

# DIXIE SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2016

San Diego

Los Angeles

San Francisco  
Bay Area

christy  white  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**DIXIE SCHOOL DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2016**

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# FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Dixie School District  
San Rafael, California

Christy White, CPA

Michael Ash, CPA

Heather Rubio

### **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, 2016, and the related notes to the financial statements, which collectively comprise the Dixie School District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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.

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State Board of Accountancy*

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.

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, 2016, or the changes in financial position thereof for the year then ended.

***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 Dixie School District, as of June 30, 2016, 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 required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

### *Supplementary 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 supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 on our consideration of 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.

*Christy White Associates*

San Diego, California  
December 7, 2016

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

Our discussion and analysis of Dixie School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total net position was negative \$11,279,305 at June 30, 2016. This was an increase of \$1,082,593 from the prior year before restatement.
- The cause of the negative net position is largely due to the implementation of GASB 68. This accounting standard was issued by the Governmental Accounting Standards Board (GASB) and makes changes to the recording for costs and liabilities related to employee pensions. GASB 68 relates to the accrual-basis financial statements, the government-wide financial statements. The implementation of GASB 68 in fiscal year 2014-15 established a net pension liability that can be seen in the government-wide financial statement causing an increase to the overall long term debt for Dixie School District.
- The District's net pension liability was further increased in 2015-16. This liability was increased due to a couple of factors. The actuarial study determined that the STRS net pension liability for the entire pool went up by almost \$9 billion (from \$58.4 billion at June 30, 2015 to \$67.3 billion at June 30, 2015). An additional factor causing the increase in net pension liability was the increase in the District's proportionate share of the net pension liability, which increased from 0.020% at June 30, 2014 to 0.021% at June 30, 2015. The PERS net pension liability for the entire pool also increased but not as significant as the STRS portion.
- Overall expenses were \$24,220,753 which were exceeded by revenues of \$25,303,346.
- In November 2014, voters approved a \$30,000,000 General Obligation Bond to upgrade and repair schools. As of June 30, 2016 the district has expended \$3.4 million dollars in various projects throughout the district. Completed projects include various roofing projects, turf playground and parking improvements at Vallecito, Dixie School Multi-purpose Room upgrade, and Miller Creek's Lohwasser Field. Projects underway or in planning include Mary Silveira School Multi-purpose Room expansion, Dixie School site modernization, technology infrastructure upgrade, safety and ADA accessibility upgrades at all schools.
- The District's enrollment has increased in each of the last three years. Enrollment slightly increased in 2015-16 and is expected to be stable over the next few years.
- The District finished 2015-16 fiscal year with a surplus in the General Fund. This was after five consecutive years of deficit spending.

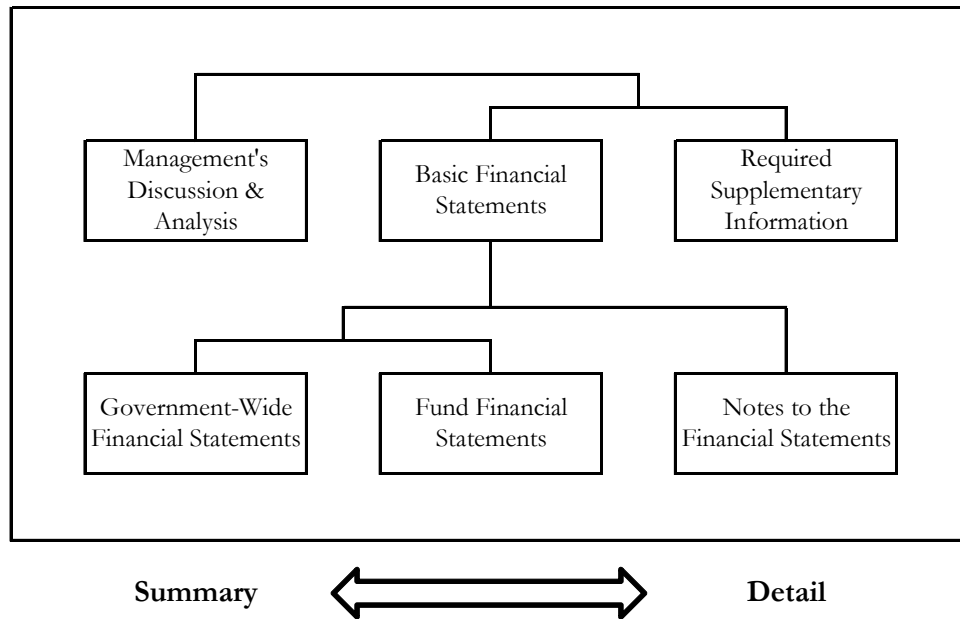


**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**



**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. 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 financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

### **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's combined net position was negative \$11,279,305 at June 30, 2016, as reflected in the table below. Of this amount, negative \$15,900,787 was unrestricted. The negative unrestricted ending net position is largely due to the implementation of GASB 68 in fiscal year 2014-15. This financial accounting pronouncement required the establishment of a net pension liability (reflected below in the total long term liabilities) as well as deferred outflows and inflows of resources. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 19,168,070	\$ 21,360,155	\$ (2,192,085)
Capital assets	13,354,400	10,985,647	2,368,753
<b>Total Assets</b>	<b>32,522,470</b>	<b>32,345,802</b>	<b>176,668</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,431,664</b>	<b>1,293,729</b>	<b>1,137,935</b>
<b>LIABILITIES</b>			
Current liabilities	3,629,134	2,933,323	695,811
Long-term liabilities	40,817,564	39,104,920	1,712,644
<b>Total Liabilities</b>	<b>44,446,698</b>	<b>42,038,243</b>	<b>2,408,455</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,786,741</b>	<b>3,963,186</b>	<b>(2,176,445)</b>
<b>NET POSITION</b>			
Net investment in capital assets	287,062	386,852	(99,790)
Restricted	4,334,420	3,278,985	1,055,435
Unrestricted	(15,900,787)	(16,027,735)	126,948
<b>Total Net Position</b>	<b>\$ (11,279,305)</b>	<b>\$ (12,361,898)</b>	<b>\$ 1,082,593</b>

