

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

**FINANCIAL AND PERFORMANCE BOND  
AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2019**

**DIXIE SCHOOL DISTRICT  
MEASURE C BOND BUILDING FUND  
TABLE OF CONTENTS  
JUNE 30, 2019**

---

|  | <u>Page</u> |
|--|-------------|
| Introduction and Citizens' Bond Oversight Committee Member Listing ..... | 1           |
| Independent Auditors' Report .....                                       | 2           |

**FINANCIAL SECTION**

|   |   |
|---|---|
| Balance Sheet.....  | 4 |
| Statement of Revenues, Expenditures and Changes in Fund Balance ..... | 5 |
| Notes to the Financial Statements .....                               | 6 |

**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 <i>Government Auditing Standards</i> ..... | 13 |
| Independent Auditors' Report on Performance .....   | 15 |
| Audit Procedures and Results .....  | 17 |

**FINDINGS AND RESPONSES SECTION**

|   |    |
|---|----|
| Schedule of Findings and Recommendations..... | 19 |
|---|----|

**DIXIE SCHOOL DISTRICT  
 MEASURE C BOND BUILDING FUND  
 INTRODUCTION & CITIZENS' BOND OVERSIGHT COMMITTEE MEMBER LISTING  
 JUNE 30, 2019**

---

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, 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 Proposition 39 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2019:

| <b>Name</b>       | <b>Title</b>  | <b>Representation</b>                    |
|-------------------|---------------|--|
| Andy Falk         | Member        | Business Community                       |
| Ruth Carter       | Member        | Senior Citizens' Organization            |
| Ryan Madden       | Member        | Parent                                   |
| Patti Bender      | Member        | Parent and Parent Teacher Association    |
| Lawrence W. Cunha | 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 Citizens' Bond 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, 2019, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure C Bond Building Fund of Dixie School District, as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1A, the financial statements present only the Measure C Bond Building Fund and do not purport to, and do not present fairly the financial position of the Dixie School District, as of June 30, 2019, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters specific to the Measure C Bond Building Fund. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Measure C Bond Building Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

## **Report of Other Legal and Regulatory Requirements**

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have issued our performance audit dated February 25, 2020, on our consideration of the District's compliance with the requirements of Proposition 39 as it directly relates to the Measure C Bond Building Fund. That report is an integral part of our audit of the Measure C Bond Building Fund of Dixie School District, as of and for the year ended June 30, 2019, and should be considered in assessing the results of our financial audit.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
February 25, 2020

---

## **FINANCIAL SECTION**

---

**DIXIE SCHOOL DISTRICT  
MEASURE C BOND BUILDING FUND  
BALANCE SHEET  
JUNE 30, 2019**

---

**ASSETS**

|                      |    |                  |
|----------------------|----|------------------|
| Cash and investments | \$ | 6,774,161        |
| Total Assets         | \$ | <u>6,774,161</u> |

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

|                     |    |                  |
|---------------------|----|------------------|
| Accrued liabilities | \$ | 1,531,584        |
| Total Liabilities   |    | <u>1,531,584</u> |

**FUND BALANCE**

|   |    |                         |
|---|----|-------------------------|
| Restricted for Measure C projects         |    | <u>5,242,577</u>        |
| Total Fund Balance                        |    | <u>5,242,577</u>        |
| <b>Total Liabilities and Fund Balance</b> | \$ | <u><b>6,774,161</b></u> |

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

**DIXIE SCHOOL DISTRICT  
 MEASURE C BOND BUILDING FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2019**

---

|  |                     |
|--|---------------------|
| <b>REVENUES</b>  |                     |
| Interest   | \$ 204,900          |
| Other local income   | <u>12,376</u>       |
| <b>Total Revenues</b>  | <u>217,276</u>      |
| <b>EXPENDITURES</b>  |                     |
| Facilities acquisition and construction                              | <u>12,503,301</u>   |
| <b>Total Expenditures</b>  | <u>12,503,301</u>   |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <u>(12,286,025)</u> |
| <b>Net Change in Fund Balance</b>                                    | (12,286,025)        |
| <b>Fund Balance, July 1, 2018</b>                                    | <u>17,528,602</u>   |
| <b>Fund Balance, June 30, 2019</b>                                   | <u>\$ 5,242,577</u> |

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



**DIXIE SCHOOL DISTRICT  
MEASURE C BOND BUILDING FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

---

**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, 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’ bond 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’ bond 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’ Bond Oversight Committee (“CBOC”) was established pursuant to the requirements of state law and the provisions of Measure C. The purpose of the CBOC is to inform the public concerning the use of bond proceeds. The CBOC is required by state law to actively review and report on the proper expenditure of taxpayers’ money for school construction. The CBOC 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 CBOC reviews, among other things, the District’s annual performance and financial audits of Measure C activity.

