

# CITIZENS’ BOND OVERSIGHT COMMITTEE

The mission of Albany Unified School District is to provide excellent public education that empowers all to achieve their fullest potential as productive citizens. AUSD is committed to creating comprehensive learning opportunities in a safe, supportive, and collaborative environment, addressing the individual needs of each student.

## REGULAR MEETING ALBANY UNIFIED SCHOOL DISTRICT – DISTRICT OFFICE

1051 Monroe Street  
Albany, CA 94706

WEDNESDAY

January 18, 2017

6:00p.m.

### AGENDA

<p style="text-align: center;"><u>Meeting Norms</u></p> <ol style="list-style-type: none"> <li>1. Maintain a focus on what is best for our students.</li> <li>2. Show respect (never dismiss/devalue others).</li> <li>3. Be willing to compromise.</li> <li>4. Disagree (if necessary) agreeably.</li> <li>5. Make a commitment to effective deliberation, each one listening with an open mind while others are allowed to express their points of view.</li> <li>6. Participate by building on the thoughts of a fellow Board member.</li> <li>7. Make a commitment to open communication and honesty; no surprises.</li> <li>8. Commit the time necessary to govern effectively.</li> <li>9. Be collaborative.</li> <li>10. Maintain confidentiality (which leads to the building of trust).</li> <li>11. Look upon history as lessons learned; focus on the present and the future.</li> </ol>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"><b>I. <u>OPEN SESSION</u></b></td> <td style="text-align: right; vertical-align: top;"><b><u>6:00 p.m.</u></b></td> </tr> <tr> <td colspan="2">A) Call to Order</td> </tr> <tr> <td colspan="2">B) Roll Call</td> </tr> <tr> <td colspan="2">C) Approval of Agenda</td> </tr> <tr> <td style="padding-top: 10px;"><b>II. <u>REVIEW AND DISCUSSION</u></b></td> <td style="text-align: right; vertical-align: top; padding-top: 10px;"><b><u>6:10 p.m.</u></b></td> </tr> <tr> <td colspan="2">A) Overview of an Independent Citizens’ Bond Oversight Committee.....(pg.3)</td> </tr> <tr> <td colspan="2">B) Review of the Citizens’ Bond Oversight Committee Procedures, Policies, and Guidelines.....(pg. 13)</td> </tr> <tr> <td style="padding-top: 10px;"><b>III. <u>REVIEW AND ACTION</u></b></td> <td style="text-align: right; vertical-align: top; padding-top: 10px;"><b><u>6:45 p.m.</u></b></td> </tr> <tr> <td colspan="2">A) Designation of President</td> </tr> <tr> <td colspan="2">B) Designation of Representative(s)</td> </tr> <tr> <td colspan="2">C) Designation of Secretary</td> </tr> <tr> <td colspan="2">D) Schedule, Frequency, and Location of Future Meetings</td> </tr> <tr> <td style="padding-top: 10px;"><b>IV. <u>REVIEW AND DISCUSSION - Continued</u></b></td> <td style="text-align: right; vertical-align: top; padding-top: 10px;"><b><u>7:00 p.m.</u></b></td> </tr> <tr> <td colspan="2">A) District Update on Facilities</td> </tr> <tr> <td colspan="2">B) Review 2015/16 2008 Measure E Bond Financial and Performance Audit Report.....(pg.24)</td> </tr> <tr> <td style="padding-top: 10px;"><b>V. <u>AGENDA ITEMS INTRODUCED BY THE CITIZENS’ BOND OVERSIGHT COMMITTEE</u></b></td> <td style="text-align: right; vertical-align: top; padding-top: 10px;"><b><u>7:55 p.m.</u></b></td> </tr> <tr> <td style="padding-top: 10px;"><b>VI. <u>ADJOURNMENT</u></b></td> <td style="text-align: right; vertical-align: top; padding-top: 10px;"><b><u>8:00 p.m.</u></b></td> </tr> </table>	<b>I. <u>OPEN SESSION</u></b>	<b><u>6:00 p.m.</u></b>	A) Call to Order		B) Roll Call		C) Approval of Agenda		<b>II. <u>REVIEW AND DISCUSSION</u></b>	<b><u>6:10 p.m.</u></b>	A) Overview of an Independent Citizens’ Bond Oversight Committee.....(pg.3)		B) Review of the Citizens’ Bond Oversight Committee Procedures, Policies, and Guidelines.....(pg. 13)		<b>III. <u>REVIEW AND ACTION</u></b>	<b><u>6:45 p.m.</u></b>	A) Designation of President		B) Designation of Representative(s)		C) Designation of Secretary		D) Schedule, Frequency, and Location of Future Meetings		<b>IV. <u>REVIEW AND DISCUSSION - Continued</u></b>	<b><u>7:00 p.m.</u></b>	A) District Update on Facilities		B) Review 2015/16 2008 Measure E Bond Financial and Performance Audit Report.....(pg.24)		<b>V. <u>AGENDA ITEMS INTRODUCED BY THE CITIZENS’ BOND OVERSIGHT COMMITTEE</u></b>	<b><u>7:55 p.m.</u></b>	<b>VI. <u>ADJOURNMENT</u></b>	<b><u>8:00 p.m.</u></b>
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FUTURE BOARD MEETINGS

Date	Time	Location
To Be Determined	To Be Determined	To Be Determined

The Citizens' Bond Oversight Committee meeting packet is available for public inspection at: Albany Unified School District, 1051 Monroe Street; and is available on the Albany Unified School District web site: [www.ausdk12.org](http://www.ausdk12.org). If you provide your name and/or address when speaking before the Board of Education, it may become a part of the official public record and the official minutes will be published on the Internet. In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate in this meeting, please contact the Superintendent's Office at 510-558-3766. Notification must be given forty-eight (48) hours prior to the meeting to make reasonable arrangements for accessibility (28 CFR 35.102.104 ADA Title II).

