

## Measure K Citizens' Oversight Committee

### 2017-2018 Annual Report to the SYVUHSD Board of Education

The members of the Citizens' Oversight Committee (COC) for the Santa Ynez Valley Union High School District are pleased to publish their annual report. We are proud that we are able to continue to provide evidence to the taxpayers of the positive impact the revenue from the bond monies has had on the District and our community.

#### Committee Members

Valerie Fvette, PTSA Member

Michelle DeWerd, Taxpayer's Association

Allan Jones, Business Member

Lynne Hemming, Parent

Melissa Redell, Community At-Large

#### **Background**

On November 8, 2016 the Santa Ynez Valley Union High School District (the "District") was authorized to issue and sell bonds up to \$14,000,000.00 in aggregate principal to provide financing for the following school facilities projects and equipment:

- Repair/replace old and deteriorating plumbing and sewer systems including waterlines, storm drains and valves
- Upgrade outdated heating, ventilation, and air-conditioning systems to improve learning environments and lower costs through energy efficiency improvements
- Make handicap accessibility (ADA) upgrades and improvements to the school site, including restrooms and classrooms
- Renovate and repair aging restrooms
- Improve student safety by upgrading fire alarm, security, and emergency communications systems
- Repair/replace deteriorating roofs
- Improve safety and traffic flow of student drop-off and pick up locations, including improving parking lots
- Repair dry rot and termite damage
- Address unforeseen conditions revealed by renovation (e.g., asbestos removal, plumbing, gas line or electrical repairs, seismic or structural issues)

Measure K was approved by at least 55% of the voters of the District pursuant to the provision of the Strict Accountability in Local School Construction Bonds Act of 2000, codified under Sections 15264 et seq. of the Education Code (Proposition 39). The act requires the Board of Trustees (the "Board") to appoint a Citizens' Oversight Committee (the "Committee") after the

successful bond election. Legal authority for formation and duties of the Committee is found in Sections 15264 and 15282 of Education Code.

### **Committee Purpose**

Section 3. Duties. To carry out its stated purposes, the Committee shall perform the following

3.1 Inform the Public. The Committee shall inform the public concerning the District's expenditures of bond proceeds.

3.2 Review Expenditures. The Committee may review quarterly expenditure reports produced by the District to ensure that (a) bond proceeds are expended only for the purposes set forth in the ballot measure; and (b) no bond proceeds are used for any teacher or administrative salaries or other operating expenses.

3.3 Annual Report. The Committee shall present to the Board, in public session, an annual written report which shall include the following:

(a) A statement indicating whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution; and

(b) A summary of the Committee's proceedings and activities for the preceding

Section 4. Authorized Activities. In order to perform the duties set forth in Section 3, the Committee may engage in the following authorized activities:

(a) Receive and review copies of the District's annual independent performance audit and annual independent financial audit, required by Article XIII A of the California Constitution.

(b) Inspect school facilities and grounds for which bond proceeds have been or will be expended, in accordance with any access procedure established by the District's Superintendent.

(c) Review copies of deferred maintenance proposal or plans developed by the District.

(d) Review efforts by the District to maximize bond proceeds by implementing various cost-saving measures.

It is also important to note that this committee is specifically not responsible for, and has no jurisdiction over, the approval of contracts, the approval of change orders, the appropriation of funds, the handling of any legal matters, the approval of any plans or schedules, the approval of deferred maintenance plans, or the approval of the sale of bonds.

## Independent Financial Audit

In accordance with the provisions of Proposition 39, AB 1908, and Education Code Section 15278, an independent financial and performance audit of Measure K expenditures is conducted each year by a qualified Certified Public Accounting firm. The auditor's report is presented to the Citizens' Oversight Committee, as well as the Board of Education. It was the recommendation of the audit firm that the records for Measure K receive an unmodified opinion and that they were free of material misstatement. For the 2017-2018 fiscal year, the audit was conducted by Vavrinek, Trine, Day & Co., LLP.