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 and Series B 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.

**DIXIE SCHOOL DISTRICT  
MEASURE C BOND BUILDING FUND  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

---

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

**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.

**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.

**DIXIE SCHOOL DISTRICT  
 MEASURE C BOND BUILDING FUND  
 NOTES TO THE FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

---

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

**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.

**NOTE 2 – CASH AND INVESTMENTS**

**Summary of Cash and Investments**

Cash and investments as of June 30, 2019 consist of the following:

|                         |    |           |
|-------------------------|----|-----------|
| Cash in county treasury | \$ | 6,774,161 |
| Total                   | \$ | 6,774,161 |

**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.

**DIXIE SCHOOL DISTRICT  
 MEASURE C BOND BUILDING FUND  
 NOTES TO THE FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

---

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

**Policies and Practices**

*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.

**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:

| <u>Authorized<br/>Investment Type</u>   | <u>Maximum<br/>Remaining<br/>Maturity</u> | <u>Maximum<br/>Percentage<br/>of Portfolio</u> | <u>Maximum<br/>Investment<br/>in One Issuer</u> |
|---|---|--|---|
| 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 \$6,820,884 and an amortized book value of \$6,774,161. The weighted average maturity for this pool as of June 30, 2019 is 218 days.

**DIXIE SCHOOL DISTRICT  
 MEASURE C BOND BUILDING FUND  
 NOTES TO THE FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

---

**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. 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, 2019, the pooled investments in the County Treasury were rated AAA/V1.

**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 \$6,820,884 in uncategorized investments related to the Measure C Bond Building Fund's investments in the Marin County Treasury.

**NOTE 3 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2019 consisted of the following:

|              |                     |
|--------------|---------------------|
| Construction | \$ 1,531,175        |
| Payroll      | 409                 |
| Total        | <u>\$ 1,531,584</u> |

**DIXIE SCHOOL DISTRICT  
MEASURE C BOND BUILDING FUND  
NOTES TO THE FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

**NOTE 4 – 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 2.00% to 4.00% and mature on August 1, 2044.

On January 10, 2018, the District issued Election of 2014 General Obligation Bonds, Series B 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 3.00% to 5.00% and mature on August 1, 2043.

The total outstanding Measure C bonded debt for the Dixie School District at June 30, 2019 is as follows:

| Series                     | Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds                     |             |             | Bonds Outstanding June 30, 2019 |
|----------------------------|------------|---------------|---------------|----------------|---------------------------|-------------|-------------|---------------------------------|
|                            |            |               |               |                | Outstanding July 01, 2018 | Additions   | Deductions  |                                 |
| Election of 2014, Series A | 3/10/2015  | 8/1/2044      | 2.00 - 4.00%  | \$ 15,000,000  | \$ 12,820,000             | \$ -        | \$ -        | \$ 12,820,000                   |
| Election of 2014, Series B | 1/10/2018  | 8/1/2043      | 3.00 - 5.00%  | \$ 15,000,000  | 15,000,000                | -           | -           | 15,000,000                      |
|                            |            |               |               |                | <u>\$ 27,820,000</u>      | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,820,000</u>            |

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

| Year Ended June 30, | Principal            | Interest             | Total                |
|---------------------|----------------------|----------------------|----------------------|
| 2020                | \$ 30,000            | \$ 536,844           | \$ 566,844           |
| 2021                | 50,000               | 536,044              | 586,044              |
| 2022                | 70,000               | 534,144              | 604,144              |
| 2023                | 95,000               | 530,844              | 625,844              |
| 2024                | 120,000              | 526,544              | 646,544              |
| 2025-2029           | 1,065,000            | 2,528,619            | 3,593,619            |
| 2030-2034           | 1,970,000            | 2,282,969            | 4,252,969            |
| 2035-2039           | 3,195,000            | 1,838,384            | 5,033,384            |
| 2040-2044           | 4,950,000            | 975,750              | 5,925,750            |
| 2045                | 1,275,000            | 31,875               | 1,306,875            |
| Total               | <u>\$ 12,820,000</u> | <u>\$ 10,322,017</u> | <u>\$ 23,142,017</u> |

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

| Year Ended June 30, | Principal            | Interest            | Total                |
|---------------------|----------------------|---------------------|----------------------|
| 2020                | \$ 300,000           | \$ 543,925          | \$ 843,925           |
| 2021                | 100,000              | 535,425             | 635,425              |
| 2022                | 125,000              | 529,800             | 654,800              |
| 2023                | 155,000              | 522,800             | 677,800              |
| 2024                | 185,000              | 514,300             | 699,300              |
| 2025-2029           | 1,485,000            | 2,382,750           | 3,867,750            |
| 2030-2034           | 2,680,000            | 1,876,625           | 4,556,625            |
| 2035-2039           | 4,110,000            | 1,276,916           | 5,386,916            |
| 2040-2044           | 5,860,000            | 499,447             | 6,359,447            |
| Total               | <u>\$ 15,000,000</u> | <u>\$ 8,681,988</u> | <u>\$ 23,681,988</u> |