# Independent Citizen's Bond Oversight Committee

## An Overview

John Palmer





- History
- Purpose
- Accountability Requirements
- Membership
- Solicitation Process
- Notes

# Citizens' Oversight Committee - History



- Prior to 2000, school districts would issue Proposition 46 general obligation bonds, which among other things required 2/3 voter approval, but no formal accountability requirements.
- In 2000, Proposition 39 was approved which permitted school districts to issue bonds with a 55% vote, provided that district comply with certain accountability requirements.
- Albany voters approved Bond Measures B & E on June 7<sup>th</sup>, 2016.
  - Measure E is a Proposition 39 bond.
  - Measure B is a Proposition 46 bond amended to require similar accountability standards as Measure E.

# Citizens' Oversight Committee - Purpose



- The purpose of the citizens' oversight committee shall be to inform the public concerning the expenditure of bond revenues.
- The citizens' oversight committee shall actively review and report on the proper expenditure of taxpayers' money for school construction.
- The citizens' oversight committee shall advise the public as to whether a school district is in compliance with the accountability requirements (noted in subsequent slides).

# Citizen's Oversight Committee - Accountability



- Requirement that bond proceeds be used only for “**authorized purposes**” and **not for any other purpose**, including teacher and administrator salaries and other school operating expenses.
- **List of the specific school facilities projects to be funded** and certification that the school district governing board has evaluated safety, class size reduction, and information technology needs.
- Requirement that the school district governing board conduct an **annual, independent performance audit**.
- Requirement that the school district governing board conduct **an annual independent financial audit** of the proceeds from the sale of the bonds until all of those proceeds have been expended.

# Citizens' Oversight Committee – Accountability

## (Continued)



- What may the Citizens' Oversight Committee do to further its purpose?
  - Receive and review the annual independent performance audit, the annual independent financial audit developed by an independent external auditor.
  - Inspect school facilities and grounds.
    - Tour the project sites
  - Review efforts to maximize bond revenues and advise on cost-saving measures.
    - Find efficiencies of scale
    - Joint use of core facilities
    - Bidding practices



# Citizens' Oversight Committee - Membership



- Consist of at least seven members who shall serve for a minimum term of two years without compensation and for no more than three consecutive terms.
- Be comprised, as follows:
  - One member shall be **active in a business organization** representing the business community located within the school 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 school district**.
  - One member shall be **both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization**, such as the Parent Teacher Association or school site council.
- Make a good faith effort to appoint a Citizens' Oversight Committee and fill any vacancies to ensure the committee is fully constituted and functioning.

# Citizens' Oversight Committee – Solicitation Process



- Albany USD plans to follow the Maddy Act for public notices regarding membership vacancies for the committee.
- Interested parties will apply to: Allan Garde, Chief Business Official at [agarde@ausdk12.org](mailto:agarde@ausdk12.org)
- Applications must be submitted by: September 30<sup>th</sup>, 2016
- The Governing Board will review applications and appoint members to the committee scheduled for the October 13, 2016 Board Meeting.

# Citizens' Oversight Committee – Notes



- To provide for consistency and continuity in the Committee's operations and deliberations, request resignation of one or more (but fewer than all) members after one year.
- The Governing Board has a non-delegable responsibility to set policy, establish priority of construction, approve construction contracts, etc.
- The citizens' oversight committee's responsibilities are retrospective (review and report) and not prospective (setting policy, pre-approving expenditures).
- Meetings are expected to be quarterly in the afternoon/evenings.

# Thank you!



Please feel free to contact  
me with any questions that you may have in the future.

Email: [jpalmer@orrick.com](mailto:jpalmer@orrick.com)

Phone: (415) 773-4246

**ALBANY UNIFIED SCHOOL DISTRICT**  
**County of Alameda, California**

*Election of February 5, 2008*

**Measure E General Obligation Bonds (“Measure E (2008)”)**

**and**

*Election of June 7, 2016*

**Measure B General Obligation Bonds (“Measure B”)**

**Measure E General Obligation Bonds (“Measure E”)**

**Citizens’ Oversight Committee**  
**Procedures, Policies and Guidelines**

INTRODUCTION

Measure E (2008) and Measure E (2016) were each approved by at least 55% of the votes cast on the proposition by voters of the Albany Unified School District (the “District”) pursuant to the provisions of the Strict Accountability in Local School Construction Bonds Act of 2000 (“Proposition 39”), codified at Sections 15264 and following of the California Education Code (the “Education Code”). Proposition 39 requires the Board of Education (the “Board”) to appoint a Citizens’ Oversight Committee after the successful bond elections.

