

DIXIE SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2017

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

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 FOR THE YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Dixie School District
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dixie School District, as of and for the year ended June 30, 2017, 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, 2017, 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, 2017, 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 1, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



San Diego, California
December 1, 2017

**DIXIE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

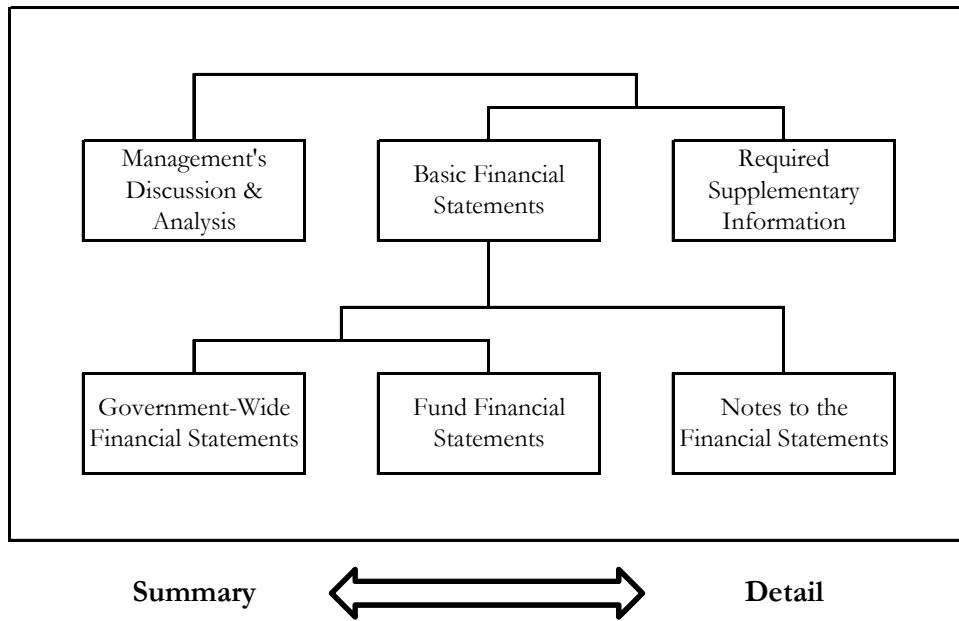
FINANCIAL HIGHLIGHTS

- The District's total net position was negative \$11,849,330 at June 30, 2017. This was a decrease of \$570,025 from the prior year.
- 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 2016-17. 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 \$67.3 billion at June 30, 2015 to \$80.8 billion at June 30, 2016). The PERS net pension liability for the entire pool also increased but not as significant as the STRS portion.
- Overall revenues were \$26,385,337, which were exceeded by expenditures of \$26,955,362.
- The District's ADA has increased in two of the last three years. ADA decreased during the 2016-17 year but is projected to increase over the next three years.
- In November 2014, voters approved a \$30,000,000 General Obligation Bond to upgrade and repair schools. As of June 30, 2017 the district has expended \$7.6 million in various projects throughout the district. Projected completed this year include Mary Silveira School Multi-purpose room expansion, parking lot and courtyard improvements at Vallecito School and Multi-purpose room improvements at Dixie School, technology infrastructure districtwide. Projects underway or in planning include Dixie School Modernization, replacement of HVAC system for Miller Creek gym, various roofing projects and continued work for safety and ADA accessibility.

**DIXIE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**DIXIE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was negative \$11,849,330 at June 30, 2017, as reflected in the table below. Of this amount, negative \$16,418,346 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.

	Governmental Activities		
	2017	- Net Change	
ASSETS			
Current and other assets	\$ 14,374,883	\$ 19,168,070	\$ (4,793,187)
Capital assets	16,217,473	13,354,400	2,863,073
Total Assets	30,592,356	32,522,470	(1,930,114)
DEFERRED OUTFLOWS OF RESOURCES	4,724,690	2,431,664	2,293,026
LIABILITIES			
Current liabilities	3,351,168	3,629,134	(277,966)
Long-term liabilities	42,715,567	40,817,564	1,898,003
Total Liabilities	46,066,735	44,446,698	1,620,037
DEFERRED INFLOWS OF RESOURCES	1,099,641	1,786,741	(687,100)
NET POSITION			
Net investment in capital assets	1,249,655	287,062	962,593
Restricted	3,319,361	4,334,420	(1,015,059)
Unrestricted	(16,418,346)	(15,900,787)	(517,559)
Total Net Position	\$ (11,849,330)	\$ (11,279,305)	\$ (570,025)

