

**DIXIE SCHOOL DISTRICT  
COUNTY OF MARIN  
SAN RAFAEL, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2014**

DIXIE SCHOOL DISTRICT

JUNE 30, 2014

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DIXIE SCHOOL DISTRICT

JUNE 30, 2014

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## FINANCIAL SECTION

# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

Governing Board  
Dixie School District  
San Rafael, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dixie School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District's primary government 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 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 opinions.

### **Basis for Adverse Opinion on Discretely Presented Component Unit**

The financial statements referred to above do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit.

Basis for Adverse Opinion on Discretely Presented Component Unit (Concluded)

The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the discretely presented component unit are not reported. The amounts by which this departure would affect the assets, liabilities, net assets, revenues and expenses has not been determined in accordance with accounting principles generally accepted in the United States of America.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District, as of June 30, 2014, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dixie School District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 13, the budgetary comparison information on page 49, and schedule of funding progress on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dixie School District’s basic financial statements. The combining and individual nonmajor fund financial statements, statistical section, and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Concluded)

*Other Information (Concluded)*

The combining and individual nonmajor fund financial statements, statistical section, and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate 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 to 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 combining and individual nonmajor fund financial statements, statistical section, and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards are 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 8, 2014 on our consideration of the Dixie School 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 Dixie School District's internal control over financial reporting and compliance.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 8, 2014

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

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This section of Dixie School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 22, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

**FINANCIAL HIGHLIGHTS**

- The District's overall financial status declined during fiscal year 2013-14, as total net position decreased 6.7%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$474,295.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures and other uses exceeded total current year revenues and other sources by \$266,115.
- Capital assets, net of depreciation, decreased \$744,166 due to the current year addition of \$173,028 of new capital assets and the current year recognition of \$917,194 of depreciation expense.
- Total long-term liabilities decreased \$538,690 due primarily to the net effect of a \$325,318 decrease in the District's general obligation bonds, and the payments made on the capital lease during fiscal year 2013-14.
- The District's P-2 average daily attendance (ADA) increased from 1,815 ADA in fiscal year 2012-13, up to 1,841 ADA in fiscal year 2013-14, an increase of 26 ADA or 1.4%.
- The District's General Fund incurred a deficit of \$258,470 during fiscal year 2013-14.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other financing uses (total outgo). During fiscal year 2013-14, General Fund expenditures and other financing uses totaled \$19,860,855. At June 30, 2014, the District had available reserves of \$1,397,494 which represents a reserve of 7%.



**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

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**THE FINANCIAL REPORT**

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
  - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
  - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
  - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

**Reporting the District as a Whole**

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid. The District's financial health or position (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

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**THE FINANCIAL REPORT (CONCLUDED)**

**Reporting the District as a Whole (Concluded)**

*Governmental Activities:*

The basic services provided by the District, such as regular and special education, administration, and special education transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services also included here, but are financed by a combination of local revenues and state and federal programs.

*Business-type Activities:*

The District does not provide any services that should be included in this category.

**Reporting the District's Most Significant Funds**

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

*Governmental Funds:*

The major governmental funds of the Dixie School District are the General Fund, Bond Interest and Redemption Fund, and the Capital Projects - Special Reserve Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

*Proprietary Funds:*

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has one fund of this type, the Self Insurance Fund.

*Fiduciary Funds:*

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate fiduciary statement. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

GOVERNMENTAL ACTIVITIES

The District's total net position decreased from \$7,031,052 at June 30, 2013, down to \$6,556,757 at June 30, 2014, a decrease of 6.7%.

<b><u>Comparative Statement of Net Position</u></b>		
	Governmental Activities	
	2013	2014
<u>Assets</u>		
Deposits and Investments	\$ 4,998,391	\$ 5,122,953
Receivables	1,401,763	1,191,439
Prepaid Expenses	23,507 *	450
Capital Assets, net	<u>11,910,567</u>	<u>11,166,401</u>
Total Assets	<u>18,334,228 *</u>	<u>17,481,243</u>
<u>Liabilities</u>		
Current	1,982,452	2,169,687
Long-Term	<u>9,320,724</u>	<u>8,754,799</u>
Total Liabilities	<u>11,303,176</u>	<u>10,924,486</u>
<u>Net Position</u>		
Net Investment in Capital Assets	3,377,126 *	3,270,504
Restricted	75,610	265,843
Unrestricted	<u>3,578,316</u>	<u>3,020,410</u>
Total Net Position	<u>\$ 7,031,052 *</u>	<u>\$ 6,556,757</u>

\* The amounts presented for fiscal year 2012-13 have been restated - see Note 19.

Table includes financial data of the combined governmental funds and proprietary fund

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by \$474,295.

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2014</u>
<b><u>Comparative Statement of Changes in Net Position</u></b>		
<u>Program Revenues</u>		
Charges for Services	\$ 113,609	\$ 0
Operating Grants & Contributions	2,849,680	3,384,675
<u>General Revenues</u>		
Taxes Levied	13,558,676	14,053,461
Federal & State Aid	923,716	1,481,496
Interest & Investment Earnings	5,515	5,207
Transfers from Other Agencies	410	577
Miscellaneous	1,763,184	1,904,026
<b>Total Revenues</b>	<b><u>19,214,790</u></b>	<b><u>20,829,442</u></b>
<u>Expenses</u>		
Instruction	12,185,258	12,918,741
Instruction-Related Services	2,232,493	2,176,263
Pupil Services	1,428,330	1,514,101
General Administration	1,428,441	1,540,574
Plant Services	1,928,069	2,071,441
Ancillary Services	6,224	3,855
Community Services	11,987	11,398
Interest on Long-Term Debt	357,320	352,475
Other Outgo	459,114	714,889
<b>Total Expenses</b>	<b><u>20,037,236</u></b>	<b><u>21,303,737</u></b>
<b>Change in Net Position</b>	<b><u>\$ (822,446)</u></b>	<b><u>\$ (474,295)</u></b>
<i>Table includes financial data of the combined governmental funds and proprietary fund</i>		

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

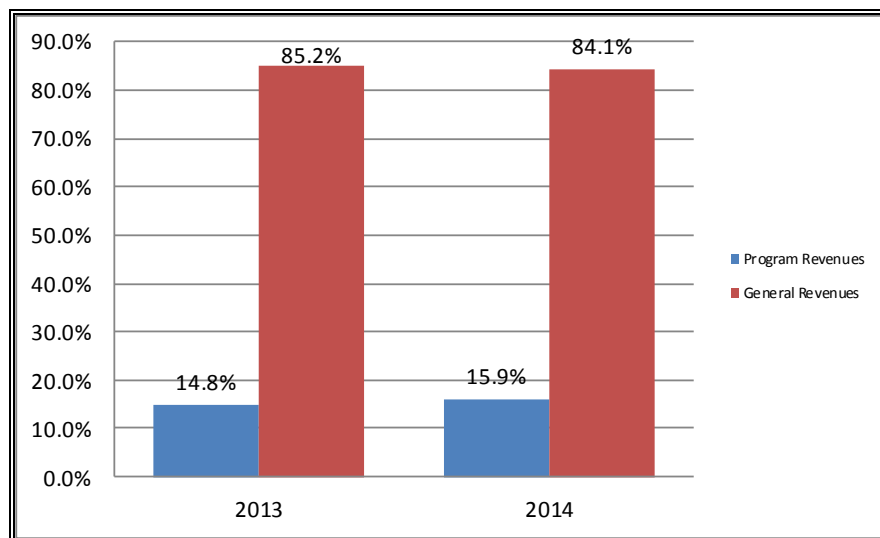
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2013	2014	2013	2014
	Instruction	\$ 12,185,258	\$ 12,918,741	\$ 9,997,317
Instruction-Related Services	2,232,493	2,176,263	2,050,714	1,897,115
Pupil Services	1,428,330	1,514,101	953,317	1,179,804
General Administration	1,428,441	1,540,574	1,406,081	1,504,962
Plant Services	1,928,069	2,071,441	1,927,658	2,056,451
Ancillary Services	6,224	3,855	4,513	2,655
Community Services	11,987	11,398	11,987	11,398
Interest on Long-Term Debt	357,320	352,475	357,320	352,475
Other Outgo	459,114	714,889	365,040	608,779
Totals	\$ 20,037,236	\$ 21,303,737	\$ 17,073,947	\$ 17,919,062

*Table includes financial data of the combined governmental funds and proprietary fund*

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$17,919,062 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2013-14, program revenues financed 15.9% of the total cost of providing the services listed above, while the remaining 84.1% was financed by the general revenues of the District.

