

MORGAN HILL UNIFIED SCHOOL DISTRICT

Citizens' Oversight Committee

Wednesday, December 9, 2015

10:00am

**Britton Middle School
80 West Central Avenue
Morgan Hill, CA
Room 20**

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

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

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

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

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

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

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

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

Agenda

1. Call to order
 - a. Roll call

2. PUBLIC COMMENT AND COMMUNICATION

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

3. DISCUSSION / INFORMATION AND/OR ACTION

		Presenter		
A)	Approval of minutes from September 9, 2015 meeting Motion: Ayes: Second: Noes:	<i>Brad Ledwith, Chair</i>	<i>Action</i>	<i>1 min</i>
B)	Introduction of Jackie Schaefer, Construction Project Manager	<i>Casino Fajardo</i>	<i>Information</i>	<i>2 min</i>
C)	Introduction of Kimberly Beare, Communications Coordinator	<i>Kirsten Perez</i>	<i>Information</i>	<i>2 min</i>
D)	Committee Member Terms	<i>Kirsten Perez</i>	<i>Information</i>	<i>2 min</i>
E)	Enrollment Projections and Morgan Hill 2035	<i>Kirsten Perez</i>	<i>Information</i>	<i>2 min</i>
F)	Expenditure Report	<i>Anessa Espinosa</i>	<i>Information</i>	<i>5 min</i>
G)	Measure G projects update	<i>Casino Fajardo</i>	<i>Information</i>	<i>10 min</i>
H)	Measure G Audit Report	<i>Kirsten Perez</i>	<i>Information</i>	<i>5 min</i>
I)	Tour Britton Middle School	<i>Casino Fajardo</i>	<i>Information</i>	<i>20 min</i>

Estimated time for scheduled items: 49 minutes

4. SUGGESTED TOPICS FOR FUTURE COMMITTEE MEETINGS

5. ADJOURNMENT

Future Meeting Dates:

- March 9, 2016

MORGAN HILL UNIFIED SCHOOL DISTRICT
15600 Concord Circle; Morgan Hill, CA 95037
Citizens' Oversight Committee Minutes

REGULAR MEETING OF September 9, 2015
San Martin/Gwinn Library
10:00am
100 North Street
San Martin, CA

	CALL TO ORDER
	<p>Meeting called to order at 10:00am by Brad Ledwith</p> <p>Roll Call: Present: Roger Beaulieu, Marty Cheek, John Horner, Brad Ledwith, Nancy Reynolds</p> <p>Absent: Cristy Gieg, Mike Rusch</p> <p>District Staff: Present: Kirsten Perez, Assistant Superintendent Business Services Anessa Espinosa, Director Facilities Casino Fajardo, Director Construction</p> <p>Guests: None</p>
	PUBLIC COMMENT AND COMMUNICATION- <i>No public comments</i>
A)	<p>Approval of minutes: <i>Approve minutes of regular COC meeting of June 10, 2015.</i></p> <p>Motion: Marty Cheek Ayes: John Horner, Brad Ledwith, Nancy Reynolds</p> <p>Second: Roger Beaulieu Noes: None</p>
B)	<p><i>Expenditure Report:</i></p> <p><i>Anessa Espinosa, Director of Facilities, updated the committee on the Expenditure Report. Anessa reported that the Common Core and Microsoft Grants were received. Roger Beaulieu asked about the difference in enrollment for the high schools. Kirsten Perez, Assistant Superintendent of Business Services, explained that the Morgan Hill growth areas are mostly in the Ann Sobrato High School attendance zone. John Horner requested the enrollment trends for each of the schools and Kirsten offered to bring the District's Demographic Report to the next meeting. Brad Ledwith recommended having information on the report that would highlight budget overages and underage. Kirsten explained that a cost savings report can be generated once everything is reconciled. Brad brought up his concerns with the drought and whether or not alternative grass could be an option and is willing to go to the Board of Education to talk about grounds.</i></p>
C)	<p><i>Measure G Projects Update:</i></p> <p><i>Casino Fajardo, Director of Construction, went over the Measure G Bond power point that was presented to the Board of Education on August 18, 2015. Casino updated committee on the Measure G Matrix and the status of each project. John Horner wanted to know if environmental testing has been done with Britton Middle School and Casino explained that MHUSD is working with School Site Solutions and Public Relations concerning that matter and will do all the testing before moving forward. Brad questioned if it is possible to redo the Britton sports field at the same time as the new Britton construction. Kirsten explained with the budget we will do the remodel and then any extra will be moved to the wish list, which includes the fields. Casino</i></p>

