unified School District staff and CBOC members continue their efforts to recruit a member to fill the bona-fide taxpayers' representative vacancy.

IV. CBOC Actions

CBOC members actively investigate and prepare a post-construction review report on Measure D projects. Reports are prepared that include a summary of the project, a site inspection, and an inspection of District project records. These reports are presented to the District's Board of Trustees periodically as they are completed. Due to the Natomas building moratorium, activity has decreased in previous years, including the 14-15 year. The recent lifting of the building moratorium has again put the district on the path of physical facility expansion.

In 2015, the committee and Board of Trustees approved revisions to the Bylaws. A sub-committee presented the Bylaw revision to the CBOC for review and approval. The Board of Trustees approved the Bylaw revisions on February 11, 2015. The revisions are shown below and underlined in bold italics.

Section 6 MEETINGS OF THE COMMITTEE

- 6.1 ***Regular Meetings.*** The Committee shall establish a schedule for the date and time of regular meetings to be held at least quarterly to include an annual organizational meeting to be held in April. ***District staff shall not change a scheduled regular meeting without written approval of the Chair.***

Section 7 District Support

- 7.1 The District shall provide to the Committee necessary technical and administrative assistance ***and sufficient resources to publicize the conclusions of the Committee*** as follows:
- (a) preparation and copies of any documentary meeting materials, such as agendas and reports; ***and***
 - (b) retention of all Committee records, and providing public access to such records, including the posting of Committee records on the Internet website maintained by the District; ***and***
 - (c) ***transmittal of any Committee report or communication to the Board upon request of the Committee.***



V. Performance and Financial Audit Reports

In accordance with the California State Constitution, the District will continue to have a performance audit completed annually until all Measure D funds have been expended. These reports are designed to meet the requirements of Article XIII of the California State Constitution; to inform the community of the appropriate use of funds generated through the sale of bonds authorized by Measure D; and to help the District improve its overall bond program.

The June 30, 2015 annual independent financial audit was conducted by Crowe Horwath. Their report, dated December 3, 2015, states that in their opinion the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Natomas Unified School District as of June 30, 2015, 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.

The annual independent performance audit was conducted by Crowe Horwath. Their report dated December 3, 2015 states that the results of their procedures indicated that, in all significant respects, Natomas Unified School District expended Measure D General Obligation Bond funds for the year ended June 30, 2015 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

VI. Communications with the Public

A CBOC website, as required by law, exists, and the information that is posted includes committee member contact information, CBOC meeting agendas and minutes, committee by-laws, and the date, time and location of the next meeting. Copies of the Bond Performance Audit from previous periods are also included, as well as an invitation and application for community members interested in becoming a member of the CBOC.

VII. Expenditures and Meetings

During the year ended June 30, 2015, the District made expenditures on the following projects:



Westlake Charter	\$ 502,513.07
STAR Academy	\$ 950,870.93
Security: H Allen Hight	\$ 16,516.38
Security: Natomas Middle School	\$ 25,144.65
Security: Natomas High School	\$ 216,847.64
Construction Management	\$ 79,302.64
Tech Refresh-Computer Support/Infrastructure	\$ 71,501.11

The NUSD's Citizens' Bond Oversight Committee met on the following dates:

- September 15, 2014
- October 27, 2014
- January 26, 2015
- April 27, 2015

VIII. Conclusions

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

The Natomas Unified School District is in compliance with the requirements of Article XIII A, Section I (b) (3) of the California Constitution.



Citizens' Bond Oversight Committee Sub Committee Project Audit Report

Project:	D-9: Natomas High School Alarm System
Site Inspection Date:	12/21/15
Records Inspection Date:	12/3/15

Project Summary:

In August 2015, the alarm system at Natomas High School (NHS) was completed using funds from the Measure D bond.

Site Inspection:

Natomas Unified School District (NUSD) Citizen's Bond Oversight Committee (CBOC) members, along with NUSD staff reviewed the completed project at NHS. The major portion of the project was to replace the existing system with an annunciator panel that will allow the alarm system to identify the specific location of a problem and/or fire rather than just a specific building. The system includes fire and intrusion detection and is expandable to include additional locations in the future. The system is non-proprietary so that any alarm monitoring company can be hired to monitor the system.

Records Inspection:

CBOC members reviewed invoices for fiscal years 14/15 and 15/16. The total for LP Engineers is \$26,540 and the total for HCI is \$214,205. We reviewed invoices for the major contractors HCI Systems Inc. and LP Consulting Engineers, totaling approximately \$150,000. All invoices reviewed were appropriately charged to the project and measure D funding.

Respectfully submitted,

Margaret Mack

David Kawada

**Measure D
NUSD Citizens' Bond Oversight Committee**