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

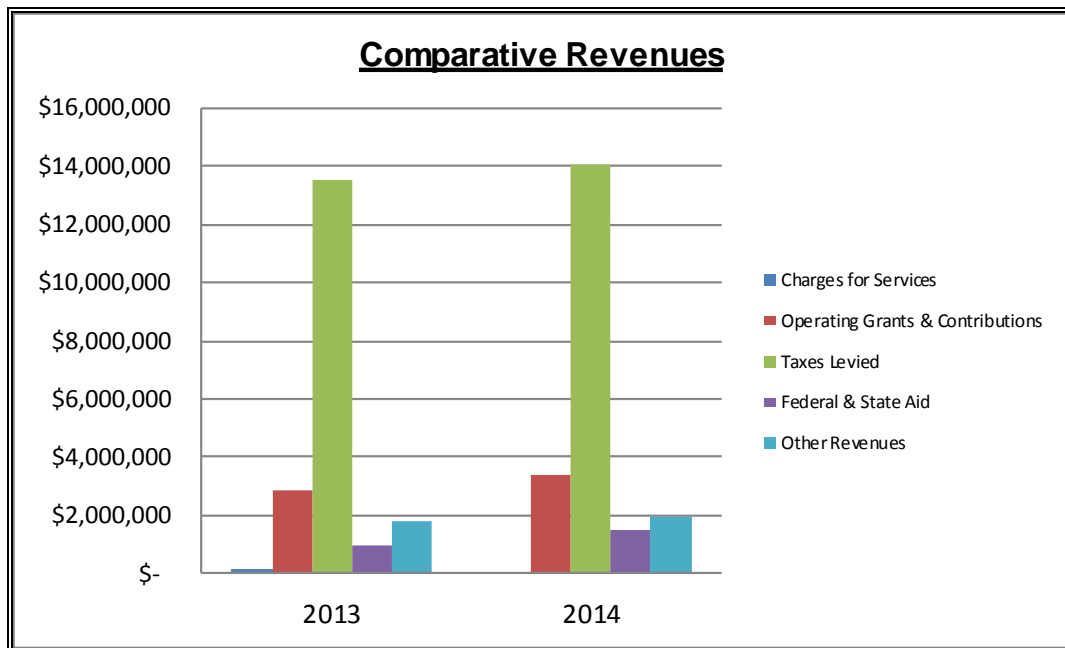
(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Summary of Revenues For Governmental Functions</u></b>				
	<u>FYE 2013 Amount</u>	<u>Percent of Total</u>	<u>FYE 2014 Amount</u>	<u>Percent of Total</u>
<b><u>Program Revenues</u></b>				
Charges for Services	\$ 113,609	0.59%	\$ 0	0.00%
Operating Grants & Contributions	2,849,680	14.83%	3,384,675	16.25%
<b><u>General Revenues</u></b>				
Taxes Levied	13,558,676	70.56%	14,053,461	67.47%
Federal & State Aid	923,716	4.81%	1,481,496	7.11%
Other Revenues	1,769,109	9.21%	1,909,810	9.17%
<b>Total Revenues</b>	<b>\$ 19,214,790</b>	<b>100.00%</b>	<b>\$ 20,829,442</b>	<b>100.00%</b>

*Table includes financial data of the combined governmental funds and proprietary fund*



**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

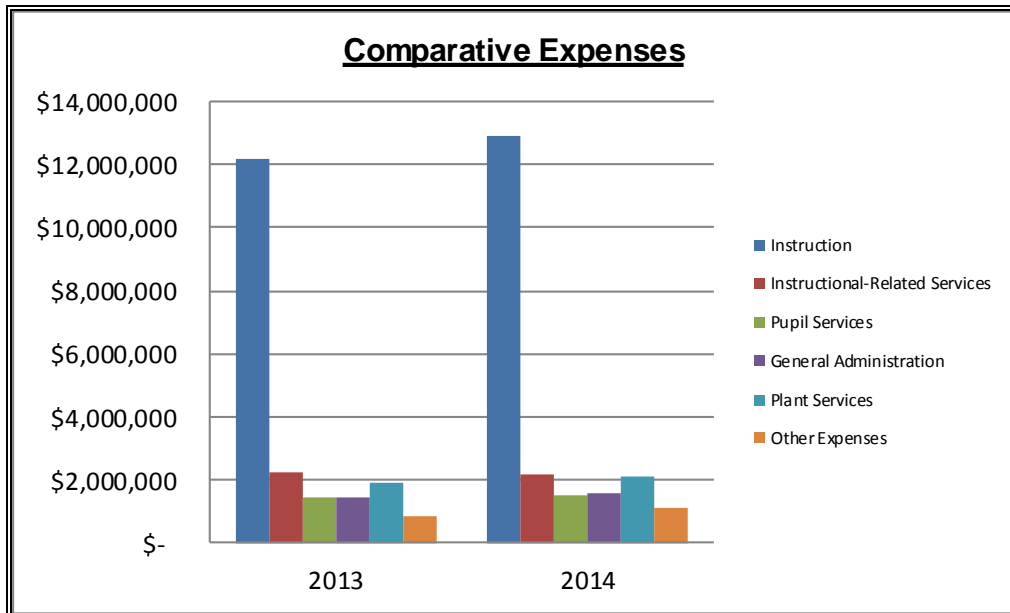
(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Summary of Expenses For Governmental Functions</u></b>				
	FYE 2013 Amount	Percent of Total	FYE 2014 Amount	Percent of Total
<u>Expenses</u>				
Instruction	\$ 12,185,258	60.81%	\$ 12,918,741	60.64%
Instruction-Related Services	2,232,493	11.14%	2,176,263	10.22%
Pupil Services	1,428,330	7.13%	1,514,101	7.11%
General Administration	1,428,441	7.13%	1,540,574	7.23%
Plant Services	1,928,069	9.62%	2,071,441	9.72%
Other Expenses	834,645	4.17%	1,082,617	5.08%
<b>Total Expenses</b>	<b>\$ 20,037,236</b>	<b>100.00%</b>	<b>\$ 21,303,737</b>	<b>100.00%</b>

*Table includes financial data of the combined governmental funds and proprietary fund*



**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Comparative Schedule of Capital Assets</u></b>		
	Governmental Activities	
	2013	2014
Land	\$ 1,412,651	\$ 1,412,651
Sites and Improvements	6,732,118	6,756,126
Buildings and Improvements	26,634,546	26,704,639
Furniture and Equipment	1,407,993	1,486,920
Subtotals	36,187,308	36,360,336
Less: Accumulated Depreciation	(24,276,741)	(25,193,935)
Capital Assets, net	<u>\$ 11,910,567</u>	<u>\$ 11,166,401</u>

Capital assets, net of depreciation, decreased \$744,166 due to the current year addition of \$173,028 of new capital assets and the current year recognition of \$917,194 of depreciation expense.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2013	2014
Compensated Absences	\$ 103,363	\$ 86,549
General Obligation Bonds	7,412,023	7,086,705
Bond Premium	567,931	504,827
Capital Lease	2,008,336	1,858,873
Other Post Employment Benefits	87,679	103,688
Totals	<u>\$ 10,179,332</u>	<u>\$ 9,640,642</u>

Total long-term liabilities decreased \$538,690 due primarily to the net effect of a \$325,318 decrease in the District's general obligation bonds, and the payments made on the capital lease during fiscal year 2013-14. The general obligation bonds are financed by local taxpayers and represent 74% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current debt issues.