	<i>reported on moving forward with the two multi-purpose buildings. Kirsten explained that we might have money for one of the MPR to be built under series A rather than series B.</i>
D)	<p><i>Focus Academy Plans:</i></p> <p><i>Kirsten Perez, Assistant Superintendent of Business Services explained about the future academy plans. The District is interested in an engineering academy and is looking at the different sites to see where would work best with a possible Board of Education approval in January 2016.</i></p>
E)	<p><i>Tour San Martin/Gwinn Elementary School:</i></p> <p><i>Casino Fajardo, Director of Construction, led the group on a short tour of San Martin/Gwinn courtyard area.</i></p>
II.	<p>ADJOURNMENT</p> <p>The meeting was adjourned at 10:59 am by Brad Ledwith.</p>
	<p>Future meeting topics:</p> <ol style="list-style-type: none"> 1. Enrollment Projection by site 2. Revisit the turf/grass situation 3. PR component surrounding Measure G can be improved 4. Jim Carrillo and Daniel Chaja to return at a future date to talk about technology

Future Meeting Dates:

- December 9, 2015 at Britton
- March 9, 2016

Morgan Hill Unified School District
Demographic Study
2014-2015

Enrollment Projection Summary by Grade

Morgan Hill Unified School District Enrollment Projection Summary by Grade							
Grade	Current Enrollment						
	<u>14/15</u>	<u>15/16</u>	<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>	<u>20/21</u>
TK	110	141	145	144	146	146	146
K	550	580	598	592	599	598	597
1	641	549	581	599	592	593	594
2	658	665	576	607	625	612	615
3	658	668	675	589	620	630	618
4	658	676	687	695	610	633	645
5	641	672	691	703	710	619	644
6	611	609	641	661	674	673	584
7	636	624	625	662	687	696	702
8	602	661	653	655	691	710	719
9	652	624	657	649	649	680	698
10	641	687	664	698	689	683	715
11	686	653	704	680	715	698	693
12	665	690	655	712	683	715	698
Total K-6	4,527	4,560	4,594	4,590	4,576	4,504	4,443
Total 7-8	1,238	1,285	1,278	1,317	1,378	1,406	1,421
Total 9-12	2,644	2,654	2,680	2,739	2,736	2,776	2,804
District Totals	8,409	8,499	8,552	8,646	8,690	8,686	8,668

Morgan Hill Unified School District
Demographic Study
2014-2015

Enrollment Projection Summary by School

Morgan Hill Unified School District Enrollment Projection Summary by School							
School	Current						
	Enrollment						
	<u>14/15</u>	<u>15/16</u>	<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>	<u>20/21</u>
Barrett Elem	574	595	604	592	582	580	564
El Toro Elem	478	465	486	510	535	535	536
Jackson Academy	596	619	621	630	621	610	608
Los Paseos Elem	589	604	586	581	573	552	542
Nordstrom Elem	638	623	636	655	667	668	688
Paradise Valley Elem	662	678	694	691	691	676	666
San Martin/Gwinn Elem	517	521	519	503	502	491	472
Walsh Elem	605	619	610	586	564	555	528
Elementary Totals	4,659	4,724	4,756	4,748	4,735	4,667	4,604
Britton Middle	625	633	638	670	706	722	744
Murphy Middle	479	488	478	489	513	521	516
Middle Totals	1,104	1,121	1,116	1,159	1,219	1,243	1,260
Live Oak High	1,052	1,025	1,028	1,064	1,020	1,026	1,042
Sobrato High	1,452	1,489	1,514	1,532	1,576	1,606	1,620
High Totals	2,504	2,514	2,542	2,596	2,596	2,632	2,662
Central High	142	140	138	143	140	144	142
Other Totals	142	140	138	143	140	144	142
District Totals	8,409	8,499	8,552	8,646	8,690	8,686	8,668
Annual Change		90	53	94	44	-4	-18

Build-Out Analysis
Based on General Plan through 2035

Year:	<u>Current</u> <u>2014/15</u>	<u>2035</u>
Population:	43,100	68,960
Increase:		25,860
% Increase		60.0%
Households:	13,900	22,240
Increase:		8,340
% Increase		60.0%