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Operating grants and contributions	\$ 3,621,573	\$ 3,112,448	\$ 509,125
General revenues			
Property taxes	14,782,227	14,649,275	132,952
Unrestricted federal and state aid	4,912,901	2,034,226	2,878,675
Other	1,986,645	1,901,159	85,486
<b>Total Revenues</b>	<b>25,303,346</b>	<b>21,697,108</b>	<b>3,606,238</b>
<b>EXPENSES</b>			
Instruction	14,217,548	13,880,182	337,366
Instruction-related services	2,405,893	2,300,367	105,526
Pupil services	1,511,220	1,535,972	(24,752)
General administration	1,642,993	1,492,361	150,632
Plant services	2,057,130	2,008,213	48,917
Ancillary and community services	18,271	12,133	6,138
Debt service	761,654	483,869	277,785
Other Outgo	487,156	559,109	(71,953)
Depreciation	1,118,888	865,442	253,446
<b>Total Expenses</b>	<b>24,220,753</b>	<b>23,137,648</b>	<b>1,083,105</b>
<b>Change in net position</b>	<b>1,082,593</b>	<b>(1,440,540)</b>	<b>2,523,133</b>
<b>Net Position - Beginning*</b>	<b>(12,361,898)</b>	<b>(10,921,358)</b>	<b>(1,440,540)</b>
<b>Net Position - Ending</b>	<b>\$ (11,279,305)</b>	<b>\$ (12,361,898)</b>	<b>\$ 1,082,593</b>

\* Beginning Net Position was restated for the 2015 year only

The cost of all our governmental activities this year was \$24,220,753 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$14,782,227 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$3,621,573).

**DIXIE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

In the table below we have presented the net cost of each of the District’s functions. Net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<b>Net Cost of Services</b>	
	<b>2016</b>	<b>2015</b>
Instruction	\$ 11,543,639	\$ 11,566,171
Instruction-related services	2,067,174	2,112,270
Pupil services	1,082,682	1,157,890
General administration	1,584,720	1,460,718
Plant services	2,048,212	1,909,176
Ancillary and community services	17,902	11,656
Debt service	761,654	483,869
Transfers to other agencies	374,309	458,008
Depreciation	1,118,888	865,442
<b>Total Expenses</b>	<b>\$ 20,599,180</b>	<b>\$ 20,025,200</b>

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$17,443,982, which is less than last year's ending fund balance of \$19,305,768. The District's General Fund had \$691,992 less in operating revenues than expenditures for the year ended June 30, 2016. The District's Building Fund had \$3,089,082 less in operating revenues than expenditures for the year ended June 30, 2016.

The decrease in the combined fund balance is largely due to increase in construction related projects in the 2015-16 year.

**CURRENT YEAR BUDGET 2015-16**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis, as needed, to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2015-16 the District had invested \$13,354,400 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 1,412,651	\$ 1,412,651	\$ -
Construction in progress	802,608	607,143	195,465
Land improvements	8,671,731	6,774,708	1,897,023
Buildings & improvements	28,009,537	26,719,233	1,290,304
Furniture & equipment	1,636,138	1,531,289	104,849
Accumulated depreciation	(27,178,265)	(26,059,377)	(1,118,888)
<b>Total Capital Assets</b>	<b>\$ 13,354,400</b>	<b>\$ 10,985,647</b>	<b>\$ 2,368,753</b>

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end, the District had \$40,817,564 in long-term debt, an increase of 4% from last year – as shown in table below. The cause of the increase in long term liabilities is largely due to the implementation of GASB 68 in fiscal year 2014-15. GASB 68 requires the establishment of a net pension liability to account for the District's obligation related to employee pensions. The net pension liability impacts the government-wide financial statements and does not impact the District's day to day activities recorded in the governmental funds. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 22,810,704	\$ 23,275,641	\$ (464,937)
Capital leases	1,550,769	1,706,371	(155,602)
Compensated absences	93,925	92,150	1,775
Net OPEB obligation	84,988	101,733	(16,745)
Net pension liability	18,296,623	14,841,052	3,455,571
Less: current portion of long-term debt	(2,019,445)	(912,027)	(1,107,418)
<b>Total Long-term Liabilities</b>	<b>\$ 40,817,564</b>	<b>\$ 39,104,920</b>	<b>\$ 1,712,644</b>

**DIXIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The State's economy is expected to grow faster than the national economy with unemployment dropping. Personal income is expected to grow 3.6%; according to the UCLA Anderson Economic Forecast, April 2016. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and while positive remains uncertain.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2016. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2016-17 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and 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 about this report or need any 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, 2016**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 18,194,342
Accounts receivable	973,728
Capital assets, not depreciated	2,215,259
Capital assets, net of accumulated depreciation	11,139,141
<b>Total Assets</b>	<b>32,522,470</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	2,431,664
<b>Total Deferred Outflows of Resources</b>	<b>2,431,664</b>
<b>LIABILITIES</b>	
Accrued liabilities	1,539,477
Unearned revenue	70,212
Long-term liabilities, current portion	2,019,445
Long-term liabilities, non-current portion	40,817,564
<b>Total Liabilities</b>	<b>44,446,698</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,786,741
<b>Total Deferred Inflows of Resources</b>	<b>1,786,741</b>
<b>NET POSITION</b>	
Net investment in capital assets	287,062
Restricted:	
Capital projects	1,150,119
Debt service	2,640,579
Educational programs	543,722
Unrestricted	(15,900,787)
<b>Total Net Position</b>	<b>\$ (11,279,305)</b>

The accompanying notes are an integral part of these financial statements.

**DIXIE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Function/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>			
Instruction	\$ 14,217,548	\$ 2,673,909	\$ (11,543,639)
Instruction-related services			
Instructional supervision and administration	760,721	232,480	(528,241)
Instructional library, media, and technology	302,415	63,944	(238,471)
School site administration	1,342,757	42,295	(1,300,462)
Pupil services			
Home-to-school transportation	609,879	25,602	(584,277)
Food services	157,161	129,000	(28,161)
All other pupil services	744,180	273,936	(470,244)
General administration			
Centralized data processing	143,447	16,846	(126,601)
All other general administration	1,499,546	41,427	(1,458,119)
Plant services	2,057,130	8,918	(2,048,212)
Ancillary services	2,752	369	(2,383)
Community services	15,519	-	(15,519)
Interest on long-term debt	761,654	-	(761,654)
Other Outgo	487,156	112,847	(374,309)
Depreciation (unallocated)	1,118,888	-	(1,118,888)
<b>Total Governmental Activities</b>	<b>\$ 24,220,753</b>	<b>\$ 3,621,573</b>	<b>(20,599,180)</b>
General revenues			
Taxes and subventions			
Property taxes, levied for general purposes			10,836,849
Property taxes, levied for debt service			2,014,016
Property taxes, levied for other specific purposes			1,931,362
Federal and state aid not restricted for specific purposes			4,912,901
Interest and investment earnings			37,228
Interagency revenues			866
Miscellaneous			1,948,551
<b>Subtotal, General Revenue</b>			<b>21,681,773</b>
<b>CHANGE IN NET POSITION</b>			<b>1,082,593</b>
<b>Net Position - Beginning</b>			<b>(12,361,898)</b>
<b>Net Position - Ending</b>			<b>\$ (11,279,305)</b>

The accompanying notes are an integral part of these financial statements.