**DIXIE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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 and rearranges them slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2017	-	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 228,436	\$ -	\$ 228,436
Operating grants and contributions	4,406,577	3,621,573	785,004
General revenues			
Property taxes	16,032,671	14,782,227	1,250,444
Unrestricted federal and state aid	3,720,926	4,912,901	(1,191,975)
Other	1,996,727	1,986,645	10,082
Total Revenues	26,385,337	25,303,346	1,081,991
EXPENSES			
Instruction	15,657,550	14,217,548	1,440,002
Instruction-related services	2,579,605	2,405,893	173,712
Pupil services	1,934,953	1,511,220	423,733
General administration	1,746,616	1,642,993	103,623
Plant services	2,339,613	2,057,130	282,483
Ancillary and community services	26,735	18,271	8,464
Debt service	1,095,662	761,654	334,008
Other Outgo	371,084	487,156	(116,072)
Depreciation	1,203,544	1,118,888	84,656
Total Expenses	26,955,362	24,220,753	2,734,609
Change in net position	(570,025)	1,082,593	(1,652,618)
Net Position - Beginning	(11,279,305)	(12,361,898)	1,082,593
Net Position - Ending	\$ (11,849,330)	\$ (11,279,305)	\$ (570,025)

The cost of all our governmental activities this year was \$26,955,362 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$16,032,671 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$4,406,577).

**DIXIE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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.

	Net Cost of Services	
	2017	-
Instruction	\$ 12,186,737	\$ 11,543,639
Instruction-related services	2,216,170	2,067,174
Pupil services	1,321,013	1,082,682
General administration	1,662,577	1,584,720
Plant services	2,334,886	2,048,212
Ancillary and community services	26,550	17,902
Debt service	1,095,662	761,654
Transfers to other agencies	273,210	374,309
Depreciation	1,203,544	1,118,888
Total Expenses	\$ 22,320,349	\$ 20,599,180

**DIXIE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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 \$12,873,607, which is less than last year’s ending fund balance of \$17,443,982. The District’s General Fund had \$1,023,153 less in operating revenues than expenditures for the year ended June 30, 2017. The District’s Building Fund had \$3,765,418 less in operating revenues than expenditures for the year ended June 30, 2017. The District’s Bond Interest and Redemption Fund had \$476,554 less in operating revenues than expenditures for the year ended June 30, 2017.

The decrease in the combined fund balance is largely due to increase in construction related projects in the 2016-17 year.

CURRENT YEAR BUDGET 2016-17

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 2016-17 the District had invested \$16,217,473 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2017	- Net Change	
CAPITAL ASSETS			
Land	\$ 1,412,651	\$ 1,412,651	\$ -
Construction in progress	1,024,254	802,608	221,646
Land improvements	9,027,074	8,671,731	355,343
Buildings & improvements	31,485,365	28,009,537	3,475,828
Furniture & equipment	1,649,938	1,636,138	13,800
Accumulated depreciation	(28,381,809)	(27,178,265)	(1,203,544)
Total Capital Assets	\$ 16,217,473	\$ 13,354,400	\$ 2,863,073

**DIXIE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$42,715,567 in long-term debt, an increase of 1,898,003 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.)

	Governmental Activities		
	2017	- Net Change	
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 21,104,531	\$ 22,810,704	\$ (1,706,173)
Capital leases	1,392,004	1,550,769	(158,765)
Compensated absences	108,011	93,925	14,086
Net OPEB obligation	89,635	84,988	4,647
Net pension liability	21,829,059	18,296,623	3,532,436
Less: current portion of long-term debt	(1,807,673)	(2,019,445)	211,772
Total Long-term Liabilities	\$ 42,715,567	\$ 40,817,564	\$ 1,898,003

**DIXIE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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.

State revenues are estimated to increase modestly in 2017-18 but there is uncertainty about the State's long-term economic growth. According to the Legislative Analyst's Office, there are concerns about a possible mild recession. In addition, purchasing power has not been restored to pre-2007/08 levels for most school districts as added funding is going to pay for increases in CalPERS and CalSTRS rates increases and rising health care costs.

