

MEASURE M
BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT

COUNTY OF SONOMA
SEBASTOPOL, CALIFORNIA

AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2013

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2013

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MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
INTRODUCTION
JUNE 30, 2013

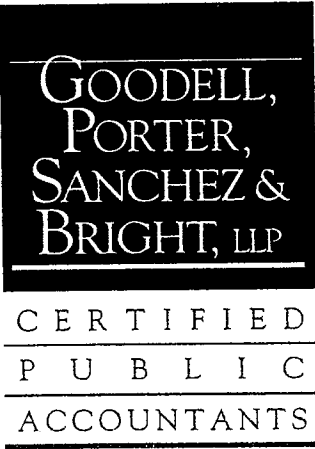
Twin Hills Union School District (the "District") consists of four schools, which include one elementary school serving kindergarten through fifth grade, and three charter schools, which provide education to pupils in kindergarten through twelfth grade.

On November 2, 2010, the voters of the Twin Hills Union School District approved, by more than 55%, Measure M, authorizing the issuance and sale of general obligation bonds in an aggregate principal amount not to exceed \$11,000,000. During the 2010-2011 fiscal year, the District approved the sale of \$2,664,964 of general obligation bonds.

The total outstanding bond indebtedness as of June 30, 2013 is \$3,018,957 which includes \$353,993 of accumulated accreted interest.

Measure M bonds are Proposition 39 bonds, issued by the Twin Hills Union School District. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Upon the 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 proposition pursuant to the 55% majority authorized in Proposition 39 including the formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.



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INDEPENDENT AUDITOR'S REPORT

Board of Education and Measure M Citizen's Bond
Oversight Committee
Twin Hills Union School District
Sebastopol, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure M Bond Building Fund of Twin Hills Union School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Measure M Bond Building Fund of Twin Hills Union School District'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 opinions 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 misstatements 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.

Board of Education and Measure M Citizen's Bond
Oversight Committee
Twin Hills Union School District
Page Two

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

Opinions

As discussed in Note 1, the financial statements present the financial activity for Measure M reported in the District's Bond Building Fund and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure M Bond Building Fund of Twin Hills Union School District as of June 30, 2013, and the 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 December 9, 2013, on our consideration of the Measure M Bond Building Fund of Twin Hills Union School District's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 9, 2013

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
BALANCE SHEET
JUNE 30, 2013

ASSETS

Cash in County Treasury (Note 2)	\$	693,049
Due From Other Funds (Note 3)		<u>19</u>

Total Assets	\$	<u><u>693,068</u></u>
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LIABILITIES AND FUND BALANCE

Fund Balance		
Assigned for Capital Projects	\$	<u>693,068</u>

Total Liabilities and Fund Balance	\$	<u><u>693,068</u></u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE SIXTEEN MONTHS ENDED JUNE 30, 2013

<u>REVENUES</u>	
Interest Earnings	\$ 624
Total Revenues	<u>624</u>
<u>EXPENDITURES</u>	
Contract Services	27,126
Capital Outlay	<u>395,151</u>
Total Expenditures	<u>422,277</u>
Excess of Revenues Over (Under) Expenditures	<u>(421,653)</u>
Other Financing Sources (Uses)	
Transfers from Other Funds	<u>816,614</u>
Total Other Financing Sources	<u>816,614</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>394,961</u>
Fund Balance, July 1, 2012	<u>298,107</u>
Fund Balance, June 30, 2013	<u>\$ 693,068</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Twin Hills Union School District (the "District") consists of four schools, which include one elementary school serving kindergarten through fifth grade, and three charter schools, which provide education to pupils in kindergarten through twelfth grade.

On November 2, 2010, the voters of the District authorized the issuance and sale of general obligation bonds (Measure M) not to exceed \$11,000,000.

As described in Note 5, bonds were issued in 2010-2011 to acquire, construct and improve classrooms and facilities, expand student access to computers and technology and provide renewable energy and related improvements to better maintain schools and reduce annual operating costs.

An advisory committee to the District's Governing Board and Superintendent, called the Measure M Citizens' Bond Oversight Committee was established. The Committee's oversight goals include:

1. Promptly alerting the public to any waste or improper expenditure of school construction bond money.
2. Informing the public concerning the expenditure of bond revenues.
3. Ensuring that bond revenues are expended only for the purposes of construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities.
4. Ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
5. Receiving and reviewing copies of the annual, independent performance audit
6. Receiving and reviewing copies of the annual, independent financial audit.
7. Inspecting school facilities and grounds to ensure bond revenues are being spent appropriately
8. Receiving and reviewing copies of any deferred maintenance proposals or plans developed by the District, including any reports required to be given to the Legislature by Section 17584.1 regarding a failure to set aside ½ of 1% of current year revenues for deferred maintenance expenditures.
9. Reviewing efforts by the District to maximize bond revenues by implementing cost saving measures.

