



# Measure L Citizens' Bond Oversight Committee Meeting

## **COMMITTEE MEMBER PACKET**

December 7, 2016

6:30 pm – 7:30 pm

### **LOCATION:**

Summerdale Elementary School

1100 Summerdale Drive, San Jose, CA 95132

Berryessa Union School District  
1376 Piedmont Road, San Jose, CA 95132

**Measure L Citizens' Oversight Committee Meeting**

December 7, 2016 @ 6:30 p.m. – 7:30 p.m.

**Location:**

Summerdale Elementary School  
1100 Summerdale Drive, San Jose, CA 95132

**Agenda**

1. Call to Order
  - a. Roll Call  
Martin Michaels – Chair  
Amy Chen – Vince Chair  
Adrienne O'Leary  
Frank Cancilla  
Kevin Costello  
Susan Fowle
  - b. Adoption of Agenda
  - c. Approve CBOC Meeting Minutes from October 5, 2016
2. Public Comments
3. Reports
  - a. Measure L Project Update
  - b. Measure L 2016-17 1<sup>st</sup> Quarter Financial Report
  - c. Review of the 2015-20106 Annual Independent Financial and Performance Audit Report
4. Review and Discussion
  - a. Vacant Position (Taxpayer)
5. New Business
6. Adjournment

**FUTURE MEETINGS**

March 1, 2017

June 7, 2017

September 6, 2017

December 6, 2017

Unadopted

**Berryessa Union School District  
1376 Piedmont Road  
San Jose, CA 95132**

Measure L Citizens' Oversight Committee Meeting  
October 5, 2016  
6:35pm – 7:35pm

**REGULAR MEETING MINUTES**

Members Present: Kevin Costello, Chair  
Marty Michaels, Vice Chair  
Adrienne O'Leary  
Amy Chen  
Frank Cancilla  
Susan Fowle

Members Absent:

District Staff Present: Will H. Ector Jr., Superintendent  
Phuong Le, Deputy Superintendent, Administrative Services  
Ken Tanase, Director of Bond Facilities and Modernization  
Veronica L. Reyes, Account Tech II

Public Present: None

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**1. Call to Order**

Minutes

Mr. Costello called the meeting to order at 6:35 pm.

a. Roll Call

Minutes

Kevin Costello, Chair  
Martin Michaels, Vice Chair  
Adrienne O'Leary  
Frank Cancilla  
Susan Fowle  
Phuong Le  
Ken Tanase  
Veronica L. Reyes

- b. Adoption of Agenda – Motion to Approve by Marty Michaels, 2<sup>nd</sup> by Frank Cancilla
- c. Approval of Minutes from June 1, 2016 – Frank Cancilla motioned to approve the minutes with corrections.

2. **Public Comments** - None

3. **Reports**

a. Measure L Project Update

Ken Tanase presented the updated construction schedule as of 10/5/2016 and will provide an updated Construction Project update at the next meeting. Marty Michaels asked if the District ever considered making changes to other projects in order to keep the Central Kitchen on schedule. Phuong Le explained that the changes were made keeping in mind the student population that would be serviced through the Central Kitchen as well as the project budget. Reduction in square footage was made to the storage area only.

Amy Chen asked why input from school Principals on the FIS Space Design was so important, since movement of these positions happen every two years. Phuong Le explained that the school Principal plays a vital role in getting the staff involved because they have a vested interest in the school, and that in many cases the Principals stay longer than two years.

Marty Michaels asked if the children at the school sites were being kept informed on the Measure L Projects. Phuong Le mentioned that project information is best filtered through the Site Administrator, but thought it was a good idea to follow up on.

Adrienne O’Leary asked if there has been any feedback on how kids/staff like the FIS Space. Phuong Le said that the locations are not fully functional yet. She mentioned this was a good point in getting information on, once the spaces are fully functional, and Ken Tanase stated they are scheduled to be fully functional by November.