**DIXIE SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

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	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ 2,322,224	\$ 11,695,338	\$ 3,931,205	\$ 17,948,767
Accounts receivable	935,739	-	37,989	973,728
Due from other funds	70	-	-	70
<b>Total Assets</b>	<b>\$ 3,258,033</b>	<b>\$ 11,695,338</b>	<b>\$ 3,969,194</b>	<b>\$ 18,922,565</b>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 1,000,738	\$ 401,203	\$ 6,430	\$ 1,408,371
Unearned revenue	23,743	-	46,469	70,212
<b>Total Liabilities</b>	<b>1,024,481</b>	<b>401,203</b>	<b>52,899</b>	<b>1,478,583</b>
<b>FUND BALANCES</b>				
Nonspendable	3,000	-	-	3,000
Restricted	543,722	11,294,135	3,916,295	15,754,152
Assigned	540,527	-	-	540,527
Unassigned	1,146,303	-	-	1,146,303
<b>Total Fund Balances</b>	<b>2,233,552</b>	<b>11,294,135</b>	<b>3,916,295</b>	<b>17,443,982</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,258,033</b>	<b>\$ 11,695,338</b>	<b>\$ 3,969,194</b>	<b>\$ 18,922,565</b>

The accompanying notes are an integral part of these financial statements.

**DIXIE SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2016**

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**Total Fund Balance - Governmental Funds** \$ 17,443,982

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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	\$ 40,532,665	
Accumulated depreciation	(27,178,265)	13,354,400

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 unmaturing interest owing at the end of the period was:

(125,597)

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 relating to governmental activities consist of:

Total general obligation bonds	\$ 22,810,704	
Capital leases	1,550,769	
Compensated absences	93,925	
Net OPEB obligation	84,988	
Net pension liability	18,296,623	(42,837,009)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 2,431,664	
Deferred inflows of resources related to pensions	(1,786,741)	644,923

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, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

239,996

**Total Net Position - Governmental Activities** \$ (11,279,305)

The accompanying notes are an integral part of these financial statements.

**DIXIE SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 14,365,087	\$ -	\$ -	\$ 14,365,087
Federal sources	634,176	-	-	634,176
Other state sources	2,433,236	-	15,074	2,448,310
Other local sources	4,327,395	35,312	3,550,913	7,913,620
<b>Total Revenues</b>	<b>21,759,894</b>	<b>35,312</b>	<b>3,565,987</b>	<b>25,361,193</b>
<b>EXPENDITURES</b>				
Current				
Instruction	14,189,000	-	-	14,189,000
Instruction-related services				
Instructional supervision and administration	759,245	-	-	759,245
Instructional library, media, and technology	301,931	-	-	301,931
School site administration	1,339,390	-	-	1,339,390
Pupil services				
Home-to-school transportation	701,912	-	-	701,912
Food services	157,207	-	-	157,207
All other pupil services	742,060	-	-	742,060
General administration				
Centralized data processing	143,482	-	-	143,482
All other general administration	1,490,168	-	8,223	1,498,391
Plant services				
Facilities acquisition and maintenance	264,885	3,124,394	3,181	3,392,460
Ancillary services	2,782	-	-	2,782
Community services	15,514	-	-	15,514
Transfers to other agencies	587,837	-	-	587,837
Debt service				
Principal	-	-	665,602	665,602
Interest and other	-	-	665,266	665,266
<b>Total Expenditures</b>	<b>22,451,886</b>	<b>3,124,394</b>	<b>1,646,699</b>	<b>27,222,979</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(691,992)</b>	<b>(3,089,082)</b>	<b>1,919,288</b>	<b>(1,861,786)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	998,449	-	138,416	1,136,865
Transfers out	(138,416)	-	(998,449)	(1,136,865)
<b>Net Financing Sources (Uses)</b>	<b>860,033</b>	<b>-</b>	<b>(860,033)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>				
	168,041	(3,089,082)	1,059,255	(1,861,786)
<b>Fund Balance - Beginning</b>	<b>2,065,511</b>	<b>14,383,217</b>	<b>2,857,040</b>	<b>19,305,768</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,233,552</b>	<b>\$ 11,294,135</b>	<b>\$ 3,916,295</b>	<b>\$ 17,443,982</b>

The accompanying notes are an integral part of these financial 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 YEAR ENDED JUNE 30, 2016**

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**Net Change in Fund Balances - Governmental Funds** \$ (1,861,786)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

**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 estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 3,487,641	
Depreciation expense:	<u>(1,118,888)</u>	2,368,753

**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:

665,602

**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, it is recognized in the period 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:

49,356

**Accreted interest on long-term debt:**

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(145,744)

**Compensated absences:**

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

(1,775)

**Postemployment 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 actual employer contributions was:

16,745

The accompanying notes are an integral part of these financial statements.

**DIXIE SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (141,191)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 100,681

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 internal service funds was: 31,952

**Change in Net Position of Governmental Activities**

\$ 1,082,593

**DIXIE SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 245,575
Total current assets	<u>245,575</u>
<b>Total Assets</b>	<u>245,575</u>
<b>LIABILITIES</b>	
Current liabilities	
Accrued liabilities	5,509
Due to other funds	70
Total current liabilities	<u>5,579</u>
<b>Total Liabilities</b>	<u>5,579</u>
<b>NET POSITION</b>	
Unrestricted	239,996
<b>Total Net Position</b>	<u>\$ 239,996</u>

The accompanying notes are an integral part of these financial statements.



**DIXIE SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2016**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 129,397
<b>Total operating revenues</b>	<u>129,397</u>
<b>OPERATING EXPENSE</b>	
Professional services	97,952
<b>Total operating expenses</b>	<u>97,952</u>
<b>Operating income/(loss)</b>	<u>31,445</u>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>	
Interest income	507
<b>Total non-operating revenues/(expenses)</b>	<u>507</u>
<b>CHANGE IN NET POSITION</b>	31,952
<b>Net Position - Beginning</b>	208,044
<b>Net Position - Ending</b>	<u>\$ 239,996</u>

The accompanying notes are an integral part of these financial statements.