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Concluded)

The statements presented are for the individual Measure M Bond Building Fund and are not intended to be a complete presentation of the District's financial position or operations.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Concluded)

Expenses/expenditures (Concluded):

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final 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 Board of Trustees 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.

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. All encumbrances are liquidated at June 30.

E. Deposits and Investments

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the 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 investments losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by *California Government Code* Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

E. Deposits and Investments (Concluded)

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

Deposits and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash with the County Treasury as part of the common investment pool, (\$1,474,235,116 as of June 30, 2013). The fair market value of this pool as of that date, as provided by the pool sponsor, was \$1,464,756,871.

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

Cash in County Treasury (Concluded)

The county is restricted by Government code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organization (NRSRO's).

At June 30, 2013 the District credit risks are as follows:

<u>Credit Quality Distributions for Securities with Credit Exposure</u>		
<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>S & P's Rating</u>
Cash in County Treasury	Not Rated	Not Rated

At June 30, 2013 the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>4 or more</u>
Cash in County Treasury	<u>\$ 688,593</u>	<u>\$ 191,016</u>	<u>\$ 296,508</u>	<u>\$ 201,069</u>

NOTE 3 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund payable balances at June 30, 2013 are as follows:

	<u>Interfund Receivables</u>
County Schools Facilities Fund	<u>\$ 19</u>

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - CAPITAL PROJECTS

All expenditures for capital projects are capitalized in the Statement of Net Position in the Entity-Wide financial statements of the District. Expenditures are not capitalized in the individual funds of the District. Expenditures shown as capital projects in these financial statements consist of:

Professional Services	\$ 27,126
Buildings and Improvements of Buildings	381,021
Land Improvements	<u>14,130</u>
 Total Capital Projects	 <u>\$422,277</u>

NOTE 5 - MEASURE M GENERAL OBLIGATION BONDS

On November 2, 2010, the voters of the Twin Hills Union School District approved, by more than 55%, Measure M, authorizing the issuance and sale of general obligation bonds in an aggregate principal amount not to exceed \$11,000,000. During the 2010-2011 fiscal year, the District approved the sale of \$2,664,964 of general obligation bonds. The total outstanding bond indebtedness as of June 30, 2013 is \$3,018,957 which includes \$353,993 of accumulated accreted interest.

The outstanding Measure M general obligation bonded debt at June 30, 2013 is:

General Obligation Bonds

Series	Maturity Date	Interest Rate	Amount of Original Issue	Outstanding July 1, 2012	Issued During Current Period	Outstanding June 30, 2013
Series 2011A	8/1/2036	5.94-7.40	\$ 1,334,964	\$ 1,334,964		\$ 1,334,964
Series 2011B	8/1/2025	3.70-6.00	1,330,000	1,330,000		1,330,000
 Totals			<u>\$ 2,664,964</u>	<u>\$ 2,664,964</u>	<u>\$ 0</u>	<u>\$ 2,664,964</u>

Accreted Interest

Series	Maturity Date	Interest Rate	Amount of Original Issue	Outstanding July 1, 2012	Accretion Current Period	Outstanding June 30, 2013
Series 2011A	8/1/2036	5.94-7.40	\$ 0	\$ 309,658	\$ 44,335	\$ 353,993

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - MEASURE M GENERAL OBLIGATION BONDS (CONCLUDED)

Repayment of the bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be recorded in a separate Bond Interest and Redemption Fund. The required debt service payments on the bonds will be disbursed from the Bond Interest and Redemption Fund as well. This Bond and Redemption Fund maintained by the Sonoma County Controller's Office and recorded in the District's Debt Service funds is not included in these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Total
2014	\$ 10,000	\$ 50,818	\$ 60,818
2015	15,000	50,246	65,246
2016	15,000	49,559	64,559
2017	25,000	48,643	73,643
2018	10,000	47,770	57,770
2019-2023	213,986	237,362	451,348
2024-2028	1,236,880	1,061,852	2,298,732
2029-2033	598,466	2,551,533	3,149,999
2034-2037	540,632	2,464,368	3,005,000
Totals	<u>\$ 2,664,964</u>	<u>\$ 6,562,151</u>	<u>\$ 9,227,115</u>

NOTE 6 - CONSTRUCTION COMMITMENTS

As of June 30, 2013, the Measure M Bond Building Fund had \$0 in contracts for architectural services that remain encumbered and not yet paid.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent through December 9, 2013, the date on which the financial statements were available to be issued.