**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)**

**GOVERNMENTAL ACTIVITIES (CONCLUDED)**

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

The fund balance of the General Fund decreased \$258,470 during fiscal year 2013-14, and the combined fund balances of other District governmental funds decreased \$7,645.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

- The State's economic condition directly affects the District's financial future. Management will continue to monitor the state budget and other available resources and plan carefully to provide resources to meet student needs over the next several years.
- The District is expecting to move out of Basic Aid Status and into LCFF State Funded for 2014-15. Current projections through 2016-17 indicate that the District will remain LCFF State Funded.
- The District is expecting continued growth in enrollment over the next few years. The District will continue to monitor enrollment for potential impact on facilities and the budget.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office of Dixie School District at (415) 492-3700, located at 380 Nova Albion Way, San Rafael, California 94903.

**DIXIE SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 5,122,953
Receivables (Note 4)	1,191,439
Prepaid Expenses (Note 1J)	450
Capital Assets: (Note 6)	
Land	1,412,651
Sites and Improvements	6,756,126
Buildings and Improvements	26,704,639
Furniture and Equipment	1,486,920
Less: Accumulated Depreciation	(25,193,935)
<b>Total Assets</b>	<b>17,481,243</b>
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	1,140,219
Accrued Interest Payable	94,354
Unearned Revenue (Note 1J)	49,271
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1J)	86,549
General Obligation Bonds (Note 7)	
Current Interest	480,000
Bond Premium	63,104
Capital Lease (Note 8)	152,502
Other Post Employment Benefits (Note 9)	103,688
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 7)	
Current Interest	4,320,000
Capital Appreciation	2,286,705
Bond Premium	441,723
Capital Lease (Note 8)	1,706,371
<b>Total Liabilities</b>	<b>10,924,486</b>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	3,270,504
Restricted:	
For Capital Projects	122,126
For Debt Service	(626,374)
For Educational Programs	766,641
For Other Purposes	3,450
Unrestricted	3,020,410
<b>Total Net Position</b>	<b>\$ 6,556,757</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**DIXIE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Functions</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b><u>Governmental Activities</u></b>					
Instruction	\$ 12,918,741		\$ 2,613,318		\$ (10,305,423)
Instruction-Related Services:					
Supervision of Instruction	660,862		225,186		(435,676)
Instructional Library and Technology	269,057		53,001		(216,056)
School Site Administration	1,246,344		961		(1,245,383)
Pupil Services:					
Home-to-School Transportation	737,482				(737,482)
Food Services	178,629		131,406		(47,223)
Other Pupil Services	597,990		202,891		(395,099)
General Administration:					
Data Processing Services	56,498				(56,498)
Other General Administration	1,484,076		35,612		(1,448,464)
Plant Services	2,071,441		14,990		(2,056,451)
Ancillary Services	3,855		1,200		(2,655)
Community Services	11,398				(11,398)
Interest on Long-Term Debt	352,475				(352,475)
Other Outgo	714,889		106,110		(608,779)
<b>Total Governmental Activities</b>	<b>\$ 21,303,737</b>	<b>\$ 0</b>	<b>\$ 3,384,675</b>	<b>\$ 0</b>	<b>(17,919,062)</b>
<b><u>General Revenues</u></b>					
Taxes Levied for General Purposes					11,447,482
Taxes Levied for Debt Service					659,377
Taxes Levied for Specific Purposes					1,946,602
Federal and State Aid - Unrestricted					1,481,496
Interest and Investment Earnings					5,207
Transfers from Other Agencies					577
Miscellaneous					1,904,026
<b>Total General Revenues</b>					<b>17,444,767</b>
Change in Net Position					(474,295)
Net Position - July 1, 2013 (As restated - Note 19)					7,031,052
Net Position - June 30, 2014					<b>\$ 6,556,757</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**DIXIE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Deposits and Investments (Note 2)	\$ 2,871,730	\$ 627,304	\$ 822,747	\$ 516,843	\$ 4,838,624
Receivables (Note 4)	1,137,709		42,448	8,020	1,188,177
Due from Other Funds (Note 5)	222,622				222,622
Prepaid Expenditures (Note 1J)	450				450
Total Assets	<u>\$ 4,232,511</u>	<u>\$ 627,304</u>	<u>\$ 865,195</u>	<u>\$ 524,863</u>	<u>\$ 6,249,873</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable	\$ 1,125,120		\$ 953	\$ 7,553	\$ 1,133,626
Due to Other Funds (Note 5)			128,176		128,176
Unearned Revenue (Note 1J)	6,142		43,129		49,271
Total Liabilities	<u>1,131,262</u>		<u>172,258</u>	<u>7,553</u>	<u>1,311,073</u>
Fund Balances: (Note 11)					
Nonspendable	3,450				3,450
Restricted	766,641	\$ 627,304		517,310	1,911,255
Assigned	933,664		692,937		1,626,601
Unassigned	1,397,494				1,397,494
Total Fund Balances	<u>3,101,249</u>	<u>627,304</u>	<u>692,937</u>	<u>517,310</u>	<u>4,938,800</u>
Total Liabilities and Fund Balances	<u>\$ 4,232,511</u>	<u>\$ 627,304</u>	<u>\$ 865,195</u>	<u>\$ 524,863</u>	<u>\$ 6,249,873</u>

**DIXIE SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

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**Total Fund Balances - Governmental Funds** \$ 4,938,800

Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:

Capital Assets	\$ 36,360,336	
Accumulated Depreciation	<u>(25,193,935)</u>	
Net		11,166,401

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owed at the end of the period was:

(94,354)

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for the internal service fund is:

186,552

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are:

Compensated Absences	86,549	
General Obligation Bonds - Current Interest	4,800,000	
General Obligation Bonds - Capital Appreciation	2,286,705	
Bond Premium	504,827	
Capital Lease	1,858,873	
Other Post Employment Benefits	<u>103,688</u>	
Total		<u>(9,640,642)</u>

**Total Net Position - Governmental Activities** \$ 6,556,757

**DIXIE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>					
LCFF Sources:					
State Apportionment / Transfers	\$ 1,188,346				\$ 1,188,346
Local Taxes	11,447,482				11,447,482
Total LCFF Sources	12,635,828				12,635,828
Federal Revenue	630,629				630,629
State Revenue	870,445	\$ 5,533			875,978
Local Revenue	4,346,681	654,367	\$ 1,399,615	\$ 107,052	6,507,715
Total Revenues	18,483,583	659,900	1,399,615	107,052	20,650,150
<b><u>Expenditures</u></b>					
Instruction	12,363,561				12,363,561
Supervision of Instruction	630,886				630,886
Instructional Library and Technology	256,853				256,853
School Site Administration	1,190,617				1,190,617
Home-To-School Transportation	704,031				704,031
Food Services	170,527				170,527
Other Pupil Services	570,866				570,866
Data Processing Services	53,935				53,935
Other General Administration	1,377,717			39,044	1,416,761
Plant Services	1,705,190		297,585		2,002,775
Facilities Acquisition and Construction	102,734		7,468	6,745	116,947
Ancillary Services	3,855				3,855
Community Services	11,398				11,398
Debt Service:					
Principal Retirement		455,000		149,463	604,463
Interest and Issuance Costs		187,250		40,829	228,079
Other Outgo	590,711				590,711
Total Expenditures	19,732,881	642,250	305,053	236,081	20,916,265
Excess of Revenues Over (Under) Expenditures	(1,249,298)	17,650	1,094,562	(129,029)	(266,115)
<b><u>Other Financing Sources (Uses)</u></b>					
Operating Transfers In	1,118,802			127,974	1,246,776
Operating Transfers Out	(127,974)		(1,118,802)		(1,246,776)
Total Other Financing Sources (Uses)	990,828	0	(1,118,802)	127,974	0
Net Change in Fund Balances	(258,470)	17,650	(24,240)	(1,055)	(266,115)
Fund Balances - July 1, 2013	3,359,719	609,654	717,177	518,365	5,204,915
Fund Balances - June 30, 2014	\$ 3,101,249	\$ 627,304	\$ 692,937	\$ 517,310	\$ 4,938,800

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**DIXIE SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Net Change in Fund Balances - Governmental Funds** \$ (266,115)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Capital Outlays	\$ 173,028	
Depreciation Expense	(917,194)	
Net		(744,166)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was: 16,814

Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and employer contributions was: (16,009)

Amortization of gain or loss from debt refunding: In governmental funds, any gain or loss resulting from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. Current year amortization of deferred amounts from refunding were: (23,507)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

General Obligation Bonds - Current Interest	455,000	
Bond Premium	63,104	
Capital Lease	149,463	
Total		667,567

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, interest expense is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 5,286

Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was: (129,682)

Internal service funds - Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in the internal service fund was: 15,517

**Change in net position of Governmental Activities** \$ (474,295)

**DIXIE SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 284,329
Receivables (Note 4)	3,262
Total Assets	287,591
<b><u>Liabilities</u></b>	
Accounts Payable	6,593
Due to Other Funds	94,446
Total Liabilities	101,039
<b><u>Net Position</u></b>	
Restricted	186,552
Total Net Position	\$ 186,552



**DIXIE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b><u>Operating Revenues</u></b>	
Other Local Revenue	\$ 115,934
<b><u>Operating Expenses</u></b>	
Contract Services	(100,671)
Operating Gain	15,263
<b><u>Non-Operating Revenues</u></b>	
Interest Income	254
Change in Net Position	15,517
Net Position - July 1, 2013	171,035
Net Position - June 30, 2014	\$ 186,552

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**DIXIE SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b><i>Cash Flows from Operating Activities:</i></b>	
Cash Received from OPEB Premiums	\$ 112,672
Cash Paid to OPEB Insurance Providers	(6,085)
	106,587
Net Cash provided by Operating Activities	106,587
<b><i>Cash Flows From Investing Activities:</i></b>	
Interest Income	254
	106,841
Net Increase in Deposits and Investments	106,841
Deposits and Investments Balance - July 1, 2013	177,488
	\$ 284,329
Deposits and Investments Balance - June 30, 2014	\$ 284,329
<b><i>Reconciliation of Operating Gain to Net Cash Provided by Operating Activities:</i></b>	
Operating Gain	\$ 15,263
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Accounts Receivable	(3,262)
Increase in Accounts Payable	140
Increase in Due To Other Funds	94,446
	94,446
Net Cash Provided by Operating Activities	\$ 106,587

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**DIXIE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

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	Agency Funds	Total Fiduciary Funds
<b><u>Assets</u></b>		
Deposits and Investments (Note 2)	\$ 4,988	\$ 4,988
<b><u>Liabilities</u></b>		
Due to Student Groups	4,988	4,988
<b><u>Net Position</u></b>		
Total Net Position	\$ 0	\$ 0

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Dixie School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Governing Board elected by registered voters of the District, which comprises an area in Marin County. The District serves students in kindergarten through grade eight.

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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit.

The nucleus of a financial reporting entity is usually a primary government. Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, defines a *primary government* as any state government, general-purpose local government, or special-purpose government that meets all of the following criteria:

- It has a separately elected governing body
- It is legally separate
- It is fiscally independent of other state and local governments

The primary government consists of all funds that make up the legal entity. The primary government also consists of funds for which it has a fiduciary responsibility, even though those funds may represent organizations that do not meet the definition for inclusion in the financial reporting entity.

Component units include legally separate organizations (whether governmental, not-for-profit, or for-profit organizations) for which elected officials of the primary government are financially accountable. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources.
- The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- The primary government is obligated in some manner for the debt of the organization.

In addition, GASB 61 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary government are such that excluding them would cause the financial reporting entity's financial statements to be misleading.

Based on the GASB 61 criteria and definitions, the District is the primary government and there are no material potential component units which should be included in the Financial Reporting Entity in these financial statements.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance, stating that a legally separate organization should be reported as a component unit if all of the following criteria are met:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.
- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The District has determined that Can Do! (the Foundation), a non-profit education foundation, meets the criteria set forth in GASB 39. However, since the Foundation does not issue audited financial statements, the financial statements of the District include only the financial data of the primary government, which consists of all funds that comprise the District's legal entity, and all funds for which it has a fiduciary responsibility. The financial statements do not include financial data of the Foundation, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**A. Financial Reporting Entity (Concluded)**

As a result, these financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Financial Reporting Entity, or the respective changes in its financial position.

The District has determined that the cost of including audited financial data, of its legally separate component unit, in the financial statements of the District, far exceeds the benefits to be received by including such data. In addition, since the District's various oversight agencies do not require such data to be included, the District has elected to omit such data from its financial statements.

**B. Implementation of New Accounting Pronouncements**

In March of 2012, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, with required implementation for the District during the year ended June 30, 2014. The objective of GASB 65 is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The effect of implementing GASB 65 resulted in a restatement of the beginning net position balance as of July 1, 2013 to write-off unamortized debt issuance costs. Further detail on the restated amount is described in Note 19.

**C. Basis of Presentation**

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity, within the governmental and business type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The Internal Service Fund is presented on the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position for proprietary funds presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for Other Post Employment Benefit (OPEB) premiums. The principal expenses of the internal service fund are payments to OPEB insurance vendors. Non-operating revenues of the internal service fund generally consist of interest income earned within the internal service fund, and direct transfers made from other District funds. Fiduciary funds are reported using the economic resources measurement focus.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the 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. Under the 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 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

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.

**Unearned Revenue:**

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

**Expenses/Expenditures:**

On an 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.



**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Expenses/Expenditures (Concluded):

However under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. 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.

E. Fund Accounting

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 or retained earnings, 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. The District maintains the following governmental fund types:

*General Fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

*Debt Service Funds* - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*Capital Projects Funds* - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District's accounts are organized into major, non-major, proprietary, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District.

The *Bond Interest and Redemption Fund* is used to account for the accumulation of resources for the repayment of District bonds, interest, and related costs.

The *Capital Projects - Special Reserve Fund* is used to account for funds set aside for Board designated construction projects.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Non-major Governmental Funds:

The *Debt Service Fund* is used to accumulate grant dollars, rebates and cost savings generated from solar improvements, which will be used to make debt service payments on the capital lease that was used to finance the solar improvements.

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings financed by the sale of bonds.

The *Solar Project Fund* is used to account for the expenditures of capital lease proceeds related to the District's solar project.

Proprietary Funds:

*Internal Service Funds* are used to account for services rendered on a cost reimbursement basis within the District. The District maintains one internal service fund, the Self Insurance Fund, which is used to accumulate resources to pay for the current and future costs of providing retiree health benefits.

Fiduciary Funds:

*Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund for the student body activities at Miller Creek Middle School. The District maintains the student body fund to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America 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 Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 49.

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 (See Note 3).

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. 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.

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows for the District's proprietary fund, the District considers all highly liquid investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

J. Assets, Liabilities and Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

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 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 the FDIC or are collateralized.

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 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

2. Prepaid Expenses / Expenditures

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year ended, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed. Prepaid expenses/expenditures are equally offset by a reserve, which indicates that this amount is not available for appropriation.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	14-36
Buildings and Improvements	14-35
Furniture and Equipment	5-20

4. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

7. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The allowable classifications used in the governmental fund financial statements are as follows:

*Nonspendable Fund Balance* consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

*Restricted Fund Balance* consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

*Committed Fund Balance* consists of funds that are set aside for a specific purpose by the District's highest level of decision making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

*Assigned Fund Balance* consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. The Governing Board delegated authority to the Superintendent and/or their designee to identify intended uses of assigned funds.

*Unassigned Fund Balance* consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

7. Fund Balances (Concluded)

The District established a minimum fund balance policy which requires a reserve for economic uncertainties, consisting of unassigned amounts of not less than ten (10) percent of General Fund expenditures in the current budget year and a minimum unassigned fund balance as a reserve for economic uncertainties of not less than five (5) percent in year two and year three of the District's AB1200 multi-year projections. In the event that the balance drops below the established minimum level, the District's Governing Board will develop a plan to replenish the fund balance to the established minimum level within two years.