**DIXIE SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2016**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from user charges	\$ 129,397
Cash payments for payroll, insurance, and operating costs	(98,571)
Net cash provided by (used for) operating activities	<u>30,826</u>
<b>Cash flows from investing activities</b>	
Interest received	507
Net cash provided by (used for) investing activities	<u>507</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>31,333</u>
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	214,242
End of year	<u>\$ 245,575</u>
 <b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ 31,445
Changes in assets and liabilities:	
Increase (decrease) in accounts payable	(689)
Increase (decrease) in due to other funds	70
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 30,826</u>

The accompanying notes are an integral part of these financial statements.

DIXIE SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2016

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	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
<b>ASSETS</b>	
Cash and investments	\$          890
<b>Total Assets</b>	<u>\$          890</u>
<b>LIABILITIES</b>	
Due to student groups	\$          890
<b>Total Liabilities</b>	<u>\$          890</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Dixie School District (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 District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. 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.

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.

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation

**Government-Wide Statements** (*continued*).

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

**Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds

**Capital Project Funds:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

**Debt Service Fund:** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

Proprietary Funds

**Internal Service Funds:** Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

**Self-Insurance Fund:** Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

D. Basis of Accounting – Measurement Focus

**Government-Wide, Proprietary, and Fiduciary Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

**Government-Wide, Proprietary, and Fiduciary Financial Statements (continued)**

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 self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

**Governmental Funds**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**D. Basis of Accounting – Measurement Focus (*continued*)**

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts 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 the 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 potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Accounting – Measurement Focus (*continued*)

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, 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. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

**Investments**

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. Fair values of investments in county and State investment pools are determined by the program sponsor.

**Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

DIXIE SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

**Capital Assets (continued)**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Sites and Improvements	14-36 years
Buildings and Improvements	14-35 years
Furniture and Equipment	5-20 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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 because 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.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Premiums and Discounts**

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Fund Balance** (*continued*)

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Estimates**

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

**H. Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

**I. Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

DIXIE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. New Accounting Pronouncements

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 for the year ended June 30, 2016.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. A portion of this Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 73 for the year ended June 30, 2016.

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 80** – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

DIXIE SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental	Internal Service	Total Governmental	Fiduciary
	Funds	Funds	Activities	Funds
Investment in county treasury	\$ 17,944,767	\$ 245,575	\$ 18,190,342	\$ -
Cash on hand and in banks	1,000	-	1,000	890
Cash in revolving fund	3,000	-	3,000	-
<b>Total cash and investments</b>	<b>\$ 17,948,767</b>	<b>\$ 245,575</b>	<b>\$ 18,194,342</b>	<b>\$ 890</b>

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Marin County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$18,215,197 and an amortized book value of \$18,190,342. The average weighted maturity for this pool is 204 days.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2016, the pooled investments in the County Treasury were rated AAA/V1.



DIXIE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 2 – CASH AND INVESTMENTS (continued)

F. 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. 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. As of June 30, 2016, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Marin County Treasury Investment Pool and/or Local Agency Investment Funds/State Investment Pools are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2016 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 18,215,197
<b>Total fair market value of investments</b>	<u>\$ 18,215,197</u>

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2016 consisted of the following:

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Federal Government			
Categorical aid	\$ 376,822	\$ -	\$ 376,822
State Government			
Categorical aid	44,328	-	44,328
Lottery	224,901	-	224,901
Local Government			
Other local sources	289,688	37,989	327,677
<b>Total</b>	<b>\$ 935,739</b>	<b>\$ 37,989</b>	<b>\$ 973,728</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<b>Balance July 01, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,412,651	\$ -	\$ -	\$ 1,412,651
Construction in progress	607,143	3,382,792	3,187,327	802,608
Total Capital Assets not Being Depreciated	2,019,794	3,382,792	3,187,327	2,215,259
Capital assets being depreciated				
Land improvements	6,774,708	1,897,023	-	8,671,731
Buildings & improvements	26,719,233	1,290,304	-	28,009,537
Furniture & equipment	1,531,289	104,849	-	1,636,138
Total Capital Assets Being Depreciated	35,025,230	3,292,176	-	38,317,406
Less Accumulated Depreciation				
Land improvements	6,147,469	271,715	-	6,419,184
Buildings & improvements	18,671,935	791,042	-	19,462,977
Furniture & equipment	1,239,973	56,131	-	1,296,104
Total Accumulated Depreciation	26,059,377	1,118,888	-	27,178,265
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 10,985,647</b>	<b>\$ 5,556,080</b>	<b>\$ 3,187,327</b>	<b>\$ 13,354,400</b>

DIXIE SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2016 consisted of \$70 due from the Self-Insurance Fund to the General Fund to move expense to correct fund and correct OPEB transfer.

B. Operating Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Interfund Transfers Out	Interfund Transfers In		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 138,416	\$ 138,416
Non-Major Governmental Funds	998,449	-	998,449
<b>Total Interfund Transfers</b>	<b>\$ 998,449</b>	<b>\$ 138,416</b>	<b>\$ 1,136,865</b>

Transfer from the General Fund to the Debt Service Fund for the transfer of solar savings.	\$	138,416
Transfer from the Special Reserve Fund for Capital Outlay Projects to the General Fund for the annual transfer.		998,449
<b>Total</b>	<b>\$</b>	<b>1,136,865</b>

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental		District-Wide	Total Governmental Activities
			Funds	Internal Service Funds		
Payroll	\$ 45,737	\$ -	\$ 154	\$ -	\$ -	\$ 45,891
Construction	-	401,203	-	-	-	401,203
Vendors payable	908,776	-	6,276	-	-	915,052
Unmatured interest	-	-	-	-	125,597	125,597
Other liabilities	46,225	-	-	5,509	-	51,734
<b>Total</b>	<b>\$ 1,000,738</b>	<b>\$ 401,203</b>	<b>\$ 6,430</b>	<b>\$ 5,509</b>	<b>\$ 125,597</b>	<b>\$ 1,539,477</b>

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2016, consisted of the following:

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Federal sources	\$ 23,743	\$ -	\$ 23,743
Local sources	-	46,469	46,469
<b>Total</b>	<b>\$ 23,743</b>	<b>\$ 46,469</b>	<b>\$ 70,212</b>

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2016 consisted of the following:

	<b>Balance July 01, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>	<b>Balance Due In One Year</b>
<b>Governmental Activities</b>					
General obligation bonds	\$ 21,744,184	\$ 145,744	\$ 510,000	\$ 21,379,928	\$ 1,760,000
Unamortized premium	1,531,457	-	100,681	1,430,776	100,680
Total general obligation bonds	<u>23,275,641</u>	<u>145,744</u>	<u>610,681</u>	<u>22,810,704</u>	<u>1,860,680</u>
Capital leases	1,706,371	-	155,602	1,550,769	158,765
Compensated absences	92,150	1,775	-	93,925	-
Net OPEB obligation	101,733	-	16,745	84,988	-
Net pension liability	14,841,052	3,455,571	-	18,296,623	-
<b>Total</b>	<b>\$ 40,016,947</b>	<b>\$ 3,603,090</b>	<b>\$ 783,028</b>	<b>\$ 42,837,009</b>	<b>\$ 2,019,445</b>

Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.