<u>Grade</u>	<u>Yield Rate</u>	<u>Homes</u>	<u>Students</u>
K-6	0.24585	8,340	2,050
7-8	0.06730	8,340	561
9-12	0.15239	8,340	1,271
Total	0.46555		3,882

<u>Enrollment</u>	<u>2014/15</u>	<u>2018</u>	Population	Household	Household	<u>Capacity</u>	Space Needed		New Sites	
			% Growth	% Growth	Yield Rate		<u>Minimum</u>	<u>Maximum</u>	<u>Needed</u>	
K-6	4,527	4,576	7,243	7,243	6,577	4,776	1,801	2,467	4	Elem
7-8	1,238	1,378	1,981	1,981	1,799	1,711	88	270	0	Middle
9-12	2,644	2,736	4,230	4,230	3,915	3,267	648	963	1	High
Total	8,409	8,690	13,454	13,454	12,291	9,754				
Increase:		281	5,045	5,045	3,882					
% Increase		3.3%	60.0%	60.0%	46.2%					

In this scenario with an anticipated population increase of 60% by 2035, 4 additional elementary schools would be needed with an average size of 600 students each along with a new high school with seats for 1,200 students.

The site needs would be 12 acres for each elementary and 45 acres for the high school for a total of 93 acres for public schools.

Series A Bond Expenditure Report

As of October 31, 2015

General

Cost of Issuance	255,000	Cost to issue the bonds
Aguilar Security	2,480	Security
Cumming	91,100	District wide assesment and cost estimate
Cumming	778,906	Series A Program Management
Kramer Project Development	13,016	Proj Mgmt Support Services
Orbach, Huff and Suarez	4,225	Legal
Reprographics	8,207	Blueprints
School Specialty	257,560	FF&E-Furniture
Taradigm	21,000	Computer Program
Director	126,687	Personnel
Network Administrator	129,181	Personnel
Coordinator	3,678	Personnel
Accounting Staff	54,260	Personnel
Technology Staff	29,307	Personnel
Benefits	75,701	Personnel

Subtotal	1,850,308	General
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Technology/Infrastructure

Subtotal	5,642,184	Technology/Infrastructure
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Technology/Hardware

Subtotal	4,431,608	Technology Hardware
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Classroom Technology

Subtotal	2,108,255	Classroom Technology
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Britton New Campus

Alpha Land Surveys	4,800	Topographic Map
Bay Area Tree Specialists	6,250	Tree Removal
Cleary Consultants	14,200	Testing and Inspections
Daily Journal Corp	261	Bid Advertisement
HMC Corp	54,675	Plan Study for Reconstruct & Renovation

Subtotal	80,186	Britton
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Charter School/Encinal MPR

ARC	4,925	Blueprints
Aedis Architects	239,778	Architect/Engineer
Aedis Architects	309	Architect Reimbursables
C&M Backflow	5,000	Cross connect survey
CA Geological Survey	3,600	Assessment of Geologic Hazard
Charter School of MH	1,065	Irrigation/Landscape Consulting
Charter School of MH	(10,363)	Reimbursement from Charter School for Portables
Ciari Plumbing	4,767	Backflow Devices

Charter School/Encinal MPR (cont.)

Cleary Consultants	22,837	Special Testing and Inspections
Crown Sanitation	3,975	Temporary Fencing
DRP Builders	2,822,114	MPR-Incr #2
Daily Journal Corp	1,816	Bid Advertisement
Division of State Architect	22,372	Project Fees
Don Chapin	349,544	MPR-Incr #1-Underground Utilities
El Toro Landscape	260	Irrigation System
Fall Creek Engineering	31,742	Engineering Services
Furman & Associates	90,960	Inspector of Record (IOR)
Great Oaks Water	1,500	Water Tests
HP Inspections	20,469	Inspection/Testing
Kier & Wright Civil Engrs	13,600	Engineering
PG&E	55,904	Engineering
Pacific Geotechnical	18,321	Geotech Assess/Investigate/Hydrology
SC County-CEQA	50	CA Environmental Quality Act Posting
SC County	8,443	Environmental Health Fee
SC County-Environment Health	329	2nd Revision Plan Check Fee
Submittal Exchange	4,495	Project Subscription
Wilco Supply	18,404	Door Hardware
Subtotal	3,736,216	Charter School/Encinal