**DIXIE SCHOOL DISTRICT  
 MEASURE C BOND BUILDING FUND  
 NOTES TO THE FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

---

**NOTE 5 – MEASURE C BOND BUILDING FUND EXPENDITURES BY PROJECT**

The following table presents the expenditure amounts by project for the year ended June 30, 2019:

| <u>Site</u>                        | <u>Amount</u>        |
|------------------------------------|----------------------|
| Dixie School                       | \$ 338,900           |
| Mary E. Silveira Elementary School | 3,324,089            |
| Vallecito Elementary School        | 3,104,750            |
| Miller Creek Middle School         | 5,629,888            |
| District Office                    | 52,512               |
| District Wide                      | 53,162               |
| Total                              | <u>\$ 12,503,301</u> |

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

**B. Construction Commitments**

The Measure C Bond Building Fund had construction commitments of \$1,309,585 as of June 30, 2019 that related to various ongoing construction projects.

**NOTE 7 – SUBSEQUENT EVENT**

On July 9, 2019, the Governing Board voted to adopt a new district name: Miller Creek Elementary School District. In addition, the Governing Board voted to change the name of Dixie Elementary School to Lucas Valley Elementary School. The name changes occurred before the start of the 2019-20 school year, which started on August 22, 2019.

---

**OTHER INDEPENDENT AUDITORS' REPORTS**

---



**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 C Citizens' Bond 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 of Dixie School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Dixie School District's basic financial statements of the Measure C Bond Building Fund, and have issued our report thereon dated February 25, 2020 .

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Dixie School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements of the Measure C Bond Building Fund, but not for the purpose of expressing an opinion on the effectiveness of Dixie School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dixie School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Dixie School District's financial statements of the Measure C Bond Building Fund are free from 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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
February 25, 2020

**REPORT ON PERFORMANCE**Independent Auditors' Report

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

**Report on Performance**

We have audited Dixie School District's compliance with the performance audit procedures described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on Dixie School District's Measure C Bond Building Fund for the year ended June 30, 2019, as identified below.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to local school construction bonds.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of Dixie School District's Measure C Bond Building Fund based on our performance audit of the types of compliance requirements referred to above. We conducted our performance audit in accordance with generally accepted government auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the performance audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about Dixie School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the evidence obtained in our performance audit provides a reasonable basis for our findings and conclusions based on our audit objectives. However, our audit does not provide a legal determination of Dixie School District's compliance with those requirements.

## **Opinion on Performance**

In our opinion, Dixie School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Measure C Bond Building Fund noted below for the year ended June 30, 2019.

## **Procedures Performed**

In connection with the performance audit referred to above, we selected and tested transactions and records to determine Dixie School District's compliance with the state laws and regulations applicable to the Financial Audit Procedures and Performance Audit Procedures over the Measure C Bond Building Fund. Additional agreed upon procedures relating the Measure C Bond Building Fund may also be included.

The results of the procedures performed and the related results are further described in the accompanying performance audit results following this Report on Performance.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
February 25, 2020

**DIXIE SCHOOL DISTRICT  
MEASURE C BOND BUILDING FUND  
AUDIT PROCEDURES AND RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

---

**SECTION I – FINANCIAL AUDIT PROCEDURES AND RESULTS**

**Financial Statements**

---

As mentioned in the Report on Financial Statements, we have issued an unmodified opinion over the financial statements of the Measure C Bond Building Fund as of and for the year ended June 30, 2019.

**Internal Control Evaluation**

---

We tested internal controls over financial reporting and compliance with laws, regulations, or provisions of contracts or agreements and have determined through our inquiry of management and our evaluation of District processes that no significant deficiencies were noted.

**SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS**

**Facility Project Expenditures**

---

We selected a representative sample of expenditures charged to the Measure C Bond Building Fund and reviewed supporting documentation to ensure funds were properly expended on specific project(s) listed in the text of the Measure C ballot.

We tested approximately \$8.1 million of non-personnel expenditures or 64% of total 2018-19 Measure C Bond Building Fund expenditures for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Measure C ballot language, the District approved facilities plan, and applicable state laws and regulations.

**Personnel Expenditures**

---

We reviewed salaries and benefits charged to the Measure C Bond Building Fund 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.”