Measure B was approved by at least two-thirds of the votes cast on the proposition by the voters of the District pursuant to the provisions of Section 15100 and following of the Education Code.

Legal authority for formation and duties of the Citizens’ Oversight Committee (the “Committee”) is found in Sections 15264 and 15278 to 15282 of the Education Code. The purpose of these Procedures, Policies and Guidelines is to direct the formation and actions of the Committee by reference to the statutory requirements. Where the statutory direction is insufficiently specific, the Board has furnished missing details. In addition, the Board sets forth below its expectations, suggestions, and desires for the operations of the Committee. All references below to the provisions of law are to the Education Code of the State of California, unless otherwise specified in context.

**I. Establishment**

Pursuant to Proposition 39, the Board is required to appoint members to an independent citizens’ oversight committee as a result of the passage of Measure E (2008) at the election conducted on February 5, 2008 and Measure E (2016) at the election conducted on June 7, 2016. *Educ. Code §15278(a)*.

In addition, the Board is required to appoint members to an independent citizens’ oversight committee pursuant to the ballot measures submitted to the voters for Measure E (2008), Measure B (2016), Measure E (2016).

## II. Purposes

- A. Statutory Purposes for Measure E (2008) Bonds and Measure E (2016) Bonds. The Committee is charged by statute with the following purposes:
1. To promptly alert the public to any waste or improper expenditure of school construction bond money. *Educ. Code §15264(c).*
  2. To inform the public concerning the expenditure of bond revenues. *Educ. Code §15278(b).*
  3. Ensuring that bond revenues are expended only for the purposes described in the Constitution; that is, 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. *Calif. Const. art. XIII A, §1(b)(3); Educ. Code §15278(b)(1).*
  4. Ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses. *Calif. Const. art. XIII A, §1(b)(3)(A); Educ. Code §15278(b)(2).*
- B. Board Charge to Committee. In addition to the statutory purposes, the Board believes that the Committee's purposes should include facilitating understanding between the Board and the residents of the District, as a complement to the Board's own regular public meetings and citizen outreach efforts. The Board believes the Committee will best serve its statutory purposes, the purposes set forth in the respective ballot measures, and the interests of the community by:
1. communicating the community's concerns or satisfaction to the Board with regard to those projects and the District's overall building and renovation plans; and
  2. communicating the Board's intentions with respect to bond projects to the community.
- C. Role of Committee vis-à-vis Board.
1. As the legally elected representative of the voters, the Board, on the advice of the Superintendent, must make all decisions relating to how bond funds are spent, how bond projects are configured, the cost, priority and timeline for completion of the various bond projects, and all other matters necessary in connection with the District's building program.
  2. The Committee will need to refer to the text of Measure E (2008), Measure B (2016), and Measure E (2016), and the Bond Project Lists contained therein, but the Committee's interpretations of Measure E (2008), Measure B (2016), and Measure E (2016) are not binding on the Board.

### III. Members

- A. Minimum Size. The Committee shall always be comprised of at least 9 members. *Educ. Code §15282(a).*
- B. Required Members. Pursuant to statute, the Board shall appoint to the Committee the following members: *Educ. Code §15282(a).*
1. One member active in a business organization representing the business community located within the District.
  2. One member active in a senior citizens' organization.
  3. One member active in a bona fide taxpayers' organization.
  4. One member who is the parent or guardian of a child enrolled in the District.
  5. One member who is the parent or guardian of a child enrolled in the District and who is active in a parent-teacher organization, such as the PTA or schoolsite council.
  6. Four other members, selected from the public at large.
- C. Board Procedures for Appointment of Committee.
1. Appointment.
    - a. Persons interested in serving as members of the Committee shall submit a written application to the Superintendent or the designee thereof, specifying such information as the Superintendent shall reasonably require. Such information shall include, at a minimum:
      - (i) the specific position or positions listed in Section III.B, above, for which the applicant qualifies
      - (ii) such information as may be necessary to verify that the applicant meets that qualification requirement.
    - b. The Superintendent or the designee thereof shall recommend from among the qualifying applications a list of names to the Board for appointment to the committee, specifying how the requirements of Section III.B are met, or as many of those requirements as possible given the applications submitted.
      - (i) Preference may be given to residents of the City of Albany.
    - c. The slate of names shall be approved or rejected as a whole by a majority vote of the Board. If rejected, the Board shall direct the Superintendent or the designee thereof to prepare a new slate of

names for approval, including a new application procedure if appropriate.