Phuong Le also shared that staff has learned from recent FIS projects regarding the timeline for ordering furniture. Due to the vendor lead times, furniture needs to be selected and ordered earlier, in order to meet deadlines.

b. Measure L Financial Report

Phuong Le presented the “Unaudited Multi-Year Summary as of 8/23/2016, and explained that the District is currently going through its’ annual Audit, therefore, the audited version will be presented at the December 7, 2016, meeting. The Project Budget 2015/16 Year to Date Final – 7/1/2015 – 6/30/2016 report was also presented.

Frank Cancilla requested that miscellaneous expenses be reported in a way that would help the committee identify those expenses.

Adrienne O’Leary questioned why the Air Conditioning item for modernization was not made a priority for Toyon. Phuong Le mentioned that this would be reviewed.



4. **Review and Discussion**

a. **Vacant CBOC Position (Taxpayer)**

Kevin Costello recommended keeping this item on the agenda until filled, and to re-advertise locally and in District 4 area.

5. **Review and Action**

a. **Appointment of Chairperson for 2016-2017**

Kevin Costello shared that he has enjoyed being Chairperson since the beginning of the Measure L Bond Program, but feels it should be a rotated position, as is the positions on the Board of Trustees. He asked for nominations or a volunteer to take over the post. Frank Cancilla nominated Marty Michaels, Kevin Costello, seconded the nomination. A vote was called for all in favor. Marty Michaels will begin as Chairperson at the December 7, 2016 meeting. Kevin Costello opened the floor for Vice Chair nominations/volunteers, Amy Chen volunteered. Frank Cancilla motioned to accept, Marty Michaels seconded. Amy Chen will begin as Vice Chairperson at the December 7, 2016 meeting.

b. **Establish the 2017 CBOC Meetings**

The 2017 CBOC Meetings to be as follows:

- Annual Report will be presented to the Board in February 2017
- Regular CBOC Meetings for 2017:
  - March 1, 2017
  - June 7, 2017
  - September 6, 2017
  - December 6, 2017

6. **Adjournment**

Motion was made to adjourn, seconded and passed to adjourn the meeting at 7:35 pm.

Minutes from October 5, 2016 approved on:

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Martin Michaels, Committee Chairperson

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Will Ector, Jr., Superintendent



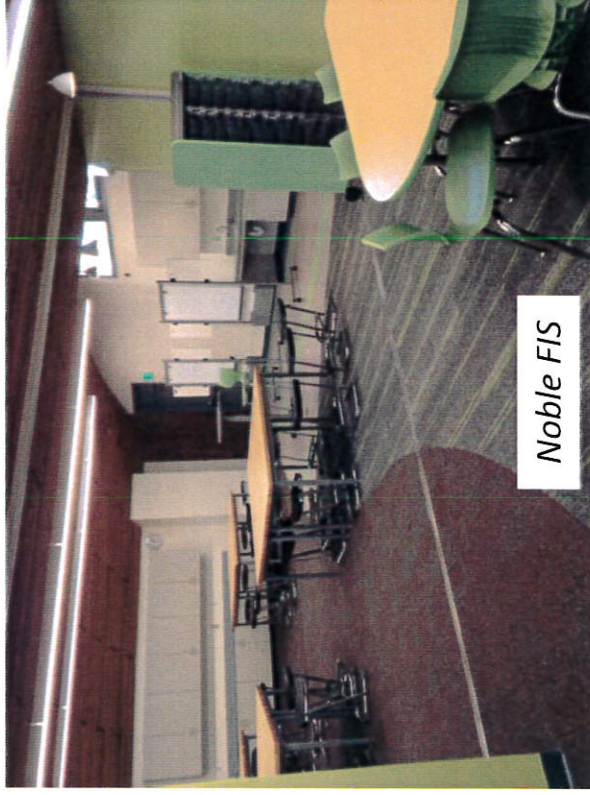
# **MEASURE L BOND**

## **CONSTRUCTION UPDATE**

December 6, 2016

# Introduction

The following presentation is intended to provide the Board of Trustees with an update on the progress of Measure L Construction Bond Projects. These are projects that are currently active throughout the District.