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, 2017. 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 2017-18 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, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 13,577,692
Accounts receivable	797,191
Capital assets, not depreciated	2,436,905
Capital assets, net of accumulated depreciation	13,780,568
Total Assets	30,592,356
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	4,724,690
Total Deferred Outflows of Resources	4,724,690
LIABILITIES	
Accrued liabilities	1,486,555
Unearned revenue	56,940
Long-term liabilities, current portion	1,807,673
Long-term liabilities, non-current portion	42,715,567
Total Liabilities	46,066,735
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,099,641
Total Deferred Inflows of Resources	1,099,641
NET POSITION	
Net investment in capital assets	1,249,655
Restricted:	
Capital projects	908,918
Debt service	1,962,153
Educational programs	448,290
Unrestricted	(16,418,346)
Total Net Position	\$ (11,849,330)

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

**DIXIE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 15,657,550	\$ -	\$ 3,470,813	\$ (12,186,737)
Instruction-related services				
Instructional supervision and administration	821,201	-	193,578	(627,623)
Instructional library, media, and technology	322,334	-	63,587	(258,747)
School site administration	1,436,070	-	106,270	(1,329,800)
Pupil services				
Home-to-school transportation	717,590	-	-	(717,590)
Food services	339,576	228,436	75,695	(35,445)
All other pupil services	877,787	-	309,809	(567,978)
General administration				
Centralized data processing	151,075	-	21,000	(130,075)
All other general administration	1,595,541	-	63,039	(1,532,502)
Plant services	2,339,613	-	4,727	(2,334,886)
Ancillary services	6,423	-	185	(6,238)
Community services	20,312	-	-	(20,312)
Interest on long-term debt	1,095,662	-	-	(1,095,662)
Other Outgo	371,084	-	97,874	(273,210)
Depreciation (unallocated)	1,203,544	-	-	(1,203,544)
Total Governmental Activities	\$ 26,955,362	\$ 228,436	\$ 4,406,577	(22,320,349)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				12,089,928
Property taxes, levied for debt service				2,018,236
Property taxes, levied for other specific purposes				1,924,507
Federal and state aid not restricted for specific purposes				3,720,926
Interest and investment earnings				66,261
Interagency revenues				905
Miscellaneous				1,929,561
Subtotal, General Revenue				21,750,324
CHANGE IN NET POSITION				(570,025)
Net Position - Beginning				(11,279,305)
Net Position - Ending				\$ (11,849,330)

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

**DIXIE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,363,071	\$ 7,745,931	\$ 2,102,314	\$ 1,113,889	\$ 13,325,205
Accounts receivable	702,608	81,010	-	13,573	797,191
Due from other funds	783	-	-	-	783
Total Assets	\$ 3,066,462	\$ 7,826,941	\$ 2,102,314	\$ 1,127,462	\$ 14,123,179
LIABILITIES					
Accrued liabilities	\$ 876,878	\$ 298,224	\$ -	\$ 16,747	\$ 1,191,849
Due to other funds	-	-	-	783	783
Unearned revenue	10,471	-	-	46,469	56,940
Total Liabilities	887,349	298,224	-	63,999	1,249,572
FUND BALANCES					
Nonspendable	3,000	-	-	-	3,000
Restricted	448,290	7,528,717	2,102,314	1,063,463	11,142,784
Assigned	504,363	-	-	-	504,363
Unassigned	1,223,460	-	-	-	1,223,460
Total Fund Balances	2,179,113	7,528,717	2,102,314	1,063,463	12,873,607
Total Liabilities and Fund Balances	\$ 3,066,462	\$ 7,826,941	\$ 2,102,314	\$ 1,127,462	\$ 14,123,179

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, 2017**

Total Fund Balance - Governmental Funds \$ 12,873,607

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	\$ 44,599,282	
Accumulated depreciation	(28,381,809)	16,217,473

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:

(294,706)

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	\$ 21,104,531	
Capital leases	1,392,004	
Compensated absences	108,011	
Net OPEB obligation	89,635	
Net pension liability	21,829,059	(44,523,240)

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	\$ 4,724,690	
Deferred inflows of resources related to pensions	(1,099,641)	3,625,049

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:

252,487

Total Net Position - Governmental Activities \$ (11,849,330)