The following is a financial summary for the 2017-2018 school year:

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>REVENUES</b>	
Interest	\$ 88,130
<b>EXPENDITURES</b>	
Facilities acquisition and construction	
Supplies	
Materials	7,697
Services	
Professional/consulting services and operating expenses	2,362,793
Repairs and noncapitalized improvements	2,084
Capital outlay	
Buildings and improvement of buildings	1,311,472
<b>Total Expenditures</b>	<u>3,684,046</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,595,916)
<b>FUND BALANCE - BEGINNING</b>	7,304,636
<b>FUND BALANCE - ENDING</b>	<u>\$ 3,708,720</u>

Net change in fund balance represents a spending down of the beginning fund balance of the fund. The beginning fund balance is made up of the net financial activities of all prior years of the fund, including the receipt of bond proceeds, interest, and other income, less bond project expenditures. Unlike most governmental funds, which usually show revenues equal to expenditures each year (a break-even position), a bond building fund will show net expenditures in excess of revenues in most years, as the District spends down the proceeds of bonds sold in prior years.

The District ended the year with \$3,708,720 in the Building Fund.

### Committee Proceedings and Activities for the Preceding Year

During the 2017-2018 fiscal year, the Citizens' Oversight Committee has met the following requirements:

COC Meeting dates

- June 20, 2017 Initial Meeting
- October 24, 2017 Training Meeting
- February 28, 2018 Updates and Software Review
- May 8, 2018 Campus Construction Walk
- June 13, 2018 Updates and Discussion on Annual Reporting
- October 24, 2018 Campus Walk-Through and Update
- January 16, 2019 Received copies of the Measure K Audit Report
- January 24, 2019 Appointed new member to COC
- January 30, 2019 Reviewed and Approved Draft of Annual Report
- February 12, 2019 Measure K Audit Report presented to Board of Education
- February 13, 2019 Published Annual Report to Community

### **Committee Findings**

1. Twelve months year ended 6/30/18, the Bond Proceeds have been expended for the purposes set forth in Measure K.
2. Bond issuances tie closely with the needs of the District.
3. Staff presenting very thorough progress reports, financial summaries, using Key Analytics Program.
4. Staff was extremely responsive to requests for information.
5. There was only one change order and it was in compliance with district policies and procedures.
6. Deferred Maintenance plan was still under construction during this fiscal year to be included in 2018-19 Strategic Plan.
7. Possible issues concerning HVAC noise and temperature management across campus.
8. Due to significant number of local bond measures passed coupled with natural disasters, architects originally assumed a five percent annual escalation cost yet costs increased ten to twelve percent.
9. Limited number of qualified local bidders/contractors.
10. The committee did identify a small number of inaccurately assigned Measure K expenditures, and when found, were reversed on a timely basis.
11. PMSM/19-6, as the program manager responsible for budgeting, failed to include an accurate accounting of all soft costs such as construction management fees, along with incorporating inaccurate numbers regarding project costs for work already completed. Additionally, there was no inclusion of Measure K expenditures made by our district for items such as bond fees, replacement of gas lines and interim student housing (summer school). This constitutes a significant budgeting error. The error amounted to approximately 1.3 million dollars. Additionally, creating delays in submissions to DSA.
12. The committee recommends the District bring forth additional information regarding bidding process, selection criteria, and vendor selection to the Board and the Committee.
13. Committee consisted of seven members appointed by the Board based on criteria established by Proposition 39.
14. SYVUHSD maintenance employees assisted in site preparation to save on Measure K expenditures.

In accordance with Article XIII A, Section 1(b)(3) of the California Constitution, the Committee has monitored all expenditures of Measure K bond monies to ensure that all bond revenue is spent on the projects and debt refinancing as listed in the Measure K bond language. The Committee has also monitored the progress of construction projects and use of bond proceeds and believes that all bond proceeds to date have been spent in accordance with the Measure K bond specifications. The Committee is issuing this update to inform the public that all bond proceeds to date have been spent in accordance with the bond specifications.

The complete audit report is available at the District Office and on the District website at [www.sylvuhd.org](http://www.sylvuhd.org).