Nordstrom Multi Use Bldg

Alpha Land Surveys	15,000	Topographic Map
McKim Design Group	11,293	Architect Services
Subtotal	26,293	Nordstrom Multi Use Bldg

PA Walsh Multi Use Bldg Restrooms

Subtotal	385,053	PA Walsh Multi Use Bldg Restrooms
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PA Walsh Parking Lot

Division of the State Architect	2,250	Project Fee
Cleary Consultants	7,551	Testing Services
Daily Journal Corp	454	Advertisement
Grade Tech	603,905	Contractor
HP Inspections	2,333	Testing and Inspection Services
Park A Ride	1,312	Skateboard Dock
Subdynamic Locating Services	330	Utility Survey
Subtotal	618,134	PA Walsh Parking Lot

Paradise Valley Multi Use Bldg

Alpha Land Surveys	15,000	Topographic Map
McKim Design Group	7,421	Architect Services
Subdynamic Locating Services	371	Utility Survey
Subtotal	22,792	Paradise Valley Multi Use Bldg

San Martin/Gwinn Environmental Courtyard & Lunch Shelter

Division of the State Architect	5,385	Project Fee
Artik Art & Architect	500	Sun Dial
Bay Area Tree Specialists	2,250	Tree Removal
Cleary Consultants	7,000	Special Testing and Inspections
Concrete Demo Works	1,200	Concrete Demo and Removal
Consolidated Engineering	2,015	Shade Testing and Inspections
DRP Builders	768	Door Installation
Daily Journal Corp	458	Bid Advertisement
Edgin Construction Services	4,000	Inspector of Record (IOR)
Guerra Construction Group	363,185	Contractor
Johnson Electronics	100	Repair Cable
K & D Landscape	14,107	Landscaping
Kleinfelder, Inc.	2,782	Construction Materials Testing/Inspection Services
Pacific Interlock Pavingstone	5,785	Paver Installation
Park A Ride	1,312	Skateboard Dock
School Specialty	40,495	Tables and Benches
Southern Hemisphere Shade	22,658	Shade Structure
Steel Inspectors of Texas	1,500	Shade Structure-Fabrication Inspection
Subdynamic Locating Services	371	Utility Survey
Sycamore Concrete	7,110	Shade Structure
USA Shade Structure	129,400	Shade Structure
Wilco Supply	3,160	Hardware
Division of the State Architect	1,203	Project Fee
Kleinfelder, Inc.	757	Construction Materials Testing/Inspection Services
Southern Hemisphere Shade	16,935	Project Fee

Subtotal	634,436	SMG Environmental Courtyard & Lunch Shelter
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Jackson, Paradise Valley & Nordstrom-Fire Alarm Upgrade

Subtotal	1,085,676	JNP-Fire Alarm Upgrade
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Jackson, Paradise Valley & Nordstrom-HVAC and Roof Replacement

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

Subtotal	7,248,004	LBJ Educational Center
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Los Paseos Roofing

Subtotal	268,283	Los Paseos Roofing
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Martin Murphy Fence

Subtotal	35,580	Martin Murphy Fence
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Martin Murphy Roof

Subtotal	846,998	Martin Murphy Roof
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PA Walsh Modernization

Subtotal	2,554,917	PA Walsh Modernization
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San Martin/Gwinn Modernization

Subtotal	1,928,666	SMG Modernization
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Total as of October 31, 2015	38,847,368	70% of Bond Dollars Spent since 3/7/13
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Revenue

Proceeds from Bond Sales	55,000,000
Interest	417,407
Cost of 2012 A COI	17,968
Total Revenue	55,435,374

Measure G Update



**CASINO FAJARDO
DIRECTOR OF CONSTRUCTION**



Key Project Updates



Construction Project Updates:

- Encinal Site Multi-Use Building

Substantially Completed Projects:

- PA Walsh Multi-use Building Modernization
- Jackson/Nordstrom/Paradise Valley ES Fire Alarm Upgrades
- San Martin/Gwinn Environmental Science Courtyard
- PA Walsh Parking Lots
 - Ornamental Fence to arrive/install week of November 23rd

Planning Project Updates:

- San Martin/Gwinn New Administration Building Modernization
- San Martin/Gwinn New Classroom Buildings & Student Drop-off
- Nordstrom/Paradise Valley Master Planning
- Britton Middle School Master Planning & Schematic Design

San Martin/Gwinn Environmental Science Courtyard



PA Walsh Parking Lots



Encinal New Multi-Use Building



Paradise Valley & Nordstrom Master Plan



PARADISE VALLEY ELEMENTARY SCHOOL NEW MULTI-USE BUILDING PROJECT



The project will enhance safety, relieve congestion, and beautify our neighborhood.