*Noble FIS*



*Summerdale FIS*



## Measure L – 2016 Project Overview

- Phase 2 Technology Upgrade – Cable
- Remaining Work by School
- Energy Conservation – Solar
- Central Kitchen – On Schedule



# Measure L – 2016 Project Details

## ➤ Phase II Technology Upgrade - Cabling

- a. Stage I Cabling Upgrades:
  - FIS Cabling – completed
  - Exterior Wireless Access Points:
    - Majestic Way, Noble, Northwood, Piedmont, Summerdale, Toyon - completed
  - Laneview:
    - ✓ Buildings B, D & portables to be completed Feb. & Apr. 2017 breaks
- b. Stage II Cabling Upgrades:
  - MOT awarded – Completed
- c. Stage III Cabling Upgrades:
  - Noble awarded – Winter Break



# Measure L – Remaining Work by School

## 1. Noble ES:

- FIS Furniture – Chairs on backorder
- Stage curtain replacement: **Completed**
- Front gate replacement: **Completed**
- Specialty doors : **12/9/16**
- Punch list items: **12/9/16**
- FIS & MPR Audio Visual: **12/2/16**

## 2. Northwood ES:

- Wood ceiling & lighting - **Completed**
- Specialty partition wall: **Completed**
- Façade backing: **Completed**
- Punch list items: **12/9/16**
- FIS Furniture – Chairs on backorder
- FIS & MPR Audio Visual: **12/16/16**



## 3. Sierramont MS:

- Specialty partition walls: **Completed**
- Punch list items: **Completed**
- Parking lot gates: **Completed**
- FIS furniture – **Completed**
- FIS & MPR Audio Visual: In progress

## 4. Summerdale ES:

- Fence installation: **12/16/16**
- Punch list items: **12/9/16**
- FIS Furniture – **Completed**
- FIS & MPR Audio Visual: **Completed**

## 5. Vinci Park ES:

- Punch list items: **Completed**
- MPR Audio Visual: **Completed**
- Fence installation: **12/10/17**



# Measure L –Solar Project Update

- All 13 sites are operational and have received Permission to Operate (PTO) from PG&E
- All 13 sites secured Net Energy Metering (NEM) 1.0, which preserves project savings
- OpTerra is finalizing punch list items including monitoring, commissioning, and ADA site work
- DSA closeout process has begun. Final certification of projects should be obtained by the end of 2016
- The ribbon cutting event was picked up by at least 231 outlets online including the [Silicon Valley Business Journal](#) and the [Sacramento Bee](#)





# Measure L – 2017 Project Overview

## 1. Stage IV Cabling Upgrades

- Brooktree, Northwood, Ruskin, Vinci Park – awarded – Summer 2017

## 2. Central Kitchen – expected completion April 2017

## 3. Pavement Rehabilitation

- Brooktree, Cherrywood, Majestic Way
- Piedmont Drop-Off Area

## 4. Future Project Presentations

- Laneview – FIS/Modernization
- Majestic Way – FIS/Modernization
- Piedmont – Modernization
- Ruskin - Modernization