2. Failure to Appoint.
  - a. Willful failure to appoint the Committee is grounds for legal action by any taxpayer against the Board. *Educ. Code §15284(a)(4)*.
  - b. The Board will make a good faith effort to appoint the Committee and fill vacancies to ensure that the Committee is fully constituted and functioning. No vacancy, at initial appointment or otherwise, will prevent the Committee from meeting and conducting its business.
  - c. In the event that the Superintendent or the designee thereof does not receive acceptable applications from the public to fill all of the positions specified in Section III.B, above, or if at any time there is a vacant position on the Committee, the Superintendent or the designee thereof shall cause a notice of the vacancy to be posted in a conspicuous public place (e.g., where regular public notices of the Board are posted), specifying the eligibility requirement for the vacant position and that a written application must be submitted to the Superintendent or the designee thereof, and such notice shall remain posted until the vacancy is filled. The Superintendent, in his/her discretion, may advertise the vacant position in a newspaper reasonably expected to be circulated among interested persons, and may contact organizations to request nomination of interested persons to fill the positions that require active membership in such organization.
3. The Board may determine to appoint members of the Committee from time to time, in addition to the nine positions specified in Section III.B, above, and without regard to the membership requirements so specified.

D. Additional Eligibility Restrictions. The following persons are not eligible to serve on the Committee: *Educ. Code §15282(b)*.

1. Any employee of the District.
2. Any official of the District.

For purposes of this limitation, the Board finds that any elected or appointed member of the Board is an “official of the district” within the meaning of Section 15282(b) of the Education Code. The Board finds that no member of any other citizen committee of the District appointed by the Board to serve without pay is an “official of the district” within the meaning of Section 15282(b) of the Education Code.



3. Any vendor, contractor or consultant of the District.

The Board finds that no person is a vendor, contractor or consultant of the District prohibited from serving on the Committee within the meaning of Section 15282(b) of the Education Code unless such person, or any company of which such person is an owner or part owner, agrees or has agreed to perform services or furnish goods or supplies to the District under any agreement or contract that has not been fully performed. Prior contractual relationships with the District do not disqualify a person from serving on the Committee.

E. Term.

1. Each of the members specified by statute is appointed for a term of two years. *Educ. Code §15282(a)*.
2. No member shall be appointed to more than three consecutive two-year terms. *Educ. Code §15282(a)*.

The Board hereby further establishes the following provisions on the terms of members:

3. Any additional members appointed pursuant to the Board's reserved prerogative under Section III.C.3 above, may be appointed to a term of less than two years, as the Board shall specify, but shall not be appointed to a term any longer than two years.
4. Any additional members appointed pursuant to the Board's reserved prerogative under Section III.C.3 shall serve no more than two consecutive terms.
5. Any member appointed to meet any of the criteria of categories 1 – 5 described in Section III.B, above, shall serve only so long as such member continues to fulfill the requirement of the position to which appointed.
6. Notwithstanding the two-year term required by statute, the term of any member shall terminate upon:
  - a. death of the member;
  - b. written resignation of the member;
  - c. disability or illness of the member, upon a finding by the Board that the member is unable to effectively continue to serve on the Committee;
  - d. the sale or provision of any goods or services to the District, or entry into any contract with the District for such sale or provision, whether or not related to the bond program, such that the member becomes a

“vendor, contractor, or consultant” within the meaning of Section III.D.3, above;

- e. the employment, appointment or election of such member to a position with the District, such that the member becomes an “employee of the District” or an “official of the District” within the meaning of Section III.D.1 or 2, respectively; or
- f. failure of the member to participate in the meetings and activities of the Committee, upon a finding by the Board that the member is unable or unlikely to effectively continue to serve on the Committee.

The Board requests that Committee members keep the Board informed regarding the status of other members, so that the Board can take appropriate action to replace or reappoint Committee members in a timely manner.

- 7. The term of any member appointed to succeed a member whose term has been terminated pursuant to Section III.E.6 shall be two years, or such lesser time as remains in the term of the departing member, as the Board shall determine.
- 8. In order to provide for consistency and continuity in the Committee’s operations and deliberations, and to establish a Committee whose entire membership does not turn over every two years, the Board may request the resignation of one or more, but fewer than all, members after one year, in order to reappoint such member, or any other person meeting the requirements for the seat that has been vacated by such resignation, to a two-year term.

F. Compensation. Members serve without compensation. *Educ. Code §15282(a).*

#### **IV. Authorized Activities**

In furtherance of its purposes, the Committee is authorized by statute to engage in the following activities: *Educ. Code §15278(c) and §15286.*

- A. Receiving and reviewing copies of the annual, independent performance audit required by the California Constitution, at the same time such audit is submitted to the District, no later than March 31 of each year.
- B. Receiving and reviewing copies of the annual, independent financial audit required by the California Constitution, at the same time such audit is submitted to the District, no later than March 31 of each year.
- C. Inspecting school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

- D. Receiving and reviewing copies of any deferred maintenance proposals or plans developed by the District, including any reports required to be given to the Legislature by Section 17584.1 regarding a failure to set aside 1/2 of 1% of current year revenues for deferred maintenance expenditures.
- E. Reviewing efforts by the District to maximize bond revenues by implementing cost-saving measures, including, but not limited to, all of the following:
  - 1. Mechanisms designed to reduce the costs of professional fees.
  - 2. Mechanisms designed to reduce the costs of site preparation.
  - 3. Recommendations regarding the joint use of core facilities.
  - 4. Mechanisms designed to reduce costs by incorporating efficiencies in schoolsite design.
  - 5. Recommendations regarding the use of cost-effective and efficient reusable facility plans.

