

**MEASURE C BOND BUILDING FUND
OF
DIXIE SCHOOL DISTRICT**

**FINANCIAL AND PERFORMANCE BOND
AUDIT REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

San Diego

Los Angeles

**San Francisco
Bay Area**

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A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**MEASURE C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**MEASURE C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING
JUNE 30, 2017**

The Dixie School District (the "District") was founded on 1864 and is one of the oldest school districts in Marin County. This District operates three elementary schools and one middle school, and serves the northern San Rafael communities of Terra Linda, Marinwood, Lucas Valley and a portion of Contempo Marin in Marin County, California. There were no changes in the boundaries of the District during the current year.

On November 4, 2014, the voters of the District approved by more than the required 55% favorable vote the Measure C Bond Building Fund, authorizing the issuance of \$30,000,000 of general obligation bonds to update aging classrooms and instructional technology, provide updated middle school science classrooms, update electrical wiring to current safety codes, improve campus safety and security, repair, construct, acquire, equip, classroom, sites, facilities. 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.

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 C Bond Building Fund including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Oversight Committee was comprised of the following members as of June 30, 2017:

CITIZENS' OVERSIGHT COMMITTEE		
Name	Title	Representation
Andy Falk	Member	Business Community
Ruth Carter	Member	Senior Citizens' Organization
Ryan Madden	Member	Parent
Patti Bender	Member	Parent and Parent Teacher Association
Larry Cuhna	Member	Member at Large
Therese Bruton	Member	Member at Large
<i>Vacant*</i>	<i>Member</i>	<i>Bona Fide Taxpayers' Organization</i>

*The District has made requests to Marin Taxpayers Association who have not yet assigned a person who resides in the District.

INDEPENDENT AUDITORS' REPORT

Governing Board Members and
Measure C Bond Building Fund Citizens' Oversight Committee
Dixie School District
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure C Bond Building Fund of Dixie School District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Measure C 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.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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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 C Bond Building Fund as issued by the District, through the County of Marin, 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 C Bond Building Fund as of June 30, 2017 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 31, 2018 on our consideration of the Measure C 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 C Bond Building Fund'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 31, 2018 on our consideration of the Measure C Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure C Bond Building Fund for the fiscal year ended June 30, 2017 should be considered in assessing the results of our financial audit.



San Diego, California
January 31, 2018

FINANCIAL SECTION

**MEASURE C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
BALANCE SHEET
JUNE 30, 2017**

ASSETS

Cash and investment	\$	7,642,636
Accounts receivable		81,010
Total Assets	\$	7,723,646

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	298,224
Total Liabilities		298,224

FUND BALANCE

Restricted for Measure C Projects		7,425,422
Total Fund Balance		7,425,422
Total Liabilities and Fund Balance	\$	7,723,646

The notes to the financial statements are an integral part of this statement.

**MEASURE C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2017**

REVENUES	
Interest	\$ 42,331
Other local income	81,010
	<hr/>
Total Revenues	123,341
	<hr/>
EXPENDITURES	
Facilities acquisition and construction	3,889,246
	<hr/>
Total Expenditures	3,889,246
	<hr/>
Net Change in Fund Balance	(3,765,905)
	<hr/>
Fund Balance, July 1, 2016	11,191,327
	<hr/>
Fund Balance, June 30, 2017	\$ 7,425,422
	<hr/>

The notes to the financial statements are an integral part of this statement.

**MEASURE C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Dixie School District (the “District”) was founded in 1864. This District operates under a locally elected Board form of government and provides educational services to grades K - 8 in the northern San Rafael communities of Terra Linda, Marinwood, Lucas Valley and a portion of Contempo Marin in Marin County, California. The District operates three elementary schools and one middle school.

On November 4, 2014, the voters of the District approved by more than the required 55% favorable vote the Measure C Bond Building Fund, authorizing the issuance of \$30,000,000 of general obligation bonds to update aging classrooms and instructional technology, provide updated middle school science classrooms, update electrical wiring to current safety codes, improve campus safety and security, repair, construct, acquire, equip, classroom, sites, facilities. 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 C 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 Dixie School District include the Measure C 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 C Citizens’ Oversight Committee (“COC”) was established pursuant to the requirements of state law and the provisions of Measure C. 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 C Bond funds for school capital improvements within the scope of projects outlined in the Measure C Project List. In fulfilling its duties, the COC reviews, among other things, the District’s annual performance and financial audits of Measure C activity.