The District considers restricted fund balances to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

8. Local Control Funding Formula (LCFF)/Property Tax

As part of the 2013-14 State Budget Act, the formula for determining the level of funding per student changed from the "revenue limit" formula to the "Local Control Funding Formula" (LCFF). The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

The County of Marin is responsible for assessing, collecting and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**J. Assets, Liabilities and Equity (Concluded)**

**8. Local Control Funding Formula (LCFF)/Property Tax (Concluded)**

The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund, and is known as LCFF State Aid.

Since the amount of property taxes received by the District exceeds the amount of the LCFF transition entitlement, the District is considered to be a "basic aid" school district, and is permitted to keep all of its property tax revenue. In addition, as guaranteed by the California Constitution, the State must apportion \$120 per pupil to the District. However, the categorical aid that the District receives counts toward this requirement.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2014, consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Total Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks	\$ 1,000		\$ 1,000	\$ 4,988
Cash in Revolving Fund	3,000		3,000	
Cash with Fiscal Agent	106,032		106,032	
County Pool Investments	<u>4,728,592</u>	<u>\$ 284,329</u>	<u>5,012,921</u>	<u>          </u>
Total Deposits and Investments	<u>\$ 4,838,624</u>	<u>\$ 284,329</u>	<u>\$ 5,122,953</u>	<u>\$ 4,988</u>

**Cash on Hand and in Banks**

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

**Cash in Revolving Fund**

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

**Cash with Fiscal Agent**

Cash with fiscal agent consists of \$106,032 of unspent capital lease proceeds, held by Deutsche Bank Trust Company, which will be used to finance the acquisition and construction of solar improvements within the District.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**County Pool Investments**

County pool investments consist of District cash held by the Marin County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are 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).

**General Authorization**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the following schedule:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term 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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, 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 that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.



**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Segmented Time Distribution

Information about the sensitivity of the fair value of the District's investment to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 5,012,921	\$ 5,013,878	\$ 3,823,968	\$ 1,188,953

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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 5,012,921	\$ 5,013,878			\$ 5,012,921

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. However, the District does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the District.

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2014, the District does not have any investments that are held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)**

Custodial Credit Risk - Deposits (Concluded)

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Derivative Investments

The District does not directly invest in any derivative investments. Information relating to the use of derivative investments by the Marin County Treasury was not available.

**NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

There were no excess of expenditures over appropriations in the General Fund as of June 30, 2014.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2014 consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Totals</u>
Federal Government	\$ 151,222		\$ 151,222
State Government	531,350		531,350
Local Governments	257,470		257,470
Miscellaneous	<u>248,135</u>	<u>\$ 3,262</u>	<u>251,397</u>
Totals	<u>\$ 1,188,177</u>	<u>\$ 3,262</u>	<u>\$ 1,191,439</u>

**NOTE 5 - INTERFUND ACTIVITIES**

Interfund transactions are reported as 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.

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.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2014 were as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 222,622	
Capital Projects - Special Reserve	_____	\$ 128,176
Governmental Funds	222,622	128,176
Proprietary Fund	_____	94,446
Totals	<u>\$ 222,622</u>	<u>\$ 222,622</u>

All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for fiscal year 2013-14 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 1,118,802	\$ 127,974
Debt Service	127,974	
Capital Projects - Special Reserve	_____	1,118,802
Totals	<u>\$ 1,246,776</u>	<u>\$ 1,246,776</u>

Transfer of \$127,974 from the General Fund to the Debt Service Fund to transfer electricity savings.

Transfer of \$1,118,802 from the Capital Projects - Special Reserve Fund to the General Fund to transfer excess lease revenues.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2014, is shown below:

	Balances July 1, 2013	Additions	Deletions	Balances June 30, 2014
Land	\$ 1,412,651			\$ 1,412,651
Sites and Improvements	6,732,118	\$ 24,008		6,756,126
Buildings and Improvements	26,634,546	70,093		26,704,639
Furniture and Equipment	1,407,993	78,927		1,486,920
Totals at Historical Cost	<u>36,187,308</u>	<u>173,028</u>	<u>\$ 0</u>	<u>36,360,336</u>
Less Accumulated Depreciation for:				
Sites and Improvements	5,976,458	86,252		6,062,710
Buildings and Improvements	17,178,912	770,580		17,949,492
Furniture and Equipment	1,121,371	60,362		1,181,733
Total Accumulated Depreciation	<u>24,276,741</u>	<u>917,194</u>	<u>0</u>	<u>25,193,935</u>
Governmental Activities				
Capital Assets, net	<u>\$ 11,910,567</u>	<u>\$ (744,166)</u>	<u>\$ 0</u>	<u>\$ 11,166,401</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 585,970
Supervision of Instruction	29,976
Instructional Library and Technology	12,204
School Site Administration	56,532
Home-to-School Transportation	33,451
Food Services	8,102
Other Pupil Services	27,124
Data Processing Services	2,563
Other General Administration	67,315
Plant Services	<u>93,957</u>
Total Depreciation Expense	<u>\$ 917,194</u>

**NOTE 7 - GENERAL OBLIGATION BONDS**

The outstanding general obligation debt of the District as of June 30, 2014 is as follows:

**A. Current Interest Bonds**

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Bonds Outstanding July 1, 2013	Issued Current Year	Redeemed Current Year	Bonds Outstanding June 30, 2014
9/28/11	2.00-5.00	8/1/21	<u>\$ 5,850,000</u>	<u>\$ 5,255,000</u>	<u>\$ 0</u>	<u>\$ 455,000</u>	<u>\$ 4,800,000</u>

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)**

**A. Current Interest Bonds (Concluded)**

The annual requirements to amortize the current interest general obligation bonds, as of June 30, 2014, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 480,000	\$ 175,500	\$ 655,500
2016	510,000	158,100	668,100
2017	545,000	139,725	684,725
2018	580,000	124,300	704,300
2019	610,000	107,175	717,175
2020-2024	<u>2,075,000</u>	<u>157,150</u>	<u>2,232,150</u>
<b>Totals</b>	<b><u>\$ 4,800,000</u></b>	<b><u>\$ 861,950</u></b>	<b><u>\$ 5,661,950</u></b>

**B. Capital Appreciation Bonds**

<u>Date of Issue</u>	<u>Accretion Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Bonds Outstanding July 1, 2013</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Bonds Outstanding June 30, 2014</u>
8/8/00	5.90-5.94	8/1/25	<u>\$ 1,015,810</u>	<u>\$ 2,157,023</u>	<u>\$ 129,682</u>	<u>\$ 0</u>	<u>\$ 2,286,705</u>

The outstanding obligation for the capital appreciation bonds at June 30, 2014, was as follows:

<u>Year Ended June 30</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2015	\$ 0	\$ 0	\$ 0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020-2024	527,853	658,086	1,185,939
2025-2029	<u>487,957</u>	<u>612,809</u>	<u>1,100,766</u>
<b>Totals</b>	<b><u>\$ 1,015,810</u></b>	<b><u>\$ 1,270,895</u></b>	<b><u>\$ 2,286,705</u></b>

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)**

**B. Capital Appreciation Bonds (Concluded)**

The annual requirements to amortize the capital appreciation bonds at June 30, 2014, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 0	\$ 0	\$ 0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020-2024	527,853	1,427,147	1,955,000
2025-2029	487,957	1,557,043	2,045,000
	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 1,015,810</u>	<u>\$ 2,984,190</u>	<u>\$ 4,000,000</u>

**NOTE 8 - CAPITAL LEASE**

The District has entered into an agreement to lease solar equipment and improvements, valued at \$2,629,385. The agreement provides for title to pass upon expiration of the lease term. Future minimum lease payments under this agreement are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease</u> <u>Payments</u>
2015	\$ 190,293
2016	190,292
2017	190,293
2018	190,292
2019	190,293
2020-2024	951,462
2025-2029	<u>190,292</u>
Total payments	2,093,217
Less amounts representing interest	<u>(234,344)</u>
Present value of net minimum lease payments	<u>\$ 1,858,873</u>

The District will receive no sublease revenues nor pay contingent rentals for these assets.