## V. Meetings

- A. Initial Organization; Officers. In order for the Committee to serve effectively and fulfill the purposes for which it is established, the Board recommends to the Committee that the Committee shall organize and conduct meetings as follows:
  - 1. Initial Meeting. At the initial meeting of the Committee, the Superintendent or a person designated by the Superintendent should open the meeting and facilitate the selection by the Committee members of a presiding officer. Thereafter, selection of a presiding officer and any other officers of the Committee should be by whatever means the Committee determines.
  - 2. President. The Committee should designate a member as presiding officer or president to preside over meetings of the Committee.
  - 3. Representative. The Committee should designate a member or members to represent the Committee at public meetings of the Board and make reports thereto on a regular basis as the Committee shall determine or as the Board may request.
  - 4. Secretary. The Committee should designate a member as secretary to keep accurate minutes of the Committee's meetings and actions, in order to fulfill the legal requirement that such minutes and documents and reports be entered into the public record.
- B. Reports; Meetings.

1. Reports. The Committee shall issue regular reports on the results of its activities. A report shall be issued at least once a year. *Educ. Code §15280(b)*.
2. Annual Meeting of the Committee. The Committee is required to conduct at least one annual meeting, the purpose of which is to receive the reports and documents required to be provided to the Committee by the Board, and to approve a report of the Committee. *Educ. Code §15280(b), 15278(c)*.
3. Other Meetings of the Committee. The Board recommends that the Committee meet as often as necessary, at least semi-annually, in order to effectively perform its duties.
4. The Board will reserve a place on the regular Board agenda for address by a representative of the Committee. The Committee is not expected or required to make a report at each regular Board meeting.

C. Notice of Meetings; Minutes.

1. The Committee's meetings are governed by the Ralph M. Brown Act, commencing at Section 54950 of the Government Code. *Educ. Code §15280(b)*.
  - a. All Committee proceedings shall be open to the public.
  - b. Notice to the public of any meeting of the Committee shall be provided in the same manner as the proceedings of the Board.
2. Minutes of the proceedings of the Committee and all documents received and reports issued by the Committee are a matter of public record. *Educ. Code §15280(b)*.
3. The District shall maintain and make available to the Committee an Internet website for publication of proceedings of the Committee. *Educ. Code §15280(b)*.
4. All documents received and reports issued by the Committee shall be made available to the public on the website. *Educ. Code §15280(b)*.

In order to publicize and make available the Committee's proceedings, the Committee Secretary shall provide to the Superintendent any documents received by, and reports issued by, the Committee, in whatever form received or issued, and minutes of the meetings of the Committee or any subcommittees created by the Committee.

District staff is directed by the Board to assist the Committee in publicizing its meetings, in complying with the requirements of the Ralph M. Brown Act, and in posting documents and reports on the website maintained by the District for the

Committee. District staff will assist the Committee in these and the other activities of the Committee as provided in Section IV.D, below.

D. Technical Assistance.

1. The Board is required to provide the Committee with any necessary technical assistance and shall provide administrative assistance to the Committee in furtherance of its purpose. *Educ. Code §15280(a).*
2. The Board is required to provide sufficient resources to publicize the conclusions of the Committee. *Educ. Code §15280(a).*
3. No bond funds shall be expended on any activities or technical assistance provided to the Committee. *Educ. Code §15280(a).*

The Board will not treat this prohibition against expending bond funds to provide technical assistance to the Committee to include the preparation and photocopying for the members of the Committee copies of the annual independent performance audit and the annual independent financial audit of the bond program required by the Constitution.

4. At the Committee's request, the Board will endeavor to provide the materials, meeting space, and staff consultation as the Committee shall require, specifically taking into account whether the request involves a reasonable expenditure of District general funds. The Board does not expect to purchase specialized software or hardware, commit additional staff time, or engage consultants to develop information for, prepare reports for, or attend meetings of, the Committee beyond what is required by statute and what is prepared for the Board.

APPROVED this day, \_\_\_\_\_, 2016.

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President of the Board of Education  
of the Albany Unified School District

Attest:

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Secretary of the Board of Education of  
the Albany Unified School District

**ALBANY UNIFIED SCHOOL DISTRICT**  
*Election of February 5, 2008*  
**Measure E General Obligation Bonds (“Measure E (2008”)**  
*and*  
*Election of June 7, 2016*  
**Measure B General Obligation Bonds (“Measure B”)**  
**Measure E General Obligation Bonds (“Measure E”)**  
**BOND (MEASURE E (2008), MEASURE B (2016) AND MEASURE E (2016))**  
**CITIZENS’ OVERSIGHT COMMITTEE (“COMMITTEE”)**