Payments for capital lease obligations are made in the Debt Service Fund.

Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

**A. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$93,925. This amount is included as part of long-term liabilities in the government-wide financial statements.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

**NOTE 8 – LONG-TERM DEBT (continued)**

**B. General Obligation Bonds**

The outstanding general obligation debt of the District as of June 30, 2016 is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 01, 2015	Additions	Deductions	Outstanding June 30, 2016
Election of 2014, Series A	3/10/2015	8/1/2044	2.00 - 4.00%	\$ 15,000,000	\$ 15,000,000	\$ -	\$ -	\$ 15,000,000
2011 General Obligation Refunding Bonds	9/28/2011	8/1/2021	2.00 - 5.00%	5,850,000	4,320,000	-	510,000	3,810,000
1999 Capital Appreciation Bond	8/8/2000	8/1/2025	5.90 - 5.94%	1,015,810	2,424,184	145,744	-	2,569,928
					\$ 21,744,184	\$ 145,744	\$ 510,000	\$ 21,379,928

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

In the November 2014 election, the citizens of the District authorized the issuance of \$30,000,000 principal amount of general obligation bonds for the purpose of upgrading and repairing school facilities. The Series A Bonds are the first series of bonds to be issued under the 2014 Authorization totaling \$15,000,000. The terms of Series A are summarized as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 1,215,000	\$ 600,044	\$ 1,815,044
2018	965,000	556,444	1,521,444
2019	-	537,144	537,144
2020	30,000	536,844	566,844
2021	50,000	536,044	586,044
2022 - 2026	615,000	2,627,219	3,242,219
2027 - 2031	1,400,000	2,442,194	3,842,194
2032 - 2036	2,410,000	2,140,878	4,550,878
2037 - 2041	3,815,000	1,564,338	5,379,338
2042 - 2045	4,500,000	474,500	4,974,500
Total	\$ 15,000,000	\$ 12,015,649	\$ 27,015,649

In September 2011, 2011 General Obligation Refunding Bonds, in the aggregate principal amount of \$5,850,000, were issued by the District to refund a portion of the District's outstanding Election of 1999 General Obligation Bonds, Series A, and to pay the costs associated with the issuance of the Bonds. The terms for the 2011 General Obligation Refunding Bonds are summarized below:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 545,000	\$ 139,725	\$ 684,725
2018	580,000	124,300	704,300
2019	610,000	107,175	717,175
2020	645,000	84,400	729,400
2021	690,000	54,250	744,250
2022	740,000	18,500	758,500
Total	\$ 3,810,000	\$ 528,350	\$ 4,338,350

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**B. General Obligation Bonds, (continued)**

In August 2000, the Election of 1999 General Obligation Bonds, Series A, in the aggregate principal amount of \$9,995,810.45 were issued by the County of Marin on behalf of the District. A portion of these bonds were refunded by the 2011 General Obligation Refunding Bonds. The terms of the Election of 1999 General Obligation Bonds, Series A are summarized below:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ -	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022 - 2026	1,015,810	2,984,190	4,000,000
Accretion	1,554,118	(1,554,118)	-
Total	<u>\$ 2,569,928</u>	<u>\$ 1,430,072</u>	<u>\$ 4,000,000</u>

**C. Capital Leases**

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 June 30,</u>	<u>Lease Payment</u>
2017	\$ 190,292
2018	190,292
2019	190,292
2020	190,292
2021	190,292
2022 - 2025	<u>761,173</u>
Total minimum lease payments	1,712,633
Less amount representing interest	<u>(161,864)</u>
Present value of minimum lease payments	<u>\$ 1,550,769</u>

**D. Net Pension Liability**

The District's beginning net pension liability was \$14,841,052 and increased by \$3,455,571 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$18,296,623. See Note 11 for additional information regarding the net pension liability. The District's net pension liability increased in 2015-16. This liability was increased due to a couple of factors. The actuarial study determined that the STRS net pension liability for the entire pool went up by almost \$9 billion (from \$58.4 billion at June 30, 2015 to \$67.3 billion at June 30, 2016). An additional factor causing the increase in net pension liability was the increase in the District's proportionate share of the net pension liability, which increased from 0.020% at June 30, 2015 to 0.021% at June 30, 2016.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2016:

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
Non-spendable				
Revolving cash	\$ 3,000	\$ -	\$ -	\$ 3,000
Total non-spendable	3,000	-	-	3,000
Restricted				
Educational programs	543,722	-	-	543,722
Capital projects	-	11,294,135	1,150,119	12,444,254
Debt service	-	-	2,766,176	2,766,176
Total restricted	543,722	11,294,135	3,916,295	15,754,152
Assigned				
Other assignments	540,527	-	-	540,527
Total assigned	540,527	-	-	540,527
Unassigned				
Reserve for economic uncertainties	1,146,303	-	-	1,146,303
Total unassigned	1,146,303	-	-	1,146,303
<b>Total</b>	<b>\$ 2,233,552</b>	<b>\$ 11,294,135</b>	<b>\$ 3,916,295</b>	<b>\$ 17,443,982</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 10 percent of General Fund expenditures and other financing uses. In the 2015-16 year, the District has exceeded fund balance reserve requirements.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description and Contribution Information**

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:

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.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	57
Active plan members	199
Total*	<u>256</u>
Number of participating employers	1

\*As of July 1, 2016 actuarial study

**B. Funding Policy**

The District’s contribution is currently based on a project pay-as-you-go funding method, that is, benefits are payable when due.

As of June 30, 2016, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.



