MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

AUDIT REPORT

June 30, 2016

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

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Introduction

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Introduction and Citizens' Oversight Committee Member Listing
June 30, 2016

Tamalpais Union High School District (the "District") consists of three comprehensive high schools and two alternative schools supported by a District Office and an operations center. The District serves approximately 4,500 students.

On June 6, 2006, the voters of the Tamalpais Union High School District approved by more than 55% Measure "A", authorizing the issuance and sale of $79,920,000 of general obligation bonds. On September 12, 2006, the District issued the entire amount of the 2006 General Obligation Bonds in one series.

Measure "A" was a Proposition 39 bond, issued pursuant to the provisions of the Education Code of the State of California and pursuant to a resolution adopted by the Board of Education of the 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 the 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 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 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, 2016:

Name	Title	Representation
George Yandell	Chair	Parent of Child in District
Loraine Berry	Member	Senior Organization Member
Grace Hughes	Member	Business Community Member
Bill Levinson	Member	Community Member
Larry Litvak	Member	Parent of Child in District
Nancy P. McCarthy	Member	Taxpayer Organization Member
Ellin Purdom	Member	Parent of Child in District
Paul Waszink	Member	Community Member

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and
The Citizens' Bond Oversight Committee
Tamalpais Union High School District
Larkspur, California

Report on the Financial Statements
We have audited the accompanying financial statements of the Measure "A" General Obligation Bond Building Fund of Tamalpais Union High School District, as of and for the fiscal year ended June 30, 2016, 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*, 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure "A" General Obligation Bond Building Fund of Tamalpais Union High School District, as of June 30, 2016, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter
As discussed in Note 1, the financial statements present only the Measure "A" General Obligation Bond Building Fund and do not purport to, and do not, present fairly the financial position of the Tamalpais Union High School District, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows 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 Matters
The other supplementary information listed in the table of contents, including the Schedule of Expenditures Tested, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated December 6, 2016, 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. 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 District's internal control over financial reporting and compliance.

Nigro+Nigro, PC

Murrieta, California
December 6, 2016

Financial Section

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Balance Sheet

June 30, 2016

ASSETS		
Cash	$	38,543
Due from other funds		5
Total Assets	$	38,548
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$	447
Due to other funds		38,101
Total Liabilities		38,548
Fund Balance		
Restricted for capital projects		-
Total Liabilities and Fund Balance	$	38,548

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2016

REVENUES	
Interest earnings	$ 402
Total Revenues	402
EXPENDITURES	
Current:	
Services and other operating expenditures	30,408
Capital outlay	245,267
Total Expenditures	275,675
Net Change in Fund Balance	(275,273)
Fund Balance, July 1, 2015	275,273
Fund Balance, June 30, 2016	$ -

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On June 6, 2006 the District voters authorized $79,920,000 in General Obligation Bonds (Measure "A") to complete District-wide facility modernization programs, including technology upgrades and classroom renovation and reconstruction, and to bring all facilities up to District standards. In response, an advisory committee to the District's Governing Board and Superintendent, the Measure "A" 2006 Bond Oversight Committee, was established. The Committee's oversight goals include: informing the public concerning the expenditures of bond revenues, ensuring that the bond revenues are expended only for the purposes described in the Measure "A" ballot language, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.

The bond proceeds and uses are accounted for in the District's Building Fund, using sub-fund 24. The statements presented are for the individual Measure "A" 2006 General Obligation Bond Building Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

B. Basis of Accounting

The Measure "A" General Obligation Bond Building Fund is a governmental fund reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

C. 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.

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 as of June 30.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

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.

NOTE 2 – CASH

Pooled Funds
In accordance with Education Code Section 41001, the District maintains all of its Building Fund cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2016, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

NOTE 3 – MEASURE "A" 2006 GENERAL OBLIGATION BONDS

The bonds were authorized at an election of the registered voters of the District held on June 6, 2006, at which more than 55% of the voters authorized the issuance and sale of $79,920,000 general obligation bonds. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the District for the payment of interest on and principal of the bonds. The bonds were issued to complete District-wide facility modernization programs, including technology upgrades and classroom renovation and reconstruction, and to bring all facilities up to District standards.

On September 12, 2006, the District issued the entire bond authorization of $79,920,000 to acquire, construct, renovate, and equip certain District facilities. The bonds were issued as $69,425,000 Current Interest Serial Bonds having interest rates ranging between 4.0% - 5.0% and maturing from August 1, 2008 through 2029 and a Term Bond of $10,495,000 with a stated interest rate of 4.375% and maturing on August 1, 2031. At June 30, 2016, the outstanding balance on the bonds was $2,670,000.

On November 25, 2014, the District issued $55,120,000 of general obligation refunding bonds. The bonds consist of serial bonds bearing fixed rates ranging from 1% to 5% with annual maturities from August 2015 through August 2031. The net proceeds of $64,702,758 (after issuance and underwriters discount costs of $331,601, plus premiums of $9,771,359) were used to advance refund $59,365,000 of the District's election of 2006 general obligation bonds, in addition to paying the costs of issuance associated with the refunding bonds. At June 30, 2016, the outstanding balance on the bond was $54,015,000.

NOTE 3 – MEASURE "A" 2006 GENERAL OBLIGATION BONDS (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2016-17	$ 2,670,000	$ 2,532,788	$ 5,202,788
2017-18	2,570,000	2,424,650	4,994,650
2018-19	2,675,000	2,319,750	4,994,750
2019-20	2,780,000	2,196,750	4,976,750
2020-21	2,920,000	2,054,250	4,974,250
2021-26	16,840,000	7,991,200	24,831,200
2026-31	21,375,000	3,375,475	24,750,475
2031-32	4,855,000	97,100	4,952,100
Total	$ 56,685,000	$ 22,991,963	$ 79,676,963

NOTE 4 – CONSTRUCTION COMMITMENTS

As of June 30, 2016, the District had no commitments with respect to unfinished capital projects to be paid from the Measure "A" funds.