We reviewed a listing of all employees charged to the Measure C Bond Building Fund and found that all employees held positions applicable to the local school construction bond. Further, we selected a sample of three (3) of the seven (7) employees charged to review personnel files and personnel action reports for proper allocation of salaries and benefits. Based on our testing, salary transactions were not used for general administration operations. Personnel costs charged to the Measure C Bond Building Fund appeared allowable.

**Facilities Site Walk**

---

We verified that funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects by review of supporting documentation as previously noted under Facility Project Expenditures but also through performance of a facilities site walk.

A facilities site walk was performed with assistance from the Director of Facilities at Dixie School District. We toured the Mary Silveira Elementary School and physically observed the remodeled and modernized classrooms, LED lighting project, and paving completed during the year ended June 30, 2019. Based on our site walk, the projects at Mary Silveira Elementary School appear to be successfully advancing as expected and funds appear expended for authorized bond projects.

The previous Report on Performance is an integral part of the above performance audit results.

**DIXIE SCHOOL DISTRICT  
MEASURE C BOND BUILDING FUND  
AUDIT PROCEDURES AND RESULTS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

---

**SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (CONTINUED)**

**Contract and Bid Procedures**

---

We reviewed a listing of contracts awarded during the year ended June 30, 2019 and selected a sample to ensure that contracts for public projects followed appropriate bidding procedures per applicable Public Contract Code. Additionally, we reviewed overall expenditures by vendor in order to determine if multiple projects under the applicable bidding threshold were identified to suggest any possible bid-splitting.

From a sample of two (2) of seven (7) contracts awarded during the year, we noted that applicable bidding procedures were followed and that contracts were appropriately awarded to the lowest responsible bidder for the Mary Silveira Elementary School Modernization and the Miller Creek Middle School Modernization Projects.

Based on our review of overall expenditures and projects by vendor, no instances or possible indications of bid-splitting were identified. The District appears to be properly reviewing projects and applying appropriate procedures over contract and bidding procedures.

**Contracts and Change Orders**

---

We reviewed a listing of contracts and change orders during the year ended June 30, 2019 and selected a sample to ensure that change orders were properly approved and in accordance with District policies. Additionally, cumulative change orders for any given contract were reviewed to ensure that total change orders did not exceed ten percent of the total original contract.

We reviewed a total of three (3) change orders for the Mary Silveira Elementary School Modernization and the Miller Creek Middle School Modernization Projects and verified that the total of the change orders did not exceed ten percent of the total contract with Vendor, Inc. All change orders were properly reviewed and approved by management and the governing board in accordance with District policy.

**Citizens' Bond Oversight Committee (CBOC)**

---

In accordance with Assembly Bill (AB) 1908 and Education Code (Ed Code) Section 15278, the District is required to establish a bond oversight committee for Proposition 39 bonds to include one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers' association, parent/guardian of a child enrolled in the District and a parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. Additionally, no employee or official of the District shall be appointed to the Citizens' Bond Oversight Committee.

We found that the District has made attempts to compile a CBOC with all required representatives, but has not yet been successful in recruiting an active member of the Bona Fide Taxpayers' Organization. The District has reached out to Marin County Taxpayer's Association for assistance in filling the vacant position. The District appears to have been making ongoing efforts to fill the vacancy and has exercised due diligence with regard to the requirements of AB 1908 and Ed Code 15278. Additionally, no members of the CBOC are also an employee, official, vendor or consultant of the District. Refer to the Introduction and CBOC Member Listing for current members and the noted vacancy as of June 30, 2019

---

## **FINDINGS AND RESPONSES SECTION**

---

**DIXIE SCHOOL DISTRICT  
 MEASURE C BOND BUILDING FUND  
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
 FOR THE YEAR ENDED JUNE 30, 2019**

---

**PART I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

|  |                      |
|--|----------------------|
| Type of auditors’ report issued                      | <u>Unmodified</u>    |
| Internal control over financial reporting:           |                      |
| Material weakness(es) identified?                    | <u>No</u>            |
| Significant deficiency(ies) identified?              | <u>None Reported</u> |
| Non-compliance material to the financial statements? | <u>No</u>            |

**PERFORMANCE AUDIT**

|   |                      |
|---|----------------------|
| Internal control over financial reporting:  |                      |
| Material weakness(es) identified?   | <u>No</u>            |
| Significant deficiency(ies) identified?   | <u>None Reported</u> |
| Type of auditor’s report issued on performance for local school construction bonds: | <u>Unmodified</u>    |

**PART II – FINANCIAL STATEMENT FINDINGS**

There were no findings related to the financial statements for the year ended June 30, 2019.

**PART III – PERFORMANCE AUDIT FINDINGS**

There were no findings or recommendations related to local school construction bonds for the year ended June 30, 2019.

**PART IV – PRIOR AUDIT FINDINGS**

There were no findings or recommendations for the year ended June 30, 2018.