DIXIE SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$ 114,463
Interest on net OPEB obligation	4,069
Adjustment to annual required contribution	(5,883)
Annual OPEB cost (expense)	<u>112,649</u>
Contributions made	<u>(129,394)</u>
Increase (decrease) in net OPEB obligation	(16,745)
Net OPEB obligation, beginning of the year	<u>101,733</u>
Net OPEB obligation, end of the year	<u>\$ 84,988</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2016 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2016	\$ 112,649	115%	\$ 84,988
2015	\$ 127,015	102%	\$ 101,733
2014	\$ 116,680	86%	\$ 103,688

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2016	\$ -	\$ 1,128,416	\$ 1,128,416	0%	\$ 13,312,381	8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

DIXIE SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. 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, 2016, actuarial valuation, the liabilities were computed using the level-percentage of payroll 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% for medical and 4% for dental.

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 14,178,436	\$ 1,790,071	\$ 1,392,698	\$ 1,216,175
PERS Pension	4,118,187	641,593	394,043	388,835
<b>Total</b>	<b>\$ 18,296,623</b>	<b>\$ 2,431,664</b>	<b>\$ 1,786,741</b>	<b>\$ 1,605,010</b>

NOTE 11 – PENSION PLANS (*continued*)

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California 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 and disability benefits and survivor benefits to 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 CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

***CalSTRS 2% at 60***

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

***CalSTRS 2% at 62***

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,080,947 for the year ended June 30, 2016.

DIXIE SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$639,066 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	14,178,436
States's proportionate share of the net pension liability associated with the District		7,498,809
Total	\$	<u>21,677,245</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.021 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,216,175. In addition, the District recognized pension expense and revenue of \$580,712 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 1,155,773
Differences between expected and actual experience	-	236,925
Changes in proportion and differences between District contributions and proportionate share of contributions	709,124	-
District contributions subsequent to the measurement date	1,080,947	-
	<u>\$ 1,790,071</u>	<u>\$ 1,392,698</u>

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 11 – PENSION PLANS (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

The \$1,080,947 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 118,187	\$ 328,431
2018	118,187	328,431
2019	118,187	328,431
2020	118,187	328,431
2021	118,187	39,488
2022	118,189	39,486
	<u>\$ 709,124</u>	<u>\$ 1,392,698</u>

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

**DIXIE SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016**

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**NOTE 11 – PENSION PLANS (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Actuarial assumptions (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term* Expected Real Rate of Return</b>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	100%	

\* 10-year geometric average

**Discount rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 11 – PENSION PLANS (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
District's proportionate share of the net pension liability	\$ 21,408,334	\$ 14,178,436	\$ 8,169,807

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 11 – PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**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 Laws. 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 P Street, Sacramento, CA 95811.

**Benefits provided**

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

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 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$382,872 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a liability of \$4,118,187 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.028 percent, which did not change from its proportion measured as of June 30, 2014.



DIXIE SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2016, the District recognized pension expense of \$388,835. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 141,010
Differences between expected and actual experience	235,360	-
Changes in assumptions	-	253,033
Changes in proportion and differences between District contributions and proportionate share of contributions	23,361	-
District contributions subsequent to the measurement date	382,872	-
	<u>\$ 641,593</u>	<u>\$ 394,043</u>

The \$640,348 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 88,960	\$ 122,505
2018	88,960	122,505
2019	80,801	113,780
2020	-	35,253
	<u>\$ 258,721</u>	<u>\$ 394,043</u>

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 11 – PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

\* Net of investment expenses, but gross of administrative expenses.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**DIXIE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 11 – PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

\* An expected inflation of 2.5% used for this period  
 \*\* An expected inflation of 3.0% used for this period

**Discount rate**

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
District's proportionate share of the net pension liability	\$ 6,702,692	\$ 4,118,187	\$ 1,968,998

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

**C. Construction Commitments**

As of June 30, 2016, the District had commitments with respect to unfinished capital projects of \$3,372,392.

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District participates in one joint venture under a joint powers authority (JPA), the Marin Schools Insurance Authority. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA has budgeting and financial reporting requirements independent of member units, and its financial statements are not presented in these financial statements. However, fund transactions between the JPA and the District are included in these statements. The audited financial statements are generally available directly from the entity.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**DIXIE SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 14,678,945	\$ 14,363,143	\$ 14,365,087	\$ 1,944
Federal sources	634,053	688,659	634,176	(54,483)
Other state sources	1,652,151	2,385,228	2,433,236	48,008
Other local sources	3,243,826	4,329,986	4,327,136	(2,850)
<b>Total Revenues</b>	<b>20,208,975</b>	<b>21,767,016</b>	<b>21,759,635</b>	<b>(7,381)</b>
<b>EXPENDITURES</b>				
Certificated salaries	10,031,527	10,413,027	10,409,314	3,713
Classified salaries	3,341,667	3,842,109	3,787,105	55,004
Employee benefits	3,671,386	4,391,894	4,288,061	103,833
Books and supplies	633,385	971,807	718,976	252,831
Services and other operating expenditures	1,982,455	2,470,286	2,291,227	179,059
Capital outlay	84,102	315,095	309,414	5,681
Other outgo				
Excluding transfers of indirect costs	664,249	597,971	587,837	10,134
<b>Total Expenditures</b>	<b>20,408,771</b>	<b>23,002,189</b>	<b>22,391,934</b>	<b>610,255</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(199,796)</b>	<b>(1,235,173)</b>	<b>(632,299)</b>	<b>602,874</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	998,449	998,449	999,164	715
Transfers out	138,416	138,416	(139,131)	(277,547)
<b>Net Financing Sources (Uses)</b>	<b>1,136,865</b>	<b>1,136,865</b>	<b>860,033</b>	<b>(276,832)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>937,069</b>	<b>(98,308)</b>	<b>227,734</b>	<b>326,042</b>
<b>Fund Balance - Beginning</b>	<b>1,891,884</b>	<b>1,891,884</b>	<b>1,891,884</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,828,953</b>	<b>\$ 1,793,576</b>	<b>\$ 2,119,618</b>	<b>\$ 326,042</b>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reason:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**DIXIE SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
7/1/2016	\$ -	\$ 1,128,416	\$ 1,128,416	0%	\$ 13,312,381	8%
7/1/2014	\$ -	\$ 1,008,251	\$ 1,008,251	0%	\$ 11,197,537	9%
6/30/2012	\$ -	\$ 1,057,000	\$ 1,057,000	0%	\$ 11,237,749	9%

See accompanying note to required supplementary information.