**MEMBERSHIP APPLICATION**

<i>Date</i> _____ <i>Name</i> _____ <i>Phone</i> _____ <i>Email</i> _____	<i>Address:</i> _____ _____ _____		
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; padding: 2px;"><i>Membership Representation Category</i></td> <td style="padding: 2px;"> <input type="checkbox"/> Active member of a business organization representing the business community located within the District  <input type="checkbox"/> Active member of a senior citizen’s organization  <input type="checkbox"/> Active member of a bona fide taxpayer’s organization  <input type="checkbox"/> Parent or guardian of a child enrolled in the District  <input type="checkbox"/> Parent or guardian of a child enrolled in the District <i>and</i> an active member of a parent-teacher organization (e.g., PTA/PTSA or school site council)  <input type="checkbox"/> At large member           </td> </tr> </table>		<i>Membership Representation Category</i>	<input type="checkbox"/> Active member of a business organization representing the business community located within the District <input type="checkbox"/> Active member of a senior citizen’s organization <input type="checkbox"/> Active member of a bona fide taxpayer’s organization <input type="checkbox"/> Parent or guardian of a child enrolled in the District <input type="checkbox"/> Parent or guardian of a child enrolled in the District <i>and</i> an active member of a parent-teacher organization (e.g., PTA/PTSA or school site council) <input type="checkbox"/> At large member
<i>Membership Representation Category</i>	<input type="checkbox"/> Active member of a business organization representing the business community located within the District <input type="checkbox"/> Active member of a senior citizen’s organization <input type="checkbox"/> Active member of a bona fide taxpayer’s organization <input type="checkbox"/> Parent or guardian of a child enrolled in the District <input type="checkbox"/> Parent or guardian of a child enrolled in the District <i>and</i> an active member of a parent-teacher organization (e.g., PTA/PTSA or school site council) <input type="checkbox"/> At large member		
<i>Primary Residence</i> <input type="checkbox"/> is <input type="checkbox"/> is not   within the Albany Unified School District			
<i>Qualifications and Experience</i> ( <input type="checkbox"/> continued on attached sheet):  <div style="border: 1px solid black; height: 80px; width: 100%;"></div>			
<p><i>Certification:</i></p> <p>I have read and understood the Procedures, Policies and Guidelines for the Committee as adopted by the Board of Education of the Albany Unified School District (“Board”) and, in particular, I CERTIFY THAT:</p> <ol style="list-style-type: none"> <li>1. I am not an employee, official, vendor, contractor or consultant of or to the District (“related party”) and I understand that should I become a related party, my membership on the Committee is immediately terminated.</li> <li>2. I understand the extent and the limitations of the Committee’s responsibilities and role and that, in particular, that the Committee is not granted any powers to determine how bond funds are spent and the Committee’s sole legal charge is to inform the public.</li> <li>3. I understand that the Board shall be solely responsible to make all decisions relating to how bond funds are spent, how bond projects are configured, the cost priority and timeline for completion of bond projects and all other matters in connection with the District’s building and facilities programs.</li> <li>4. I understand that my term of membership on the Committee is two (2) years and that my membership may be revoked by the Board prior to the end of that term should the Board reasonably determine that I am unwilling or unable to fulfill my obligations as a member of the Committee or should I cease to qualify in the membership category for which I was appointed or for any act of malfeasance.</li> </ol>			
<p>In good faith I apply to be a member of the Committee and if appointed by the Board I intend to accept the appointment and serve my complete term.</p>			
<i>Signature:</i> _____			

**MEASURE E BOND BUILDING FUND OF  
ALBANY UNIFIED SCHOOL DISTRICT**

**FINANCIAL AND PERFORMANCE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**



**MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING  
JUNE 30, 2016**

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The Albany Unified School District was established in the early 1900's and is comprised of an area of approximately one square mile. There were no changes to the boundaries of the District during the current year. The District serves the City of Albany and offers instruction for Grades TK-12. The District is currently operating three elementary schools, one middle school, one comprehensive high school, one continuation school, and one child development program.

On February 5, 2008, the voters of Alameda County passed ballot Measure E, authorizing the issuance of \$10,000,000 of general obligation bonds. The sale of the general obligation bonds (Series A) closed in August 2009, for a principal amount of \$10,000,000. The funds were deposited into the Alameda County Treasury. All warrants are pre-audited and processed by the Alameda County Office of Education. All Measure E building funds are accounted for in Fund 21 of the District's general ledger.

Measure E was a Proposition 39 Bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (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 measure pursuant to the 55% majority authorized in Measure E including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

As of June 30, 2016, the Citizens' Oversight Committee was comprised of the following members:

Alan Riffer, *Chair\**  
Gail Drulis, *Vice Chair*  
Beth Pollard, *Member*  
Caryl O'Keefe, *Member*  
Jerri Holan, *Member*  
Medhi Sagafi, *Member*

\*Mr. Riffer passed away during the year ended June 30, 2016

\*\*The Citizens' Oversight Committee has vacant positions, which the District is actively seeking to fill.

## INDEPENDENT AUDITORS' REPORT

Governing Board Members and  
Measure E Citizens' Oversight Committee  
Albany Unified School District  
Albany, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Measure E Bond Building Fund of Albany Unified School District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Measure E Bond Building Fund's basic 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 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.

**Auditor's Responsibility (continued)**

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

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Measure E Bond Building Fund as issued by the District, through the County of Alameda, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure E Bond Building Fund as of June 30, 2016 and the respective changes in financial position for the year then ended in accordance 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 January 11, 2017 on our consideration of the Measure E Bond Building 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 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 Measure E Bond's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated January 11, 2017 on our consideration of the Measure E Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure E Bond Building Fund for the fiscal year ended June 30, 2016 should be considered in assessing the results of our financial audit.