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
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RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

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

Board of Education and Measure M Citizen's Bond
Oversight Committee
Twin Hills Union School District
Sebastopol, California

We have audited, 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, the financial statements of the Measure M Bond Building Fund of Twin Hills Union School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Twin Hills Union School District's Measure M basic financial statements and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Measure M Bond Building Fund of Twin Hills Union 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, but not for the purpose of expressing an opinion on the effectiveness of Measure M Bond Building Fund of Twin Hills Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Measure M Bond Building Fund of Twin Hills Union 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 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.

Board of Education and Measure M Citizen's Bond
Oversight Committee
Twin Hills Union School District
Page Two

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 M Bond Building Fund of Twin Hills Union School District'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.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 9, 2013

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

JOHN L. GOODELL, CPA
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INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Board of Education and
Measure M Citizen's Bond Oversight Committee
Twin Hills Union School District
Sebastopol, California

We were engaged to conduct a performance audit of the Twin Hills Union School District Measure M Bond Building Fund for the year ended June 30, 2013.

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

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

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

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

GoodeLL, Porter, Sanchez & Bright, LLP
GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 9, 2013

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2013

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Measure M Bond Fund have been made in accordance with the bond project list approved by the voters.
2. Determine whether salary transactions, charged to the Measure M Bond Fund were in support of Measure M and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2012 to June 30, 2013. The population of expenditures tested included all object and project codes associated with bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2013 were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the project expenditure reports prepared by the District for the fiscal year ended June 30, 2013 for the Measure M Bond Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure M as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2012 and ending June 30, 2013, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$311 thousand. This represents 74 percent of the total expenditures of \$422,277.
3. We verified that funds from the Measure M Bond Fund were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2013

CONCLUSION

The results of our tests indicated that, in all significant respects, the Twin Hills Union School District has properly accounted for the expenditures in the Measure M Bond Fund and that such expenditures were made for authorized Bond projects.

We did, however, note matters which should be considered related to the procedural requirement described as Finding 2013-1 in the accompanying schedule of findings and responses. Our audit does not provide a legal determination on the Twin Hills Union School District's compliance with these requirements.

MEASURE M BOND BUILDING FUND OF
TWIN HILLS UNION SCHOOL DISTRICT
AUDIT REPORT
SUMMARY OF FINDINGS AND RESPONSES
JUNE 30, 2013

As stated in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, and in our Independent Auditor's Report on Performance, our tests resulted in no findings and recommendations related to the audit of the Measure M Bond Building Fund for the year ended June 30, 2013.

As stated in our Independent Auditor's Report on Performance, our tests resulted in no findings and recommendation related to the audit of the Measure M Bond Building Fund for the sixteen months ended June 30, 2013.

We are bringing to management's attention the following exception relating to the composition of the Citizens Bond Oversight Committee.

2013 - 1 - CITIZENS BOND OVERSIGHT COMMITTEE MEMBERS

Specific Requirement That Was Not Complied With: Proposition 39 Bond Law requires the Citizens Bond Oversight Committee to be comprised of at least seven members who meet the following criteria:

- One member must be active in a business organization within the District's boundaries that represents the business community as a whole.
- One member must be active in a senior citizens organization
- One member must be a parent/guardian of a child enrolled in the District
- One member must be a parent/guardian of a child enrolled in the District and is an active participant in the Parent Teachers Organization
- One member must be active in a bona fide taxpayer's organization

Finding: During our review of the Citizens Bond Oversight Committee member listing, we noted the committee did not have seven (7) members. We noted the District has five (5) members and the positions of a member who is active in a Business Organization and Bona Fide taxpayer's organization are vacant.

Effect: By not having the required number of members within the Citizens Bond Oversight Committee, the District is not complying with Proposition 39 Bond Law and regulations.

Recommendation: We recommend the District add the necessary members in order to be in compliance with Proposition 39 Bond Law and regulations.

District Response: The District continues its strong, good faith effort to fill all positions on the Oversight Committee. All sites have notices posted asking that all interested parties contact the Superintendent.