As a valued member of the local neighborhood, you are cordially invited to attend the Community Meeting to learn about the exciting improvements coming to Paradise Valley Elementary School!

- * What: Morgan Hill Unified School District is hosting a Community Open House to provide information and answer questions about the upcoming construction.
- When: November 4th, 2015 @ 6:00 pm
- Where: Paradise Valley Elementary School (Administration Bldg.)
1400 La Crosse Drive, Morgan Hill, CA 95037
paradise.mhusd.org/

- About the project:
- This project is a series of improvements to the PV Campus
- * New Multi-use Building
 - * Improved Student Drop-off Area
 - * Additional Parking Area
 - * Outdoor/Landscape Improvements



CASINO FAJARDO, LEED GA
DIRECTOR OF CONSTRUCTION AND MODERNIZATION
15600 Concord Cir, Morgan Hill, CA 95037
408-201-6086 fajardoc@mhusd.org | <http://www.mhusd.org/>



NORDSTROM ELEMENTARY SCHOOL NEW MULTI-USE BUILDING PROJECT



The project will enhance safety, relieve congestion, and beautify our neighborhood.

As a valued member of the local neighborhood, you are cordially invited to attend the Community Meeting to learn about the exciting improvements coming to Nordstrom Elementary School!

- * What: Morgan Hill Unified School District is hosting a Community Open House to provide information and answer questions about the upcoming construction.
- When: October 7th, 2015 @ 6:00 pm
- Where: Nordstrom Elementary School (Administration Bldg.)
1425 East Dunne Ave., Morgan Hill, CA 95037
nordstrom.mhusd.org/

- About the project:
- This project is a series of improvements to Nordstrom ES
- * New Multi-use Building
 - * Improved Student Drop-off Area
 - * Additional Parking Area
 - * Outdoor/Landscape Improvements