**MEASURE C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2017**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

The statements presented are for the individual Measure C Bond Building Fund of the District, consisting of the net construction proceeds of Measure C Series A general obligation bonds as issued by the District, through Marin County, 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 C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2017**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains its cash in the Marin 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 C 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 C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2017 consist of the following:

Cash in county treasury	\$	7,642,636
Total Cash and Investments	\$	<u>7,642,636</u>

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 C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2017**

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 Marin County Investment Pool with a fair value of approximately \$7,646,567 and an amortized book value of \$7,642,636. The weighted average maturity for this pool as of June 30, 2017 is 231 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2017, the pooled investments in the County Treasury were rated AAA/V1.

**MEASURE C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (continued)

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 Marin 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 held \$7,646,567 in uncategorized investments related to the Measure C Bond Building Fund's investments in the Marin County Treasury.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable of \$81,010 at June 30, 2017 consisted of an E-Rate reimbursement in local revenue.

NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities of \$298,224 at June 30, 2017 consisted of construction related liabilities.

**MEASURE C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2017**

NOTE 5 – MEASURE C GENERAL OBLIGATION BONDS

On March 10, 2015, the District issued Election of 2014 General Obligation Bonds, Series A in the aggregate principal amount of \$15,000,000 for the purpose of refunding renovating, repairing, contracting, and equipping certain District schools, sites, and facilities. The bonds are payable from the proceeds of *ad valorem* property taxes which the Board of Supervisors of the County of Marin are obligated to levy and collect on all taxable property in the District for the payment of the accreted value or conversion value of and interest on the bonds. The bonds carry interest rates ranging from 2% to 4% and mature on August 1, 2044.

The bonded debt is paid through the *ad valorem* property taxes through the County of Marin and the debt liability is carried on the Dixie 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 Election 2014, Series A bonds at June 30, 2017, is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 01, 2016	Additions	Deductions	Outstanding June 30, 2017
Election of 2014, Series A	3/10/2015	8/1/2044	2.00% - 4.00%	\$ 15,000,000	\$ 15,000,000	\$ -	\$ 1,215,000	\$ 13,785,000
					\$ 15,000,000	\$ -	\$ 1,215,000	\$ 13,785,000

The Election 2014, Series A general obligation bonds outstanding were as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 965,000	\$ 556,444	\$ 1,521,444
2019	-	537,144	537,144
2020	30,000	536,844	566,844
2021	50,000	536,044	586,044
2022	70,000	534,144	604,144
2023 - 2027	755,000	2,599,819	3,354,819
2028 - 2032	1,580,000	2,393,750	3,973,750
2033 - 2037	2,650,000	2,052,803	4,702,803
2038 - 2042	4,165,000	1,394,613	5,559,613
2043 - 2045	3,520,000	274,000	3,794,000
Total	\$ 13,785,000	\$ 11,415,605	\$ 25,200,605

**MEASURE C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2017**

NOTE 6 – MEASURE C BOND BUILDING FUND EXPENDITURES BY PROJECT

The following table presents the expenditure amounts by project for the fiscal year ended June 30, 2017:

<u>Site</u>	<u>Amount</u>
Mary E. Silveira Elementary School	\$ 2,217,938
Dixie School	755,279
Vallecito Elementary School	419,377
District Wide	318,609
Miller Creek Middle School	123,353
Bond Administration	54,690
	<u>\$ 3,889,246</u>

NOTE 7 – CONSTRUCTION COMMITMENTS

As of June 30, 2017, the Measure C Bond Building Fund had commitments with respect to unfinished Measure C capital projects totaling \$1,024,254.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**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**

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board Members and
Measure C Bond Building Fund Citizens' Oversight Committee
Dixie School District
San Rafael, 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 C Bond Building Fund, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Measure C Bond Building Fund's basic financial statements of the Dixie School District, and have issued our report thereon dated January 31, 2018.

Internal Control over Financial Reporting

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

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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 C 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.