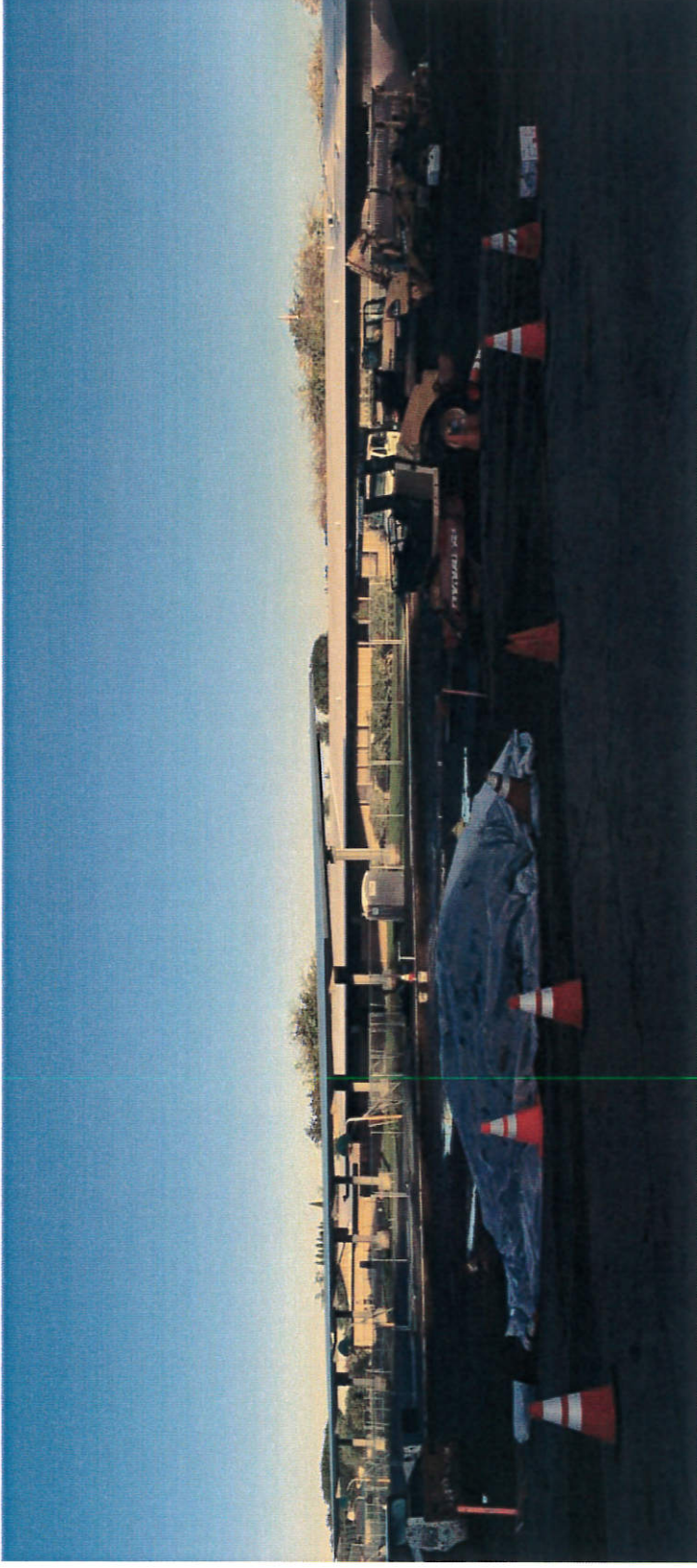


*Central Kitchen*

Construction Legend		Furniture Legend	
Design		Furniture Order Finalized	
Bid		Quote Pricing	
Award		PO Generated	
Construction		Furniture Ordered	
Start of School		Start of School	
Long Lead Items & Added Project Scope		Lead Time	
Project Complete		Furniture Received and Placed	

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Thank You

**Project Budget**  
BERRYESSA UNION SCHOOL DISTRICT  
MEASURE L BOND  
2016-17 First Quarter Report  
07/01/2016 - 09/30/2016  
Cost Control Summary