San Diego, California  
January 11, 2017

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## **FINANCIAL SECTION**

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**MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
JUNE 30, 2016**

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**ASSETS**

Cash in county treasury	\$	239,667
Total Assets	\$	<u>239,667</u>

**FUND BALANCE**

Restricted for Measure E Projects	\$	<u>239,667</u>
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<b>Total Liabilities and Fund Balance</b>	\$	<u>239,667</u>
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The accompanying notes are an integral part of the financial statements.

**MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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<b>EXPENDITURES</b>	
Facilities acquisition and construction	\$ 15,901
	<hr/>
<b>Total Expenditures</b>	15,901
	<hr/>
<b>Excess (Deficiency) of Revenues     Over (Under) Expenditures</b>	(15,901)
	<hr/>
<b>Net Change in Fund Balance</b>	(15,901)
<b>Fund Balance, July 1, 2015</b>	255,568
	<hr/>
<b>Fund Balance, June 30, 2016</b>	\$ 239,667
	<hr/>

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

**MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Albany Unified School District was established in the early 1900's and is comprised of an area of approximately one square mile. The District serves the City of Albany and offers instruction for Grades TK-12. The District is currently operating three elementary schools, one middle school, one comprehensive high school, one continuation high school, and one child development program.

On February 5, 2008, the voters of the District approved by 72% vote Measure E, authorizing the issuance of \$10,000,000 of general obligation bonds to reconstruct and replace the Albany School District Community Pool (including showers, lockers and related facilities) to provide students and the community with adequate swimming facilities for school; adult school; athletic competition; recreational and community use, including therapeutic and instructional swim, with additional high school classrooms. Because the Bond required only 55% of the vote in accordance with Proposition 39 (Article XIII of the California State Constitution), the District was required to establish a citizens' bond oversight committee and to conduct a financial and performance audit.

The Committee's oversight goals include ensuring expenditures are within the language of the ballot measure and advising the District's Governing Board on various projects. The citizens' oversight committee must include, among others, representation of a bona fide taxpayers association, a business organization, and a senior citizens organization. No District employees or vendors are allowed to serve on the citizens' oversight committee.

The fund financial statements are for the Measure E Bond Building Fund. Since this is just one component of the district, these financial statements are not intended to be a complete presentation of the District's financial position or results of operations. Accordingly, these fund statements do not include a government wide financial statement, management discussion and analysis or related organizational disclosures. The audited financial statements of Albany Unified School District include the Measure E Bond Building Fund activities, related debt and disclosures as well as the management discussion and analysis

An advisory committee to the District's Governing Board and Superintendent, the Measure E Citizens' Oversight Committee ("COC") was established pursuant to the requirements of state law and the provisions of Measure E. The purpose of the COC is to inform the public concerning the use of bond proceeds. The COC is required by state law to actively review and report on the proper expenditure of taxpayers' money for school construction. The COC provides oversight and advises the public as to whether the District is spending the Measure E Bond Building funds for school capital improvements within the scope of projects outlined in the Measure E Project List. In fulfilling its duties, the COC reviews, among other things, the District's annual performance and financial audits of Measure E activity.



MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2016

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

A. **Reporting Entity (continued)**

The statements presented are for the individual Measure E General Obligation Bond as issued by the District, through the County of Alameda, and are not intended to be a complete presentation of the District's financial position or results of operations.

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

B. **Accounting Policies**

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

C. **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures 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 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 the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

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.

MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2016

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

**E. Deposits and Investments**

In accordance with Education Code Sections 15357 and 41001, the Measure E Bond Building Fund maintains its cash in the Alameda County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**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.

**G. 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.

**H. Fund Balance**

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance in Measure E Bond Building Fund is considered restricted.

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.

MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2016

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NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2016 consisted of \$239,667 held in cash in county treasury.

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. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

*Cash 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 accounting 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.

**MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2016**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies examples of the investment types permitted in the investment policy:

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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

**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 to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Alameda County Investment Pool with a fair value of approximately \$240,309 and an amortized book value of \$239,667. The weighted average maturity for this pool as of June 30, 2016 is 376 days.

**MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2016**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**Fair Value**

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

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

The District's fair value measurements at June 30, 2016 were as follows:

	<b>Uncategorized</b>
Investment in county treasury	\$ 240,309
<b>Total fair market value of investments</b>	<b>\$ 240,309</b>

**MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2016**

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**NOTE 3 – MEASURE E GENERAL OBLIGATION BONDS**

In July 2009, the District issued Election of 2008 General Obligation Bonds, Series A in the aggregate principal amount of \$10,000,000. The bonds are payable from the proceeds of *ad valorem* property taxes which the Board of Supervisors of the Alameda County are obligated to levy and collect on all taxable property in the District for the payment of and interest on the bonds. The bonds carry interest rates ranging from 2.0% to 5.0% and were fully matured as of June 30, 2016.

In March 2016, the District issued 2016 Refunding Bonds in the aggregate principal amount of \$13,055,000, a portion of which was used to refund the 2008 Series A bonds in their entirety.