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

*Plan Descriptions:* The District provides medical and dental coverage to employees who retire from active status at a minimum age of 55 with at least 5 years of service for certificated employees, and 10 years of service for classified employees who are eligible for pension benefits from either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The District and retirees share in the cost of benefits as follows:

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

For employees retiring on or after July 1, 2007, the District contributes a maximum contribution of \$425 per month for five years. For employees who retired prior to July 1, 2007, the maximum contribution was \$208 per month for five years. After the initial five years expires, retirees participating in the medical plan receive a \$7.40 per month contribution for life. The retiree is responsible for self-paying 100% of premiums in excess of the District contribution for his/her coverage and is responsible for self-paying 100% of all premiums for uncovered dependents of any age.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued. The number of participants as of July 1, 2014, the effective date of the biennial OPEB valuation is as follows.

Active employees	189
Retired employees	<u>61</u>
Total	<u><u>250</u></u>

**Funding Policy:** The District currently pays for post employment health care benefits on a pay-as-you-go basis and these financial statements assume that pay-as-you-go funding will continue.

**Annual OPEB Cost and Net OPEB Obligation:** The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2014, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation that resulted in a Net OPEB Obligation of \$103,688 for the year ended June 30, 2014.

Normal cost with interest to end of year	\$ 53,000
Amortization of UAAL with interest to end of year	<u>65,000</u>
Annual required contribution (ARC)	118,000
Interest on net OPEB obligation	4,384
Adjustment to ARC	<u>(5,704)</u>
Annual OPEB cost (expense)	116,680
Contributions for the fiscal year	<u>(100,671)</u>
Increase in net OPEB obligation	16,009
Net OPEB Obligation - June 30, 2013	<u>87,679</u>
Net OPEB Obligation - June 30, 2014	<u><u>\$ 103,688</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years are as follows:

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 116,680	86.3%	\$ 103,688
June 30, 2013	119,700	92.1%	87,679
June 30, 2012	123,400	83.1%	78,254

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, the liabilities were computed using the projected unit credit method and the unfunded actuarial accrued liability is being amortized using the level dollar method on an open basis over 30 years. The actuarial assumptions utilized a 4% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial health care cost trend rate of 8%, which grades down to an ultimate rate of 5% by 2017 and beyond.

**NOTE 10 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2014, is shown below.

	<u>Balances July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2014</u>	<u>Due within One Year</u>
Compensated Absences	\$ 103,363	\$ 86,549	\$ 103,363	\$ 86,549	\$ 86,549
General Obligation Bonds					
Current Interest	5,255,000		455,000	4,800,000	480,000
Capital Appreciation	2,157,023	129,682		2,286,705	
Bond Premium	567,931		63,104	504,827	63,104
Capital Lease	2,008,336		149,463	1,858,873	152,502
Other Post Employment Benefits	87,679	116,680	100,671	103,688	103,688
Totals	<u>\$ 10,179,332</u>	<u>\$ 332,911</u>	<u>\$ 871,601</u>	<u>\$ 9,640,642</u>	<u>\$ 885,843</u>

General obligation bonds are liquidated by the Bond Interest and Redemption Fund, compensated absences are liquidated by the General Fund, other post employment benefits are liquidated by the Self Insurance Fund, and the capital lease is liquidated by the Debt Service Fund.



**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 11 - FUND BALANCES**

The District's fund balances at June 30, 2014 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Capital Projects - Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 3,450				\$ 3,450
Restricted	766,641	\$ 627,304		\$ 517,310	1,911,255
Assigned	933,664		\$ 692,937		1,626,601
Unassigned:					
Economic Uncertainties	<u>1,397,494</u>				<u>1,397,494</u>
Totals	<u>\$ 3,101,249</u>	<u>\$ 627,304</u>	<u>\$ 692,937</u>	<u>\$ 517,310</u>	<u>\$ 4,938,800</u>

**NOTE 12 - OPERATING LEASES**

The District owns real property on which it collects rental income under several operating lease agreements. Four of the District's eight school sites are leased out. Generally, these leases provide for renewal options at the conclusion of fixed terms, which vary in length.

During fiscal year 2013-14, the District received \$1,398,700 of rental income from these leased facilities.

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (CalSTRS) and classified employees are members of the Public Employees' Retirement System (CalPERS).

**A. State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

A. State Teachers' Retirement System (CalSTRS) (Concluded)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$739,580, \$712,002, and \$698,711, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$335,478, \$313,536, and \$301,318, respectively, and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, employees were required to contribute 6.2% of their gross earnings

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**NOTE 14 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA**

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions to CalSTRS of \$466,518 (5.204% of salaries subject to CalSTRS).

**NOTE 15 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013-14, the District participated in one joint power authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

**NOTE 16 - JOINT VENTURE**

The District participates in one joint venture under a joint powers agreement with Marin Schools Insurance Authority (MSIA) for workers' compensation and property and liability insurance. The relationship between the District and MSIA is such that MSIA is not a component unit of the District for financial reporting purposes.

MSIA arranges for and/or provides coverage for its members. MSIA is governed by a board consisting of a representative from each member district. MSIA's governing board controls the operations of MSIA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in MSIA.

MSIA is audited on an annual basis. Audited financial statements can be obtained by contacting MSIA's management.

**NOTE 17 - ECONOMIC DEPENDENCY**

During fiscal year 2013-14, the District received \$1,967,638 of parcel tax revenue that is subject to voter approval, and \$932,093 from Can Do!, a non-profit education foundation, that is subject to voluntary public contributions. The parcel tax is used to support various programs in the District.

**NOTE 18 - COMMITMENTS AND CONTINGENCIES**

**A. State and Federal Allowances, Awards and Grants**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 18 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 19 - RESTATEMENT OF NET POSITION

In accordance with the provisions of GASB 65, the beginning net position balance has been restated to reflect the write-off of unamortized debt issuance costs. The effect of the restatement on the current year financial statements is as follows:

	<u>Statement of Activities</u>
Net Position - July 1, 2013 (as originally stated)	\$ 7,089,255
Write-off Unamortized Debt Issuance Costs	<u>(58,203)</u>
Net Position - July 1, 2013 (as restated)	<u>\$ 7,031,052</u>

NOTE 20 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 8, 2014, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions (except as noted below) that require disclosure in or adjustment to the current year financial statements.

- A. On the November 4, 2014, general election, the registered voters of the District approved Measure C, which authorizes the District to issue up to \$30,000,000 in general obligation bonds for construction and modernization of school facilities.

SUPPLEMENTARY INFORMATION SECTION

**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers	\$ 246,833	\$ 1,186,055	\$ 1,188,346	\$ 2,291
Local Sources	11,306,371	11,360,628	11,447,482	86,854
Total LCFF Sources	11,553,204	12,546,683	12,635,828	89,145
Federal Revenue	561,515	669,783	630,629	(39,154)
Other State Revenue	1,364,388	866,270	870,445	4,175
Other Local Revenue	3,400,712	4,308,871	4,346,681	37,810
Total Revenues	16,879,819	18,391,607	18,483,583	91,976
<b><u>Expenditures</u></b>				
Certificated Salaries	8,942,420	9,192,629	9,152,070	40,559
Classified Salaries	3,022,634	3,585,372	3,528,966	56,406
Employee Benefits	3,085,337	3,222,309	3,151,639	70,670
Books and Supplies	634,895	1,375,261	761,160	614,101
Services and Other				
Operating Expenditures	2,076,193	2,534,563	2,366,673	167,890
Capital Outlay	55,000	222,534	181,662	40,872
Other Expenditures	417,177	653,120	590,711	62,409
Total Expenditures	18,233,656	20,785,788	19,732,881	1,052,907
Excess of Revenues (Under) Expenditures	(1,353,837)	(2,394,181)	(1,249,298)	1,144,883
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In	873,449	1,118,801	1,118,802	1
Operating Transfers Out	(127,974)	(127,974)	(127,974)	
Total Other Financing Sources (Uses)	745,475	990,827	990,828	1
Net Change in Fund Balances	(608,362)	(1,403,354)	(258,470)	\$ 1,144,884
Fund Balances - July 1, 2013	3,359,719	3,359,719	3,359,719	
Fund Balances - June 30, 2014	\$ 2,751,357	\$ 1,956,365	\$ 3,101,249	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**DIXIE SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>Debt Service</u>	<u>Capital Facilities</u>	<u>Building</u>	<u>Solar Project</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Assets</u></b>					
Deposits and Investments	\$ 103,550	\$ 129,679	\$ 102,401	\$ 181,213	\$ 516,843
Receivables	8,020				8,020
Total Assets	<u>\$ 111,570</u>	<u>\$ 129,679</u>	<u>\$ 102,401</u>	<u>\$ 181,213</u>	<u>\$ 524,863</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable		\$ 7,553			\$ 7,553
Fund Balances:					
Restricted	<u>\$ 111,570</u>	<u>122,126</u>	<u>\$ 102,401</u>	<u>\$ 181,213</u>	<u>517,310</u>
Total Liabilities and Fund Balances	<u>\$ 111,570</u>	<u>\$ 129,679</u>	<u>\$ 102,401</u>	<u>\$ 181,213</u>	<u>\$ 524,863</u>