SUMMARY				
Description	Adopted Budget 1/21/2015	2016-17 Operating Budget 9/30/2016	Total Expended to Date 9/30/2016	Balance
<b>HARD CONSTRUCTION COSTS</b>	(1)			
Construction	50,671,230	38,191,972	9,537,576	28,654,396
Construction Contingency	4,839,623	2,901,711	-	2,901,711
Sub-Total Hard Costs	55,510,853	41,093,683	9,537,576	31,556,107
Furniture, Fixtures & Equipment		4,616,500	-	4,616,500
Total Hard Costs	55,510,853	45,710,183	9,537,576	36,172,607
<b>SOFT CONSTRUCTION COSTS</b>				
Architectural & Engineering				
Architectural & Engineering	4,886,579	3,101,745	104,785	2,996,960
Architectural & Engineering Reimbursable	222,090	193,799	(411)	194,210
Specialty Consultants				
Engineering Studies / Surveys	65,000	2,000	-	2,000
Kitchen Consultant (Included in Aes)	50,000	-	-	-
Geotechnical Study/Inspection/Report	52,000	10,000	-	10,000
Hazardous Material Consulting	-	-	-	-
CEQA (Included in Testing)	31,000	-	-	-
Energy Consultant	-	568,466	-	568,466
Technology Consultant	80,000	-	-	-
Construction Management				
Construction Management	2,873,822	1,923,923	112,129	1,811,794
Reimbursable	131,137	120,839	-	120,839
Plan Check & Permit Fees				
Assessment Fees (DSA Included)	393,496	352,568	-	352,568
CDE Fee	-	-	-	-
Other Permit & Plan Check Fees	50,000	25,525	-	25,525
Utilities Fee	150,000	-	-	-
Document Reproduction				
Plan Document Reproduction & Printing	80,000	31,018	-	31,018
Advertisement	12,000	36,619	-	36,619
Testing & Inspection				
DSA Project Inspector (IOR)	830,195	711,095	30,837	680,258
Material Testing & Inspection (CEQA Included)	166,469	242,379	50,754	191,825
Geotechnical Inspection	70,750	-	-	-
Hazardous Material Inspection/Abatement	-	8,310	-	8,310
Other Expenses				
State Funding Consultant	-	-	-	-
Community Relations Consultant	-	-	-	-
Planning	-	194,156	-	194,156
Miscellaneous	50,000	154,514	1,550	152,964
Soft Cost Contingency	319,046	193,973	-	193,973
Solar	-	378,000	-	378,000
Sub-Total Softs Costs	10,513,684	8,249,129	299,645	7,949,484
<b>OTHER PROJECT COSTS</b>				
Interim Housing	-	134	-	134
Moving (Pack/Unpacking/Movers/Storage)	1,060,000	792,900	26,265	766,635
Furniture, Fixtures & Equipment	5,684,400	-	-	-
Equipment and Non-Capital Equipment(Technology)	-	2,514,282	-	2,514,282
Other Costs Planning	27,500	-	-	-
Other Operating/Misc Expense	-	117,119	-	117,119
Sub-Total Other Project Costs	6,771,500	3,424,435	26,265	3,398,170
<b>PROGRAM COSTS</b>				
Administration				
District Staff Cost/Program Management Costs	1,375,000	1,044,035	92,928	951,107
Legal Fees/Audit Expense	125,000	81,049	1,381	79,668
Special Consultants				
Mater Plan Costs	150,000	-	-	-
Hazardous Material Consulting	40,000	-	-	-
Geotechnical Report	50,000	-	-	-
Roofing Consultant	-	-	-	-
Design Guidelines, Standard Specifications	30,000	-	-	-
Program Support Costs				
Printing, Supplies & Reimbursables	65,000	26,167	600	25,567
Office Equipment/Equip Maintenance	25,000	15,189	-	15,189
Interim Housing	125,000	-	-	-
Seminars/Training	10,000	3,220	-	3,220
Audit Expense	5,000	-	-	-
Public Relations and Contractor Outreach				
Public Relations/Communications	75,000	-	-	-
Public Bid Advertising	15,000	-	-	-
Bond Costs				
Bond Counsel Advisor	170,000	82,000	-	82,000
Bond Underwriter	470,000	150,000	-	150,000
Issuance Costs	30,000	15,000	-	15,000
Disclosure Counsel	40,000	20,000	-	20,000
Financial Advisor	90,000	45,000	-	45,000
Election Costs	60,000	-	-	-
Other Operating Expenses	-	222,000	-	222,000
Program Contingency				
Program Cost Contingency	88,500	477,803	-	477,803
Total Program Costs	3,038,500	2,181,463	94,909	2,086,554
Overall Bond Reserve	1,165,463	2,759,891	-	2,759,891