**DIXIE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 15,043,779	\$ -	\$ -	\$ -	\$ 15,043,779
Federal sources	518,617	-	-	61,252	579,869
Other state sources	1,797,099	-	13,447	4,697	1,815,243
Other local sources	4,224,497	123,828	2,010,518	1,742,687	8,101,530
Total Revenues	21,583,992	123,828	2,023,965	1,808,636	25,540,421
EXPENDITURES					
Current					
Instruction	14,618,888	-	-	-	14,618,888
Instruction-related services					
Instructional supervision and administration	773,647	-	-	-	773,647
Instructional library, media, and technology	305,192	-	-	-	305,192
School site administration	1,350,665	-	-	-	1,350,665
Pupil services					
Home-to-school transportation	695,199	-	-	-	695,199
Food services	21,884	-	-	317,692	339,576
All other pupil services	830,849	-	-	-	830,849
General administration					
Centralized data processing	144,975	-	-	-	144,975
All other general administration	1,500,744	-	-	32,689	1,533,433
Plant services					
Facilities acquisition and maintenance	58,979	3,889,246	-	239,543	4,187,768
Ancillary services	6,423	-	-	-	6,423
Community services	20,124	-	-	-	20,124
Transfers to other agencies	471,764	-	-	-	471,764
Debt service					
Principal	-	-	1,760,000	158,765	1,918,765
Interest and other	-	-	740,519	31,527	772,046
Total Expenditures	22,607,145	3,889,246	2,500,519	1,113,886	30,110,796
Excess (Deficiency) of Revenues	(1,023,153)	(3,765,418)	(476,554)	694,750	(4,570,375)
Over Expenditures	(1,023,153)	(3,765,418)	(476,554)	694,750	(4,570,375)
Other Financing Sources (Uses)					
Transfers in	1,133,449	-	-	164,735	1,298,184
Transfers out	(164,735)	-	-	(1,133,449)	(1,298,184)
Net Financing Sources (Uses)	968,714	-	-	(968,714)	-
NET CHANGE IN FUND BALANCE					
Fund Balance - Beginning	2,233,552	11,294,135	2,578,868	1,337,427	17,443,982
Fund Balance - Ending	\$ 2,179,113	\$ 7,528,717	\$ 2,102,314	\$ 1,063,463	\$ 12,873,607

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, 2017**

Net Change in Fund Balances - Governmental Funds \$ (4,570,375)

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:	\$ 4,066,617	
Depreciation expense:	<u>(1,203,544)</u>	2,863,073

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:

1,918,765

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:

(169,109)

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.

(154,507)

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:

(14,086)

(continued on next page)

**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, 2017**

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: (4,647)

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: (552,310)

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: 100,680

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: 12,491

Change in Net Position of Governmental Activities \$ (570,025)

**DIXIE SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017**

	<u>Governmental Activities</u>
	<u>Self-Insurance Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 252,487
Total current assets	<u>252,487</u>
Total Assets	<u>252,487</u>
NET POSITION	
Unrestricted	<u>252,487</u>
Total Net Position	<u>\$ 252,487</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, 2017**

	Governmental Activities
	Self-Insurance Fund
OPERATING REVENUE	
Charges for services	\$ 108,684
Total operating revenues	<u>108,684</u>
OPERATING EXPENSE	
Professional services	97,392
Total operating expenses	<u>97,392</u>
Operating income/(loss)	<u>11,292</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	1,199
Total non-operating revenues/(expenses)	<u>1,199</u>
CHANGE IN NET POSITION	12,491
Net Position - Beginning	<u>239,996</u>
Net Position - Ending	<u>\$ 252,487</u>

PROPRIETARY FUNDS

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

**DIXIE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	Governmental Activities
	<u>Self-Insurance Fund</u>
Cash flows from operating activities	
Cash received from user charges	\$ 108,684
Cash payments for payroll, insurance, and operating costs	(102,971)
Net cash provided by (used for) operating activities	<u>5,713</u>
Cash flows from investing activities	
Interest received	1,199
Net cash provided by (used for) investing activities	<u>1,199</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>6,912</u>
 CASH AND CASH EQUIVALENTS	
Beginning of year	245,575
End of year	<u>\$ 252,487</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ 11,292
Changes in assets and liabilities:	
Increase (decrease) in accounts payable	(5,509)
Increase (decrease) in due to other funds	(70)
Net cash provided by (used for) operating activities	<u>\$ 5,713</u>

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

DIXIE SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and investments	\$ 570
Total Assets	<u>\$ 570</u>
LIABILITIES	
Due to student groups	\$ 570
Total Liabilities	<u>\$ 570</u>

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

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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*)

Major Governmental Funds (*continued*)

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.

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

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.

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.

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

C. Basis of Presentation (*continued*)

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*).

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.

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

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

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.

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, 2017

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, 2017

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.

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, 2017

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 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 implemented GASB Statement No. 80 for the year ended June 30, 2017.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard’s primary objective is to address issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The majority of this Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 82 for the year ended June 30, 2017.