**DIXIE SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Debt Service</u>	<u>Capital Facilities</u>	<u>Building</u>	<u>Solar Project</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Revenues</u></b>					
Local Revenue	\$ 100,127	\$ 6,696	\$ 115	\$ 114	\$ 107,052
<b><u>Expenditures</u></b>					
Other General Administration		39,044			39,044
Facilities Acquisition and Construction				6,745	6,745
Debt Service:					
Principal Retirement	149,463				149,463
Interest and Issuance Costs	40,829				40,829
Total Expenditures	190,292	39,044	0	6,745	236,081
Excess of Revenues Over (Under) Expenditures	(90,165)	(32,348)	115	(6,631)	(129,029)
<b><u>Other Financing Sources</u></b>					
Operating Transfers In	127,974				127,974
Net Change in Fund Balances	37,809	(32,348)	115	(6,631)	(1,055)
Fund Balances - July 1, 2013	73,761	154,474	102,286	187,844	518,365
Fund Balances - June 30, 2014	<u>\$ 111,570</u>	<u>\$ 122,126</u>	<u>\$ 102,401</u>	<u>\$ 181,213</u>	<u>\$ 517,310</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
7/1/14	\$ 0	\$ 1,008,251	\$ 1,008,251	0%	\$ 11,197,537	9.0%
6/30/12	\$ 0	\$ 1,057,000	\$ 1,057,000	0%	\$ 11,237,749	9.4%
6/30/10	\$ 0	\$ 1,065,000	\$ 1,065,000	0%	\$ 11,930,509	8.9%
6/30/08	\$ 0	\$ 1,042,000	\$ 1,042,000	0%	\$ 11,884,518	8.8%

**DIXIE SCHOOL DISTRICT**  
**ORGANIZATION/GOVERNING BOARD/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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ORGANIZATION

The Dixie School 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.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Bruce Abbott	President	December 2017
Andy Hyman	Vice President	December 2015
Jennifer Taekman	Clerk	December 2015
Brad Honsberger	Trustee	December 2017
Mark Schott	Trustee	December 2017

ADMINISTRATION

Thomas Lohwasser, Ed.D  
Superintendent

Robert Marical  
Business Manager

Judith Arrow  
Director of Education Services

Rebecca Minnich  
Special Education Coordinator

**DIXIE SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>P-2 Report</b>			
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	<b>Total</b>
Regular	816.59	650.81	366.40	1,833.80
Extended Year Special Education	0.79	1.21	0.43	2.43
Special Education - NPS / LCI	0.27	1.24	2.82	4.33
Extended Year Special Education - NPS / LCI		0.10	0.18	0.28
<b>Totals</b>	<b>817.65</b>	<b>653.36</b>	<b>369.83</b>	<b>1,840.84</b>

	<b>Annual Report</b>			
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	<b>Total</b>
Regular	818.71	649.38	366.48	1,834.57
Extended Year Special Education	0.79	1.21	0.43	2.43
Special Education - NPS / LCI	0.45	0.98	2.82	4.25
Extended Year Special Education - NPS / LCI		0.10	0.18	0.28
<b>Totals</b>	<b>819.95</b>	<b>651.67</b>	<b>369.91</b>	<b>1,841.53</b>

**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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<b><u>Grade Level</u></b>	<b><u>Minutes Required</u></b>	<b><u>Adjusted Minutes Required</u></b>	<b><u>2013-14 Actual Minutes</u></b>	<b><u>Number of Days Traditional Calendar</u></b>	<b><u>Number of Days Multitrack Calendar</u></b>	<b><u>Status</u></b>
Kindergarten	36,000	35,000	43,125	180	N/A	In Compliance
Grade 1	50,400	49,000	51,870	180	N/A	In Compliance
Grade 2	50,400	49,000	51,870	180	N/A	In Compliance
Grade 3	50,400	49,000	51,870	180	N/A	In Compliance
Grade 4	54,000	52,500	53,940	180	N/A	In Compliance
Grade 5	54,000	52,500	53,940	180	N/A	In Compliance
Grade 6	54,000	52,500	63,719	180	N/A	In Compliance
Grade 7	54,000	52,500	63,719	180	N/A	In Compliance
Grade 8	54,000	52,500	63,719	180	N/A	In Compliance

DIXIE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Agriculture: Passed through California Department of Education (CDE): National School Lunch	10.555	13524	\$ 103,995
U.S. Department of Education: Passed through CDE: NCLB: Title I Basic Grant	84.010	14329	72,526
NCLB: Title II Improving Teacher Quality	84.367	14341	52,976
NCLB: Title III Limited English Proficient	84.365	14346	29,425
Passed through Marin County SELPA: <i>Special Education Cluster:</i> IDEA Part B Basic Local Assistance	84.027	13379	306,557
IDEA Local Assistance - Private Schools	84.027	10115	11,753
IDEA Mental Health Services, Part B	84.027A	14468	53,397
Total			<u>\$ 630,629</u>

**DIXIE SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	General Fund	Deferred Maintenance Fund
June 30, 2014 Annual Financial and Budget Report Fund Balances	\$ 2,908,897	\$ 192,352
Reclassification Increasing (Decreasing) Fund Balances:		
Reclassification of Fund Balances	192,352	(192,352)
June 30, 2014 Audited Financial Statements Fund Balances	\$ 3,101,249	\$ 0

The reclassification of fund balance above was required as a result of the definition of special revenue funds prescribed by GASB 54.

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2014.

**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	GENERAL FUND			
	(Budget) * 2014-15	2013-14	2012-13	2011-12
Revenues and Other Financial Sources	\$ 18,313,198	\$ 19,602,385	\$ 18,048,615	\$ 17,694,139
Expenditures	18,933,907	19,732,881	18,367,471	17,916,418
Other Uses and Transfers Out	133,092	127,974	121,879	116,834
Total Outgo	19,066,999	19,860,855	18,489,350	18,033,252
Change in Fund Balance	(753,801)	(258,470)	(440,735)	(339,113)
Ending Fund Balance	\$ 2,347,448	\$ 3,101,249	\$ 3,359,719	\$ 3,800,454
Available Reserves	\$ 1,485,177	\$ 1,397,494	\$ 2,600,035	\$ 3,118,179
Reserve for Economic Uncertainties **	\$ 1,485,177	\$ 1,397,494	\$ 1,844,570	\$ 1,799,082
Available Reserves as a Percentage of Total Outgo	7.8%	7.0%	14.1%	17.3%
Average Daily Attendance at P-2	1,941	1,841	1,815	1,743
Total Long-Term Liabilities	\$ 8,754,799	\$ 9,640,642	\$ 10,179,332	\$ 10,216,915

\* Amounts reported for the 2014-15 budget are presented for analytical purposes only and have not been audited.

\*\* Reported balances are a component of available reserves.

The fund balance of the General Fund decreased \$699,205 (18.4%) over the past two years. The fiscal year 2014-15 budget projects a decrease of \$753,801 (24.3%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District incurred operating deficits in each of the past three fiscal years. **(See Finding 14-1 on page 70)**

Average daily attendance (ADA) increased 98 ADA over the past two years. The District projects an increase of 100 ADA during fiscal year 2014-15

Total long-term liabilities decreased \$576,273 over the past two years.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES**

**A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

**B. Combining Statements**

Combining statements are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

**C. Schedule of Funding Progress**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the District is required to present a Schedule of Funding Progress which shows the funding progress of the District's OPEB plan for the most recent valuation and the two preceding valuations. The information required to be disclosed includes the valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll and the ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll.