**MEASURE "L" GENERAL OBLIGATION  
BOND BUILDING FUND OF  
BERRYESSA UNION SCHOOL DISTRICT**

**AUDIT REPORT**

**For the Fiscal Year Ended  
June 30, 2016**



**MEASURE "L" GENERAL OBLIGATION BOND BUILDING FUND OF  
BERRYESSA UNION SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2016*

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## ***Financial Section***

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## **MEASURE "L" GENERAL OBLIGATION BOND BUILDING FUND OF BERRYESSA UNION SCHOOL DISTRICT**

### *Introduction and Citizens' Oversight Committee Member Listing June 30, 2016*

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Berryessa Union School District (the District) consists of three middle schools and ten elementary schools supported by a District Office and an operations center. The District serves over 7,700 students.

On November 4, 2014, the voters of the Berryessa Union School District approved by more than 55% Measure "L", authorizing the issuance and sale of \$77.0 million of general obligation bonds. On February 26, 2015, the District issued Series A of the Election of 2014 General Obligation bonds in the amount of \$40.0 million. The bonds were issued to repair, upgrade, acquire, construct, and equip certain District property and facilities and to pay costs of issuance of the bonds.

The passage of Proposition 39 in November, 2000, amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Upon passage of Proposition 39, an accompanying piece of legislation, AB1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond Proposition pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2016.

Name	Title	Representation
Kevin Costello	Chair	At-Large Community Member
Martin Michaels	Vice-Chair	Senior Citizen Group Representative
Susan Fowle	Member	At-Large Community Member
Amy Chen	Member	Parent/ Guardian of Child in District - Active in Parent Teacher Organization
Frank Cancilla	Member	Business Representative
Adrienne O'Leary	Member	Parent/ Guardian of Child in District
Vacant	Member	Taxpayer Organization Member



## INDEPENDENT AUDITORS' REPORT

The Board of Trustees and the  
Citizens' Bond Oversight Committee  
Berryessa Union School District  
San Jose, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure "L" General Obligation Bond Building Fund of Berryessa Union School District, as of and for the fiscal 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.

### Auditors' 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 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 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.

### Opinion

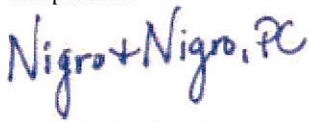
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure "L" General Obligation Bond Building Fund of Berryessa Union School District, as of June 30, 2016, and the changes in financial position thereof for the fiscal year 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 only the Measure "L" General Obligation Bond Building Fund and do not purport to, and do not, present fairly the financial position of the Berryessa Union School District, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, on our consideration of the District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, stylized font.

Murrieta, California  
November 7, 2016

**MEASURE "L" GENERAL OBLIGATION BOND BUILDING FUND OF  
BERRYESSA UNION SCHOOL DISTRICT**

*Balance Sheet*

*June 30, 2016*

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	<u>Measure "L"</u>
<b>ASSETS</b>	
Cash	\$ 30,161,679
Accounts receivable	<u>62,704</u>
<b>Total Assets</b>	<u><u>\$ 30,224,383</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 5,064,146
Due to other funds	<u>874</u>
<b>Total Liabilities</b>	5,065,020
<b>Fund Balance</b>	
Restricted for capital projects	<u>25,159,363</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 30,224,383</u></u>

**MEASURE "L" GENERAL OBLIGATION BOND BUILDING FUND OF  
BERRYESSA UNION SCHOOL DISTRICT**

*Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Fiscal Year Ended June 30, 2016*