NOTE 5 – INTERFUND TRANSACTIONS

Balances due to/from other funds at June 30, 2016, consisted of the following:

Building Fund due to General Fund for solar project expenditure reclassification and fund closeout	$ 38,101

Supplementary Information

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Schedule of Expenditures Tested

For the Fiscal Year Ended June 30, 2016

Date	Vendor	Purchase Order	Description	Amount	District	Tamalpais	Drake	Redwood	San Andreas
07/22/15	Idex Global Services, Inc.	PO-142462	Redwood Cabling Upgrades	$ 28,775	$ -	$ -	$ -	$ 28,775	$ -
07/22/15	NWM Corporation	PO-152383	District Wide Cabling Upgrade	63,581	63,581	-	-	-	-
07/29/15	Idex Global Services, Inc.	PO-142462	Redwood Cabling Upgrades	7,194	7,194	-	-	-	-
08/21/15	Gary S. Buie	PO-160455	Redwood Solar Panels	5,120	-	-	-	5,120	-
10/21/15	Miller Pacific Engineering Group	PO-160864	Redwood Solar Panels	8,124	-	-	-	8,124	-
10/30/15	Idex Global Services, Inc.	PO-160187	Redwood Cabling Upgrades	12,225	-	-	-	12,225	-
11/20/15	RGA Enviornment, Inc.	PO-161356	Redwood Solar Panels	5,960	-	-	-	5,960	-
12/18/15	Miller Pacific Engineering Group	PO-160864	Redwood Solar Panels	7,844	-	-	-	7,844	-
			Invoices Tested	138,823	$ 70,775	$ -	$ -	$ 68,048	$ -
			Total Expenditures	$ 275,675					
			Percent Tested	50%					

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*

The Board of Trustees and
The Citizens' Bond Oversight Committee
Tamalpais Union High School District
Larkspur, 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 "A" General Obligation Bond Building Fund of Tamalpais Union High School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2016.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Tamalpais Union High 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 the Tamalpais Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tamalpais Union High 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 District'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tamalpais Union High 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. required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Finding 2016-001.

Tamalpais Union High School District's Response to Finding

Tamalpais Union High School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Tamalpais Union High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nigro+Nigro, PC

Murrieta, California
December 6, 2016

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Trustees and
The Citizens' Bond Oversight Committee
Tamalpais Union High School District
Larkspur, California

We have examined the Tamalpais Union High School District's compliance with the performance requirements for the Proposition 39 Measure "A" 2006 General Obligation Bond for the fiscal year ended June 30, 2016, under the applicable provisions of Section 1(b)(3)(C) of Article XIIIA of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives
The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- The expenditures charged to the Tamalpais Union High School District Building Fund are documented.
- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure "A" 2006.
- Any discrepancies or weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens' Bond Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

Scope of the Audit
The scope of our performance audit covered the fiscal period from July 1, 2015 to June 30, 2016. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were also included within the scope of our audit. Expenditures incurred subsequent to June 30, 2016 were not reviewed or included within the scope of our audit or in this report.

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Procedures Performed
We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2016 for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure "A" 2006 with regards to the approved bond projects list. We performed the following procedures:

To meet our objectives, audit tests were performed and included, but were not limited to the following:

- We verified that bond funds were deposited in the District's name and invested in accordance with applicable legal requirements.

- We tested approximately $139,000 in bond fund invoices paid. This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our test included payments made to the construction management company, subcontractors and other vendors.

- We reviewed the approved project listing as set out in the Measure "A" 2006 election documents.

- We verified that funds from the Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects, and we verified that funds held in the Building Fund were not used for salaries of school administrators or other operating expenses of the District.

- We reviewed a sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.

- We verified that the District did not exceed change order limitations in excess of 10% pursuant to Public Contract Code Section 20118.4.

Our audit of compliance made for the purpose set forth in the preceding paragraph would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the Measure "A" 2006 General Obligation Bond proceeds listed and tested above. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported and which is described in the accompanying schedule of findings and responses as Finding 2016-001.

This report is intended for the information of the Board of Trustees, management and the Citizens' Bond Oversight Committee; however, this report is a matter of public record.

Nigro+Nigro, PC

Murrieta, California
December 6, 2016

Findings and Responses

Finding 2016-001: Consecutive Term Lengths

According to Education Code Section 15282(a), the Citizens' Oversight Committee shall consist of a least seven members who shall serve for a minimum term of two years without compensation and for no more than three consecutive terms. However, because the bond measure is in the final stages of spending, we do not believe it necessary that the District seek to comply with this requirement by bringing in new members to the committee simply for the purpose of compliance.

Views of Responsible Officials: The District is in agreement with the auditor's comment that the bond measure is in the final stages of spending. We believe that it is not necessary to bring in new members.

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Recommendation	Current Status
Finding 2015-1: Consecutive Term Lengths	According to Education Code Section 15282(a), the Citizens' Oversight Committee shall consist of a least seven members who shall serve for a minimum term of two years without compensation and for no more than three consecutive terms. However, because the bond measure is in the final stages of spending, we do not believe it necessary that the District seek to comply with this requirement by bringing in new members to the committee simply for the purpose of compliance.	Because the bond measure is in the final stages of spending, we do not believe it necessary that the District seek to comply with this requirement by bringing in new members to the committee simply for the purpose of compliance.	Not Implemented. See Finding 2016-001.