**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.021%	0.020%
District's proportionate share of the net pension liability	\$ 14,178,436	\$ 11,671,424
States's proportionate share of the net pension liability associated with the District	7,498,809	7,047,710
Total	<u>\$ 21,677,245</u>	<u>\$ 18,719,134</u>
District's covered-employee payroll	\$ 10,076,401	\$ 8,964,602
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.7%	130.2%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to required supplementary information.



**DIXIE SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**CALPERS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.028%	0.028%
District's proportionate share of the net pension liability	\$ 4,118,187	\$ 3,169,628
District's covered-employee payroll	\$ 3,235,980	\$ 2,931,991
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	127.3%	108.1%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to required supplementary information.

**DIXIE SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,080,947	\$ 899,655
Contributions in relation to the contractually required contribution*	(1,080,947)	(899,655)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,076,401	\$ 8,964,602
Contributions as a percentage of covered-employee payroll	10.73%	10.04%

\*Amounts do not include on behalf contributions

**DIXIE SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,080,947	\$ 364,586
Contributions in relation to the contractually required contribution	(1,080,947)	(364,586)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,235,980	\$ 2,931,991
Contributions as a percentage of covered-employee payroll	33.40%	12.43%

See accompanying note to required supplementary information.

**DIXIE SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial 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 total unfunded actuarial liability (or funding excess) to annual covered payroll.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2016, the District incurred no excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

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**SUPPLEMENTARY  
INFORMATION**

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**DIXIE SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<b>Second Period Report</b>	<b>Annual Report</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	874.68	877.55
Extended Year Special Education	0.67	0.67
Special Education - Nonpublic Schools	1.65	1.71
Total TK/K through Third	877.00	879.93
Fourth through Sixth		
Regular ADA	588.08	588.92
Extended Year Special Education	0.99	0.99
Special Education - Nonpublic Schools	1.13	1.32
Total Fourth through Sixth	590.20	591.23
Seventh through Eighth		
Regular ADA	462.21	462.79
Extended Year Special Education	0.66	0.66
Special Education - Nonpublic Schools	2.17	2.32
Total Seventh through Eighth	465.04	465.77
TOTAL SCHOOL DISTRICT	1,932.24	1,936.93

See accompanying note to supplementary information.

**DIXIE SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2015-16 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	38,700	180	Complied
Grade 1	50,400	51,870	180	Complied
Grade 2	50,400	51,870	180	Complied
Grade 3	50,400	51,870	180	Complied
Grade 4	54,000	54,130	180	Complied
Grade 5	54,000	54,130	180	Complied
Grade 6	54,000	63,511	180	Complied
Grade 7	54,000	63,511	180	Complied
Grade 8	54,000	63,428	180	Complied

See accompanying note to supplementary information.

**DIXIE SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

	2017 (Budget)	2016	2015	2014
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 21,587,329	\$ 22,758,799	\$ 19,948,686	\$ 19,602,385
Expenditures And Other Financing Uses	21,812,262	22,531,065	20,965,699	19,860,855
Net change in Fund Balance	\$ (224,933)	\$ 227,734	\$ (1,017,013)	\$ (258,470)
Ending Fund Balance	\$ 1,894,686	\$ 2,119,618	\$ 1,891,884	\$ 3,101,249
Available Reserves*	\$ 1,009,497	\$ -	\$ 858,682	\$ 1,397,494
Available Reserves As A Percentage Of Outgo	4.63%	0.00%	4.10%	7.04%
Long-term Debt	\$ 40,817,564	\$ 42,837,009	\$ 40,016,947	\$ 9,640,642
Average Daily Attendance At P-2	1,932	1,932	1,931	1,841

The General Fund balance has decreased by \$981,631 over the past two years. The fiscal year 2016-17 budget projects a further decrease of \$224,933. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2016-17 fiscal year. Total long term obligations have increased by \$33,196,367 over the past two years. This increase is largely due to the implementation of GASB 68 establishing a net pension liability in 2014-15 and the issuance of the Measure C GO Bonds in March 2015. The increase in the net pension liability were caused largely by two drivers, the increase in the STRS net pension liability for the entire pool (as determined by an actuarial study) and an increase the in the District's proportionate share of the net pension liability.

Average daily attendance has increased by 91 ADA over the past two years. No change in ADA is anticipated during the 2016-17 fiscal year as enrollment is expected to remain stable over the next few years.

\*Available reserves consist of all unassigned fund balance within the General Fund.

\*\*The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.



**DIXIE SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<b>General Fund</b>	<b>Deferred Maintenance Fund</b>
June 30, 2016, annual financial and budget report fund balance	\$ 2,119,618	\$ 113,934
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	113,934	(113,934)
Net adjustments and reclassifications	113,934	(113,934)
June 30, 2016, audited financial statement fund balance	\$ 2,233,552	\$ -

See accompanying note to supplementary information.

**DIXIE SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2016**

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	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 124,802	\$ 1,047,059	\$ 2,578,868	\$ 180,476	\$ 3,931,205
Accounts receivable	-	31,157	-	6,832	37,989
<b>Total Assets</b>	<b>\$ 124,802</b>	<b>\$ 1,078,216</b>	<b>\$ 2,578,868</b>	<b>\$ 187,308</b>	<b>\$ 3,969,194</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ -	\$ 6,430	\$ -	\$ -	\$ 6,430
Unearned revenue	-	46,469	-	-	46,469
<b>Total Liabilities</b>	<b>-</b>	<b>52,899</b>	<b>-</b>	<b>-</b>	<b>52,899</b>
<b>FUND BALANCES</b>					
Restricted	124,802	1,025,317	2,578,868	187,308	3,916,295
<b>Total Fund Balances</b>	<b>124,802</b>	<b>1,025,317</b>	<b>2,578,868</b>	<b>187,308</b>	<b>3,916,295</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 124,802</b>	<b>\$ 1,078,216</b>	<b>\$ 2,578,868</b>	<b>\$ 187,308</b>	<b>\$ 3,969,194</b>

See accompanying note to supplementary information.