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	<u>Measure "L"</u>
<b>REVENUES</b>	
Interest earnings	<u>\$ 239,242</u>
Total Revenues	<u>239,242</u>
<b>EXPENDITURES</b>	
Current:	
Plant Services:	
Classified salaries	199,673
Benefits	46,424
Materials and supplies	267,078
Services and other operating expenditures	402,937
Capital Outlay	<u>12,416,370</u>
Total Expenditures	<u>13,332,482</u>
Net Change in Fund Balance	(13,093,240)
Fund Balance, July 1, 2015	<u>38,252,603</u>
Fund Balance, June 30, 2016	<u><u>\$ 25,159,363</u></u>

## **MEASURE "L" GENERAL OBLIGATION BOND BUILDING FUND OF BERRYESSA UNION SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2016*

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### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

On November 4, 2014, the District voters authorized \$77.0 million in General Obligation Bonds (Measure "L") for the purpose of financing the modernization and construction of school facilities within the District. The measure required a minimum 55% vote for passage. In response, an advisory committee to the District's Governing Board and Superintendent, the Citizens' Bond Oversight Committee, was established. The Committee's oversight goals include ensuring compliance with conditions of Measure "L".

The Bond proceeds are accounted for in the District's Building Fund (21.0), where they are expended for the approved projects. The statements presented are for the individual Measure "L" General Obligation Bond Building Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

#### **B. Basis of Accounting**

The Measure "L" General Obligation Bond Building Fund is a governmental fund reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

#### **C. 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 governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board 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.

#### **D. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.



**MEASURE "L" GENERAL OBLIGATION BOND BUILDING FUND OF  
BERRYESSA UNION SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2016*

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Fund Balances**

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.



**MEASURE "L" GENERAL OBLIGATION BOND BUILDING FUND OF  
BERRYESSA UNION SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2016*

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**NOTE 2 – CASH**

**Pooled Funds**

In accordance with Education Code Section 41001, the District maintains all of its cash from the bond proceeds in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to 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 County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2016, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**NOTE 3 – ACCOUNTS RECEIVABLE**

The total accounts receivable at June 30, 2016, in the amount of \$62,704 represents amounts due from the Santa Clara County Treasurer for interest earnings for the quarter ended June 30, 2016.

**NOTE 4 – MEASURE "L" GENERAL OBLIGATION BONDS**

**Series A**

On February 26, 2015, the District issued \$40,000,000 of Series A Election of 2014 General Obligation Bonds. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the District for the payment of interest on and principal of the bonds. The County records the collection of taxes and payments of bond principal and interest in a separate fund, which is not reported here. The bonds were issued to repair, upgrade, acquire, construct, and equip certain District property and facilities and to pay costs of issuance of the bonds.

The bonds were issued as: Current Interest Serial Bonds of \$22,750,000 with stated interest rates ranging between 3.125% and 5.0% and fully maturing on August 1, 2039, Current Interest Term Bonds of \$4,700,000, \$4,900,000, and \$7,650,000 each with stated interest rates of 3.5% due August 1, 2038, 2041, and 2044, respectively. At June 30, 2016, the outstanding principal balance of the bonds was \$40,000,000.

**MEASURE "L" GENERAL OBLIGATION BOND BUILDING FUND OF  
BERRYESSA UNION SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2016*

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**NOTE 4 – MEASURE "L" GENERAL OBLIGATION BONDS (continued)**

The requirements to amortize outstanding general obligation bonds are as follows:

Fiscal Year	Principal	Interest	Total
2016-2017	\$ 1,000,000	\$ 1,520,113	\$ 2,520,113
2017-2018	1,350,000	1,461,362	2,811,362
2018-2019	-	1,427,613	1,427,613
2019-2020	-	1,427,613	1,427,613
2020-2021	-	1,427,613	1,427,613
2021-2026	1,225,000	7,062,437	8,287,437
2026-2031	5,825,000	6,207,437	12,032,437
2031-2036	8,800,000	4,551,812	13,351,812
2036-2041	11,700,000	2,814,406	14,514,406
2041-2045	10,100,000	715,750	10,815,750
Total	<u>\$ 40,000,000</u>	<u>\$ 28,616,156</u>	<u>\$ 68,616,156</u>

**NOTE 5 – INTERFUND TRANSACTIONS**

**Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2016, consisted of the following:

Building Fund due to General Fund for expenditure reimbursement	<u>\$ 874</u>
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**NOTE 6 – CONSTRUCTION COMMITMENTS**

At June 30, 2016, the District had commitments with respect to unfinished capital projects of approximately \$2.3 million to be paid from a combination of state and local funds.

**NOTE 7 – OVERSIGHT COMMITTEE**

Education Code Section 15282(a) states that the Citizens' Oversight Committee must consist of at least seven members and must be comprised of the following members: one member shall be active in a business organization representing the business community located within the district, one member shall be active in a senior citizens' organization, one member shall be active in a bona fide taxpayers' organization, one member shall be the parent or guardian of a child enrolled in the district, and one member shall be both a parent or guardian of a child enrolled in the district and active in a parent-teacher organization, such as the Parent Teacher Association or schoolsite council. The Citizens' Oversight Committee currently has only six members and no one from a bona fide taxpayers' organization.

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***Other Independent Auditors' Reports***

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**INDEPENDENT AUDITORS' 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**

The Board of Trustees and the  
Citizens' Bond Oversight Committee  
Berryessa Union School District  
San Jose, 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 Measure "L" General Obligation Bond Building Fund of Berryessa Union School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Berryessa Union School 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Berryessa Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Berryessa Union School 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Berryessa Union School District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, stylized font.

Murrieta, California

November 7, 2016





## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Trustees and the  
Citizens' Bond Oversight Committee  
Berryessa Union School District  
San Jose, California

We have examined the Berryessa Union School District's (the "District") compliance with the performance requirements for the Proposition 39 Measure "L" General Obligation Bond for the fiscal year ended June 30, 2016, 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 the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Objectives

The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- The expenditures charged to the Berryessa Union School District Building Fund (21.0) are documented.
- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure "L".
- Any discrepancies or weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens' Bond Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

### Scope of the Audit

The scope of our performance audit covered the fiscal period from July 1, 2015, to June 30, 2016. The expenditures tested included all object and project codes associated with the bond projects. 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 fiscal year ended June 30, 2016, for the Measure "L" General Obligation Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure "L" with regards to the approved bond projects list. We performed the following procedures:

To meet our objectives, audit tests were performed and included, but were not limited to the following:

- We verified that bond funds were deposited in the District's name and invested in accordance with applicable legal requirements.
- We tested approximately \$8.7 million (66.5%) in bond fund invoices paid, which is a combination of 2015-16 expenditures and payments on liabilities accrued as of June 30, 2016, and paid in 2016-17. This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our test included payments made to subcontractors and other vendors.
- We reviewed the approved project listing as set out in the Measure "L" election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2016, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We visited construction sites at Noble Elementary, Summerdale Elementary, and Sierramount Middle Schools to ensure that expenditures made corresponded with the actual work performed at the site.
- We verified that funds from the Building Fund (21.0) were expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects, and we verified that funds held in the Building Fund (21.0) were not used for salaries of school administrators or other operating expenses of the District.
- We reviewed a sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.
- We verified that the District did not exceed change order limitations in excess of 10% pursuant to Public Contract Code.

Our audit of compliance made for the purpose set forth in the preceding paragraph would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the Measure "L" General Obligation Bond proceeds listed and tested above.

This report is intended for the information of the Board of Trustees, management and the Citizens' Bond Oversight Committee; however, this report is a matter of public record.



Murrieta, California  
November 7, 2016