**D. Schedule of Average Daily Attendance**

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**E. Schedule of Instructional Time**

The District participated in the Longer Day incentive funding program for the current fiscal year, but the District did not meet or exceed its LCFF target funding. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

**F. Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of federal awards includes the federal grant activities of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



**DIXIE SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

G. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

H. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Governing Board  
Dixie School District  
San Rafael, California

**Report on State Compliance**

We have audited Dixie School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14* for the year ended June 30, 2014.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, prescribed in the California Code of Regulations, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Dixie School District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Dixie School District's compliance with state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Instructional Time for School Districts	10	Yes
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance For Charter Schools	8	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform tests for the independent study program because the ADA claimed by the District does not exceed the threshold that requires testing.

Opinion on State Compliance

In our opinion, Dixie School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Findings 14-2** and **14-3**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 8, 2014



# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **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**

Governing Board  
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 governmental activities, each major fund, and the aggregate remaining fund information of the Dixie School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2014 that included an unmodified opinion on the governmental activities, each major fund and the aggregate remaining fund information and an adverse opinion on the discretely presented component unit. The report on the financial statements included an adverse opinion on the discretely presented component unit because the financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency, as noted in **Finding 14-1**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The 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 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.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 8, 2014



**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board  
Dixie School District  
San Rafael, California

**Report on Compliance for Each Major Federal Program**

We have audited Dixie School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Dixie School District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Dixie School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Dixie School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Dixie School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 8, 2014

## FINDINGS AND QUESTIONED COSTS SECTION

**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified with Adverse Opinion on  
Discretely Presented Component Unit

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ Yes   X   No

Significant deficiencies identified not considered  
to be material weaknesses?   X   Yes \_\_\_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_ Yes   X   No

Significant deficiencies identified not considered  
to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for  
major programs: Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section .510(a) \_\_\_\_\_ Yes   X   No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Federal Program</u>
84.027	Special Education Cluster

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**State Awards**

Internal control over state programs:

Material weaknesses identified? \_\_\_\_\_ Yes   X   No

Significant deficiencies identified not considered  
to be material weaknesses?   X   Yes \_\_\_\_\_ None reported

Type of auditor's report issued on compliance for  
state programs: Unmodified

**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**14 - 1 / 30000**

**SIGNIFICANT DEFICIENCY**

**DEFICIT SPENDING**

Criteria: In accordance with Title 5, CCR, Section 15483, the State recommends that the District maintain available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

Condition: Although the District currently has available reserves that exceed the state recommended minimum, the District incurred operating deficits of \$258,470 \$440,735, \$339,113, and \$492,982 during fiscal years 2013-14, 2012-13, 2011-12 and 2010-11, respectively. As a result, the fund balance of the General Fund decreased \$1,531,300 over the past four fiscal years. In addition, the District's fiscal year 2014-15 budget projects a further decrease of \$753,801.

Questioned Costs: None.

Context: General Fund expenditures have exceeded revenues in the past four fiscal years. In addition, the District's 2014-15 fiscal year budget projects further deficit spending of \$753,801.

Effect: If appropriate program cuts are not made in a timely manner, and available reserves are allowed to decline, it may impair the District's ability to meet its obligations as they become due in future years.

Cause: The District has not reduced its program spending down to a level, which can be supported by the amount of revenue received by the District.

Recommendation: The District should take appropriate action to reduce its program spending down to a level, which can be supported by the amount of revenue received by the District.

District Response: The District continues to maintain adequate reserve level above the state minimum requirement. In addition, the District continues to monitor current year budget for possible savings and reduction. Under the LCFF funding formula, current projections indicate that the additional revenues received under the formula will substantially decrease the level of deficit spending next year and will eliminate deficit spending in two years.

**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no matters to report for the fiscal year ended June 30, 2014.

**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**14 - 2 / 40000**

**SIGNIFICANT DEFICIENCY**

**UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS**

Criteria: The California Longitudinal Pupil Achievement Data System (CALPADS) was created to enable California to meet federal requirements delineated in the No Child Left Behind (NCLB) Act of 2001. California Education Code Section 60900 requires local educational agencies to retain and report to CALPADS individual pupil and staff records, including enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the Superintendent of Public Instruction using the CALPADS. As such, information reported on CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report, as of the Census Day (October 2) for the English learner, foster youth, and free or reduced-price meal eligible pupil counts should be consistent with the District's English learner, foster youth, and free or reduced-price meal eligible pupil records.

Condition: The District reported twelve (12) students on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report, indicated as a "No" under the "Direct Certification" column, that were only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column, with no supporting documentation, such as a Free and Reduced Price Meal eligibility application under a federal nutrition program or an alternative household income data collection form that indicates the students were eligible for the designations.

	Total Unduplicated Eligible Free/ Reduced Meal Counts	EL Funding Eligible	Unduplicated FRPM/EL Eligible Count
	Total Enrollment		
Dixie Elementary	394	24	25
Mary E. Silveira Elementary	455	80	70
Miller Creek Middle	628	96	38
NPS School Group for Dixie	4	0	0
Vallecito Elementary	457	68	75
Certified Pupil Counts	1,938	268	208
Audit Adjustments	0	(12)	0
Audited Pupil Counts	1,938	256	208

**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (CONCLUDED)

Questioned Costs: We tested 100% of the population where the error was discovered. The District received funding under the Basic Aid provision and did not receive either supplemental or concentration grant funding in fiscal year 2013-14, therefore there is no fiscal impact.

Context: The condition was noted for all schools as of the Census Day for fiscal year 2013-14. The District reviewed all Free and Reduced Price Meal eligibility applications on hand and the auditors reviewed and confirmed the information.

Effect: The District overstated the certified unduplicated local control funding formula pupil counts to the California Department of Education (CDE).

Cause: The District did not reconcile the Free and Reduced Price Meal eligibility applications on hand as of the Census Day to the counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report, to ensure accuracy and completeness.

Recommendation: The District should establish procedures to ensure that counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report are supported by appropriate documentation.

District Response: The District has established procedures to ensure that counts report on the CALPADS – 1.18 – FRPM/English Learner/Foster Youth – Student List report are supported by appropriate documentation.



**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)**

**14 - 3 / 10000**

**SIGNIFICANT DEFICIENCY**

ATTENDANCE

Criteria: In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education.

Conditions:

1. Classroom attendance reports, which are used by teachers to document the attendance of students, were not signed by teachers and submitted to the attendance office, on a consistent basis.
2. The school secretary is not monitoring whether teachers turn in their signed weekly classroom attendance reports on a consistent basis.

Questioned Costs: None. Attendance is recorded on-line in the classrooms by the teachers.

Context: The conditions were noted at Dixie Elementary School throughout fiscal year 2013-14.

Effect: There is no documented evidence that attendance was taken by teachers if signed weekly classroom attendance reports are not submitted to the school secretary.

Cause: Teachers and the school secretary did not follow District established attendance procedures.

Recommendation: The District should remind the school of the established policies and procedures that require the school secretary to track whether teachers submit signed weekly classroom attendance reports, perform follow-up procedures on delinquent teachers, and report those delinquent teachers to site administrators.

District Response: The Business Manager has met with and reviewed existing procedures and protocols with school site personnel. District Office personnel will be conducting on-site audits of attendance at each school site during the year to ensure that existing procedure and protocols are understood and followed throughout the district.

**DIXIE SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<b><u>FINANCIAL STATEMENTS</u></b>		
<b>13 - 1 / 30000</b>		
<b>SIGNIFICANT DEFICIENCY</b>		
<b><u>DEFICIT SPENDING</u></b>		
The District should take appropriate action to reduce its program spending down to a level, which can be supported by the amount of revenue received by the District.	Not Implemented	Comment Repeated (See <b>Finding 14-1</b> )