**DIXIE SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
<b>REVENUES</b>					
Other state sources	\$ -	\$ -	\$ 15,074	\$ -	\$ 15,074
Other local sources	10,589	1,441,149	2,008,674	90,501	3,550,913
<b>Total Revenues</b>	<b>10,589</b>	<b>1,441,149</b>	<b>2,023,748</b>	<b>90,501</b>	<b>3,565,987</b>
<b>EXPENDITURES</b>					
Current					
General administration					
All other general administration	8,223	-	-	-	8,223
Plant services	-	304,427	-	-	304,427
Facilities acquisition and maintenance	-	3,181	-	-	3,181
Debt service					
Principal	-	-	510,000	155,602	665,602
Interest and other	-	-	630,576	34,690	665,266
<b>Total Expenditures</b>	<b>8,223</b>	<b>307,608</b>	<b>1,140,576</b>	<b>190,292</b>	<b>1,646,699</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	<b>2,366</b>	<b>1,133,541</b>	<b>883,172</b>	<b>(99,791)</b>	<b>1,919,288</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	138,416	138,416
Transfers out	-	(998,449)	-	-	(998,449)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>(998,449)</b>	<b>-</b>	<b>138,416</b>	<b>(860,033)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>2,366</b>	<b>135,092</b>	<b>883,172</b>	<b>38,625</b>	<b>1,059,255</b>
<b>Fund Balance - Beginning</b>	<b>122,436</b>	<b>890,225</b>	<b>1,695,696</b>	<b>148,683</b>	<b>2,857,040</b>
<b>Fund Balance - Ending</b>	<b>\$ 124,802</b>	<b>\$ 1,025,317</b>	<b>\$ 2,578,868</b>	<b>\$ 187,308</b>	<b>\$ 3,916,295</b>

See accompanying note to supplementary information.

**DIXIE SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2016**

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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**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Mark Schott	President	December 2017
Brad Honsberger	Vice-President	December 2017
Alissa Chacko	Clerk	December 2019
Marnie Glickman	Trustee	December 2019
Jennifer Taekman	Trustee	December 2019

**DISTRICT ADMINISTRATORS**

Thomas Lohwasser, Ed.D  
*Superintendent*

Robert Marical  
*Business Manager*

Judith Arrow  
*Assistant Superintendent of Educational Services*

Rebecca Minnich  
*Special Education Coordinator*

DIXIE SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2016

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NOTE 1 – PURPOSE OF SCHEDULES

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) 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.

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2016, the District participated in the Longer Day incentive funding program. As of June 30, 2016, the District had not yet met its target funding.

**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.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

Independent Auditors' Report

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 Dixie School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Dixie School District's basic financial statements, and have issued our report thereon dated December 7, 2016 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 Dixie School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dixie School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dixie School District's internal control.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dixie School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
December 7, 2016



## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Dixie School District's state programs for the fiscal year ended June 30, 2016, as identified below.

#### ***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 Dixie School 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 that could have a direct and material effect on the state programs noted below 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 with the requirements referred to above. However, our audit does not provide a legal determination of Dixie School District's compliance with those requirements.

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*Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2016-1. Our opinion on state compliance is not modified with respect to these matters.

Dixie School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Dixie School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

*Opinion on State Compliance*

In our opinion, Dixie School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

*Procedures Performed*

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

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA generated from independent study was immaterial.

*Christy White Associates*

San Diego, California  
December 7, 2016

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**DIXIE SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Unmodified with Adverse Opinion on Discretely Presented Component Unit
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

**FEDERAL AWARDS**

*The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2016 because federal award expenditures did not exceed \$750,000.*

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

**DIXIE SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FIVE DIGIT CODE**

20000

30000

**AB 3627 FINDING TYPE**

Inventory of Equipment

Internal Control

*There were no financial statement findings in fiscal year ended June 30, 2016.*

**DIXIE SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING #2016-1- UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

**Criteria:** Students classified as English Learners and who are not directly certified on the CalPADS 1.18 FRPM English Learner/Foster Youth-Student List Report must have supporting documentation that indicates the student was eligible for the designation. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section 19849 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*.

**Condition:** The auditor determined that 10 out of 109 total students from the CalPADS 1.18 FRPM English Learner/Foster Youth Student List Report who were classified as English Learners and had a “No” under the “Direct Certification” column were reclassified as English proficient during the summer prior to the census date.

**Cause:** Oversight by the District. These students were reclassified during the summer prior to the census date, but were not updated in the CalPADS system.

**Effect:** The District is not in compliance with state requirements.

**Context:** A total of 10 students from the CalPADS 1.18 FRPM English Learner/Foster Youth-Student List Report that were classified as English Learners and indicated as “No” under the “Direct Certification” column.

**DIXIE SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

**FINDING #2015-1- UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)  
(continued)**

**Questioned Cost:**

UPP Audit Adjustment		Section 1: Regular UPP	Section 2: Alternate UPP*
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	6,027	6,082
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	1,167	1,183
3	Number of Unduplicated Pupil Count audit adjustment		(10)
4	Revised Adjusted Unduplicated Pupil Count	1,157	1,173
5	UPP calculated as of P-2	0.1936	0.1945
6	Revised UPP for audit finding	0.1920	0.1929
7	Greater of Revised UPP for audit finding from Section 1 or 2		<b>0.1929</b>
8	<b>Charter Schools Only:</b> Determinative School District Concentration Cap		-
9	Revised UPP adjusted for Concentration Cap		<b>0.1929</b>
<b>LCFF Target Base Grant Funding</b>		<b>Estimated Values</b>	
10	Total Base Grant Funding as of P-2	\$14,811,492	
<b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>			
11	Target Supplemental Grant Funding calculated as of P-2	\$576,167	
12	Revised Target Supplemental Grant Funding for audit finding	\$571,427	
13	Target Supplemental Grant Funding audit adjustment	<b>(\$4,740)</b>	
<b>LCFF Target Concentration Grant Funding Audit Adjustment</b>			
14	Target Concentration Grant Funding calculated as of P-2	\$0	
15	Revised Target Concentration Grant Funding for audit finding	\$0	
16	Target Concentration Grant Funding audit adjustment	<b>\$0</b>	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>			
17	Total Target Supplemental and Concentration audit adjustment	<b>(\$4,740)</b>	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap</b>			
18	Statewide Gap Funding Rate as of P-2	0.5255761597	
21	Estimated Cost of Unduplicated Pupil Count audit adjustment	<b>(\$2,491)</b>	

**Recommendation:** We recommend that the District ensure that the students designated as English Learners in the CalPADS 1.18 Report be closely monitored and that proper documentation is obtained to support this designation.

**District Response:** Previously the district reviewed and reclassified eligible English Learner students in CalPADS during July and August. This process has been moved to May which is prior to the CalPADS End of Year II Certification date. This change will ensure that only the eligible English Learner students are correctly identified and included in the Fall I certification.



DIXIE SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

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*There were no audit findings for the fiscal year ended June 30, 2015.*