Christy White Associates

San Diego, California
January 31, 2018

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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Governing Board Members and
Measure C Bond Building Fund Citizens' Oversight Committee
Dixie School District
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure C Bond Building Fund of the Dixie School District, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Measure C 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 C Bond Building Fund for the fiscal year ended June 30, 2017. 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 C Bonds were only used for the purposes set forth in the Measure C 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:

Internal Control Evaluation

Procedures Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud or waste regarding Measure C projects, including budgetary controls
- Ensure adequate separation of duties exists in the fiscal services department for Measure C 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 2016-17 financial statement balances for the Measure C 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.

Facilities Site Walk

Procedures Performed:

We performed a site walk to verify that Measure C Bond funds expended for the fiscal year ended June 30, 2017 were for valid facilities acquisition and construction purposes. We toured one District construction site where 2016-17 construction work occurred. The site we visited was Mary E. Silveira Elementary.

Results of Procedures Performed:

At Mary E. Silveira, we toured the expanded and modernized Multi-Purpose Room. We viewed new ADA requirements (including wheelchair lift, walkway, and bathroom), new energy saving LED lighting, and new a projector with a lighting and sound system for the stage. Results of the site walk indicates that the major 2016-17 Measure C construction projects at Mary E. Silveira Elementary were successfully completed and closed out or advanced into 2017-18 construction phases, where applicable.

Test of Expenditures

Procedures Performed:

We tested expenditures to determine whether Measure C 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 C ballot measure language). We reviewed salaries and benefits charged to the Measure C Bond to verify that the personnel expenditures were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General, which concluded that 'a school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.' The expenditure test included a sample of 10 vendor payments paid throughout the fiscal year, totaling \$2,150,760, plus \$43,119 of payroll testing giving a grand total of \$3,889,246 or approximately 56% of total Measure C expenditures for 2016-17.

Results of Procedures Performed:

We found all expenditures tested to be in compliance with the terms of the Measure C Bond ballot measure and applicable state laws and regulations, without exception. We reviewed a listing of all employees charged to the Measure C fund and found that all employees held positions applicable to the local school construction bond. Further, we selected a sample of two employees charged to review personnel files and personnel action reports for proper allocation of salaries and benefits. Case on our testing, salary transactions were not used for general administration operations. Furthermore, it appeared that the District's site projects were competitive in price with similar projects size and scope to other school construction bond programs included in our benchmarking.

Test of Contracts and Bid Procedures

Procedures Performed:

For the fiscal year ended June 30, 2017, we performed testing of two contracts to determine compliance with District policy and Public Contract Code provisions related to contracting and bidding:

- Project: District Wide Re-Roofing
Original Contract Award Amount: \$529,295
- Project: Dixie ES Modernization
Original Contract Award Amount: \$2,461,000

Results of Procedures Performed:

We found that the contracts tested above for bidding procedures were in compliance with District policy and Public Contract Code. We tested a change order belonging to Dixie ES Modernization and determined the change order was executed in accordance with District internal controls and was in compliance with applicable provisions of the Public Contract Code. Moreover, we noted that the District has been providing the Governing Board with a listing of contracts that relate to Measure C in fiscal year 2016-2017.

Citizens' Oversight Committee

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:

The District established a bond oversight committee with all the required members in accordance with AB 1908 (Assembly Bill) and Ed Code Section 15278 and is actively looking for a member to fill the vacant position for a member of a Bona-fide Taxpayers' Organization. The District has reached out to a Marin County taxpayer association to fill the vacant position. In our review of the minutes of the Citizens' Oversight Committee for Measure C, we found that there was adequate documentation of meetings held during fiscal year 2016-17. In addition, the District submitted annual audit reports during the life of the Measure C, beginning with the 2014-15 audit report.

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 C Bond as listed and tested above.

Purpose of This Report

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.

Christy White Associates

San Diego, California
January 31, 2018

FINDINGS AND RESPONSES SECTION

**MEASURE C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 C Bond Building Fund for the fiscal year ended June 30, 2017.

**MEASURE C BOND BUILDING FUND
DIXIE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

There were no prior year findings related to the financial and performance audit of the Measure C Bond Building Fund for the fiscal year ended June 30, 2016.