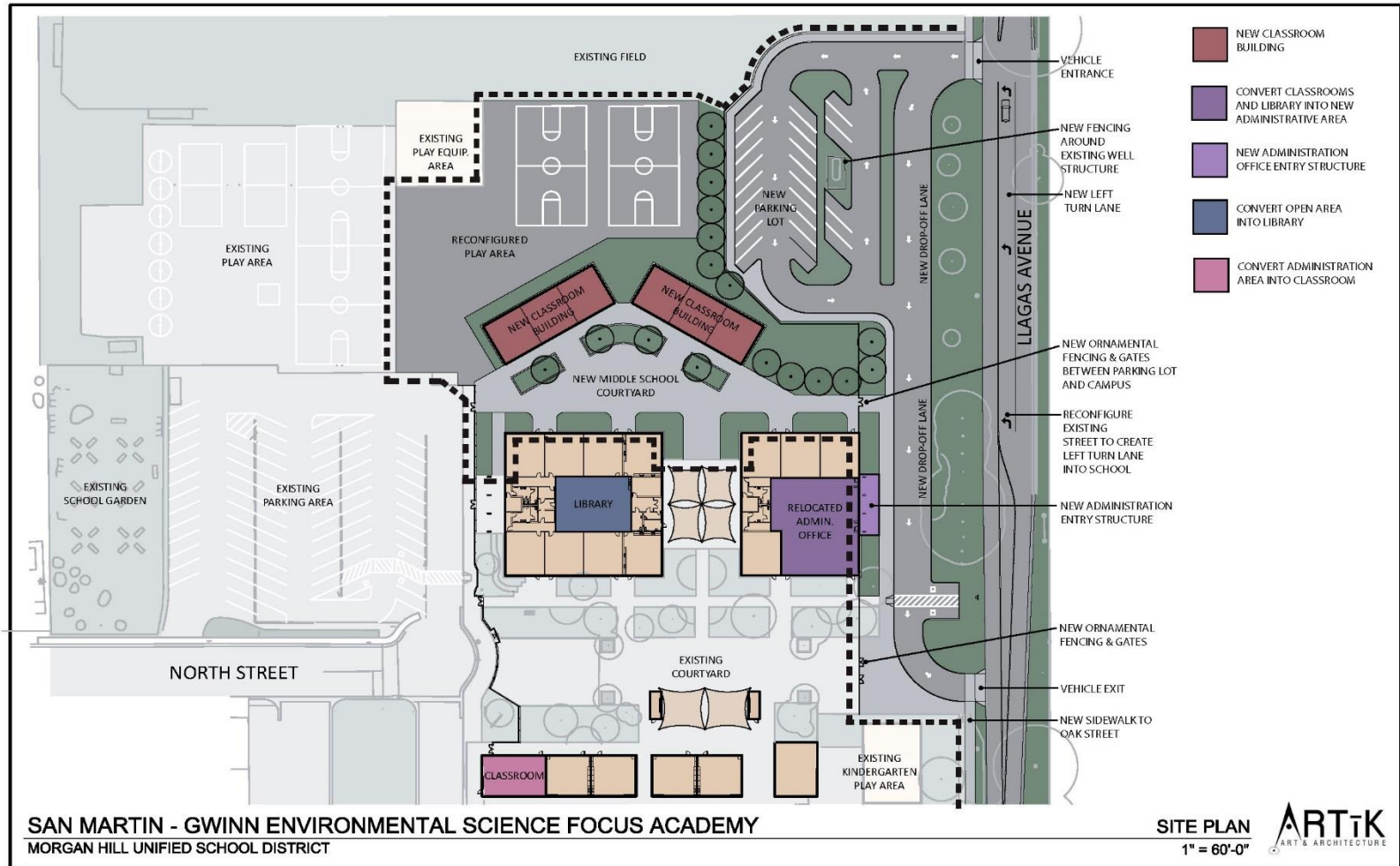


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DIRECTOR OF CONSTRUCTION AND MODERNIZATION
15600 Concord Cir, Morgan Hill, CA 95037
408-201-6086 fajardoc@mhusd.org | <http://www.mhusd.org/>

Master Plan Substantially Complete

Second Community Meeting:
Tuesday December 1st @ 7:50 am

San Martin/Gwinn New Classrooms & Student Drop-off Schematic Design



SMG New Classrooms Gen7 Buildings



<https://youtu.be/2hllXOpB-eE>

Britton Master Planning



Question & Answer



MORGAN HILL UNIFIED SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2015

MORGAN HILL UNIFIED SCHOOL DISTRICT

**2012 MEASURE G FUND
ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2015

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

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JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Morgan Hill Unified School District's (the District) 2012 Measure G Fund (the Fund) as of and for the year ended June 30, 2015 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Fund as of June 30, 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.

Emphasis of Matter

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered with the results of our audit.

A handwritten signature in black ink, appearing to read "PwC", is written over the printed name "PwC".

Palo Alto, California
December 2, 2015

MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND

BALANCE SHEET
JUNE 30, 2015

ASSETS

Cash and investments	\$ 20,643,090
Interest receivable	30,511
Due from other funds	230,531
Total Assets	<u>\$ 20,904,132</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Vendors payable	\$ 1,451,457
Total Liabilities	<u>1,451,457</u>

FUND BALANCE

Restricted for capital projects	19,452,675
Total Liabilities and Fund Balance	<u>\$ 20,904,132</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

REVENUES AND OTHER SOURCES

Interest revenues	\$ 134,476
Total Revenues and Other Sources	<u>134,476</u>

EXPENDITURES

Current expenditures	
Classified salaries	225,173
Employee benefits	63,821
Services and operating expenditures	33,212
Capital outlay	<u>19,373,963</u>
Total Expenditures	<u>19,696,169</u>

DEFICIENCY OF REVENUES OVER EXPENDITURES	(19,561,693)
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FUND BALANCE, BEGINNING OF YEAR	<u>39,014,368</u>
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FUND BALANCE, END OF YEAR	<u><u>\$ 19,452,675</u></u>
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The accompanying notes are an integral part of these financial statements.