Proceeds from the sale of the bonds may only be used for construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of such facilities; or for the acquisition or lease of real property for school facilities. In addition, proceeds may only be used for the projects listed in the Measure, which include the construction of a new swimming pool for student, adult school, athletic competition, and Albany community use; locker rooms and related facilities; and additional high school classrooms. Proceeds may not be used for any other purpose, such as teacher and administrator salaries nor operating expenses.

The bonded debt is paid through the *ad valorem* property taxes through Alameda County and the debt liability is carried on the Albany Unified School District's Government Wide financial statements.

The District's General Obligation Bonds represent general obligations payable solely from *ad valorem* property taxes. The general obligation debt for the Measure E bonds at June 30, 2016, was as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 01, 2015	Additions	Deductions	Outstanding June 30, 2016
2008 Series A	July 2009	Fully Matured	2.0 - 5.0%	\$ 10,000,000	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -
2016 Refunding Bonds	3/1/2016	8/1/2030	2.0 - 5.0%	9,670,000	-	9,670,000	-	9,670,000
					\$ 10,000,000	\$ 9,670,000	\$ 10,000,000	\$ 9,670,000

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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**

Governing Board Members and  
Measure E Citizens' Oversight Committee  
Albany Unified School District  
Albany, 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 E Bond Building Fund, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Measure E Bond Building Fund's basic financial statements, and have issued our report thereon dated January 11, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Measure E Bond Building Fund'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 Measure E Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure E Bond Building Fund's internal controls.

*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 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 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 Measure E Bond Building 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California  
January 11, 2017

## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board Members and  
Measure E Citizens' Oversight Committee  
Albany Unified School District  
Albany, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Measure E Bond Building Fund, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Measure E Bond Building Fund's basic 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 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.

### **Objectives**

In connection with our audit, we also performed an audit of compliance as required in the performance requirements for the Measure E Bond Building Fund for the fiscal year ended June 30, 2016. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds of the sale of the Measure E Bonds were only used for the purposes set forth in the Measure E ballot language and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure, evaluated the remodeling, new construction and renovations of items which will improve learning and to accommodate growth in the District, with no funds expended on administrator salaries.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

<b>Internal Control Evaluation</b>
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#### **Procedures Performed:**

Inquiries were made of management regarding internal controls to:

- Prevent fraud or waste regarding Measure E projects, including budgetary controls
- Ensure adequate separation of duties exists in the fiscal services department for Measure E funds
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper fund(s)
- To follow applicable regulations, including regulations related to bidding and contract management

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the fiscal year 2015-16 financial statement balances for the Measure E are not materially misstated.

#### **Results of Procedures Performed:**

The result of our audit tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unmodified opinion was expressed on the financial statements.

<b>Facilities Site Walk</b>
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**Procedures Performed:**

Auditor did not deem site walk necessary as expenditures were limited and majority of project work was completed prior to the audit year.

<b>Test of Expenditures</b>
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**Procedures Performed:**

We tested expenditures to determine whether Measure E funds were spent solely on voter and Board approved school facilities projects (as set forth in the District's Facilities Master Plan and the Measure E ballot measure language). The expenditure test included a sample of 3 payments totaling \$15,901 or 100% of total Measure E expenditures for 2015-16.

**Results of Procedures Performed:**

We found all expenditures tested to be in compliance with the terms of the Measure E Bond ballot measure and applicable state laws and regulations, without exception. Furthermore, it appeared that the District's site expenditures were competitive in price with similar expenditure size and scope to other school construction bond programs included in our benchmarking.

<b>Test of Contracts and Bid Procedures</b>
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**Procedures Performed:**

For the fiscal year ended June 30, 2016, there were no newly awarded contracts or change orders.

<b>Citizens' Oversight Committee</b>
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**Procedures Performed:**

In accordance with AB 1908 (Assembly Bill) and Ed Code Section 15278, the District is required to establish a bond oversight committee for Prop 39 bonds including one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. The COC is to meet pursuant to Education Code Section 15280.

**Results of Procedures Performed:**

In our review of the minutes of the Citizens' Oversight Committee for Measure E, we found that there was adequate documentation of meetings held during fiscal year 2015-16. In addition, the District has submitted annual audit reports during the life of the Measure E.

Our audit of compliance was made for the purposes set forth in the Objectives section of this report and would not necessarily disclose all instances of noncompliance.

**Opinion**

In our opinion, based on the fieldwork described above as well as the other tests that we conducted, the District complied with the compliance requirements for the Measure E Bond as listed and tested above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on accountability requirements pursuant to the passage of Proposition 39 and the enactment of AB 1908 (Chapter 44, Statutes of 2000). Accordingly, this report is not suitable for any other purpose.

San Diego, California  
January 11, 2017

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## **FINDINGS AND RESPONSES SECTION**

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**MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

*Our tests resulted in no findings and recommendations related to the financial and performance audit of the Measure E Bond Building Fund for the fiscal year ended June 30, 2016.*



**MEASURE E BOND BUILDING FUND  
ALBANY UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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*There were no findings related to the financial and performance audit of the Measure E Bond Building Fund for the fiscal year ended June 30, 2015.*