MORGAN HILL UNIFIED SCHOOL DISTRICT

2012 MEASURE G FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

Fund Accounting

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

Basis of Accounting

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

Budgets and Budgetary Accounting

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

Encumbrances

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

MORGAN HILL UNIFIED SCHOOL DISTRICT

2012 MEASURE G FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Spending Order Policy

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

Use of Estimates

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

NOTE 2 - INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The \$20,643,090 of investments on June 30 has a fair value of \$20,653,577 and a weighted average maturity of 469 days, as reported by the County Treasurer.

MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 - 2012 MEASURE G BONDS

Summary

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

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2014	Bonds Outstanding June 30, 2015
2012	8/1/2042	2.00-3.25%	\$ 55,000,000	\$ 55,000,000	\$ 50,340,000

Payments on the general obligation bonds are made by the District's bond interest and redemption fund with local revenues.

Bonded Debt

The bonds mature through 2043 are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 4,140,000	\$ 1,862,375	\$ 6,002,375
2017	-	1,820,975	1,820,975
2018	125,000	1,819,100	1,944,100
2019	195,000	1,814,300	2,009,300
2020	270,000	1,805,975	2,075,975
2021-2025	2,735,000	8,765,225	11,500,225
2026-2030	5,815,000	7,780,450	13,595,450
2031-2035	9,750,000	6,383,544	16,133,544
2036-2040	15,000,000	4,061,000	19,061,000
2041-2043	12,310,000	763,400	13,073,400
Total	<u>\$ 50,340,000</u>	<u>\$ 36,876,344</u>	<u>\$ 87,216,344</u>

MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2015, the Fund had the following commitments approved by the Board of Education for the capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
District Wide Technology Infrastructure Upgrade and Hardware Purchase	\$ 1,172,252	16-Jun
Charter School of Morgan Hill New MPR Room	2,213,924	16-Feb
San Martin/Gwinn Modernization	722,111	16-Oct
JAMM/Paradise Valley/Nordstrom Roof/Mechanical Restroom	227,698	16-Mar
JAMM/Paradise Valley/Nordstrom/Fire Alarm	495,092	15-Nov
Nordstrom MPR	285,000	18-Aug
Paradise Valley MPR	285,000	17-Dec
Walsh Modernization	606,595	15-Dec
Britton New Campus	740,939	20-Aug
	<u>\$ 6,748,611</u>	

Litigation

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

INDEPENDENT AUDITOR'S REPORT



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the 2012 Measure G Fund (the Fund), as of and for the year ended June 30, 2015, and have issued our report thereon dated December 2, 2015. As discussed in Note 1, the financial statements present only the Fund and are not intended to present fairly the financial position and results of operations of the Morgan Hill Unified School District (the District) in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Vavrinek, Trine, Day & Co., LLP". The signature is written in a cursive, flowing style.

Palo Alto, California
December 2, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2015**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

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

MORGAN HILL UNIFIED SCHOOL DISTRICT

**2012 MEASURE G FUND
PERFORMANCE AUDIT**

JUNE 30, 2015

MORGAN HILL UNIFIED SCHOOL DISTRICT
2012 MEASURE G FUND

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of the 2012 Measure G Fund (the Fund) of the Morgan Hill Unified School District (the District) for the year ended June 30, 2015.

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

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

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

The results of our tests indicated that the District expended the 2012 Measure G funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

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

Palo Alto, California
December 2, 2015

MORGAN HILL UNIFIED SCHOOL DISTRICT

2012 MEASURE G FUND

JUNE 30, 2015

AUTHORITY FOR ISSUANCE

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

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

PURPOSE OF ISSUANCE

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

AUTHORITY FOR THE AUDIT

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

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

MORGAN HILL UNIFIED SCHOOL DISTRICT

2012 MEASURE G FUND

JUNE 30, 2015

OBJECTIVES OF THE AUDIT

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

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2014 to June 30, 2015. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2015, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period July 1, 2014 through June 30, 2015. From the population of expenditures, we obtained the invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the approved project list authorized by 2012 Measure G. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2014 and ending June 30, 2015, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included 132 transactions totaling \$15,200,961. This represents 77 percent of the \$19,696,169 of total expenditures.
3. We verified that proceeds from the sale of bonds were only expended in support of construction, renovation, furnishing and equipping of District facilities constituting authorized 2012 Measure G projects.
4. We noted there is no administrator salary expenditure charged to the bond project during the current year.

CONCLUSION

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

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