DIXIE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Investment in county treasury	\$ 13,321,205	\$ 252,487	\$ 13,573,692	\$ -
Cash on hand and in banks	1,000	-	1,000	570
Cash in revolving fund	3,000	-	3,000	-
Total cash and investments	\$ 13,325,205	\$ 252,487	\$ 13,577,692	\$ 570

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, 2017

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.

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

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 \$13,580,674 and an amortized book value of \$13,573,692. The average weighted maturity for this pool is 231 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, 2017, the pooled investments in the County Treasury were rated AAA/V1.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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, 2017, 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, 2017 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 13,580,674
Total fair market value of investments	\$ 13,580,674

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 355,387	\$ -	\$ -	\$ 355,387
State Government				
Categorical aid	3,345	-	759	4,104
Lottery	87,435	-	-	87,435
Local Government				
Other local sources	256,441	81,010	12,814	350,265
Total	\$ 702,608	\$ 81,010	\$ 13,573	\$ 797,191

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,412,651	\$ -	\$ -	\$ 1,412,651
Construction in progress	802,608	1,011,214	789,568	1,024,254
Total Capital Assets not Being Depreciated	2,215,259	1,011,214	789,568	2,436,905
Capital assets being depreciated				
Land improvements	8,671,731	355,343	-	9,027,074
Buildings & improvements	28,009,537	3,475,828	-	31,485,365
Furniture & equipment	1,636,138	13,800	-	1,649,938
Total Capital Assets Being Depreciated	38,317,406	3,844,971	-	42,162,377
Less Accumulated Depreciation				
Land improvements	6,419,184	274,672	-	6,693,856
Buildings & improvements	19,462,977	868,016	-	20,330,993
Furniture & equipment	1,296,104	60,856	-	1,356,960
Total Accumulated Depreciation	27,178,265	1,203,544	-	28,381,809
Governmental Activities				
Capital Assets, net	\$ 13,354,400	\$ 3,652,641	\$ 789,568	\$ 16,217,473

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2017 consisted of \$783 due from the Cafeteria Fund to the General Fund for an adjustment transfer.

B. Operating Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following:

	<u>Interfund Transfers In</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<u>Interfund Transfers Out</u>			
General Fund	\$ -	\$ 164,735	\$ 164,735
Non-Major Governmental Funds	1,133,449	-	1,133,449
Total Interfund Transfers	\$ 1,133,449	\$ 164,735	\$ 1,298,184

Transfer from the General Fund to the Cafeteria Fund for transfer adjustment	\$	20,090
Transfer from the General Fund to the Debt Service Fund for the transfer of solar savings		144,645
Transfer from the Special Reserve Fund for Capital Outlay Projects to the General Fund for the annual transfer		1,133,449
Total	\$	1,298,184

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2017 consisted of the following:

			<u>Non-Major Governmental Funds</u>		<u>Total Governmental Activities</u>	
	<u>General Fund</u>	<u>Building Fund</u>				
Payroll	\$ 59,268	\$ -	\$ 27	\$ -	\$ -	\$ 59,295
Construction	-	298,224	-	-	-	298,224
Vendors payable	817,610	-	16,720	-	-	834,330
Unmatured interest	-	-	-	294,706	-	294,706
Total	\$ 876,878	\$ 298,224	\$ 16,747	\$ 294,706	\$ -	\$ 1,486,555

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 10,471	\$ -	\$ 10,471
Local sources	-	46,469	46,469
Total	\$ 10,471	\$ 46,469	\$ 56,940

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2017 consisted of the following:

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 21,379,928	\$ 154,507	\$ 1,760,000	\$ 19,774,435	\$ 1,545,000
Unamortized premium	1,430,776	-	100,680	1,330,096	100,680
Total general obligation bonds	22,810,704	154,507	1,860,680	21,104,531	1,645,680
Capital leases	1,550,769	-	158,765	1,392,004	161,993
Compensated absences	93,925	14,086	-	108,011	-
Net OPEB obligation	84,988	4,647	-	89,635	-
Net pension liability	18,296,623	3,532,436	-	21,829,059	-
Total	\$ 42,837,009	\$ 3,705,676	\$ 2,019,445	\$ 44,523,240	\$ 1,807,673

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, 2017 amounted to \$108,011. 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, 2017

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds

The outstanding general obligation debt of the District as of June 30, 2017 is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2017
					Outstanding July 01, 2016	Additions	Deductions	
Election of 2014, Series A	3/10/2015	8/1/2044	2.00-4.00%	\$ 15,000,000	\$ 15,000,000	\$ -	\$ 1,215,000	\$ 13,785,000
2011 General Obligation Refunding Bonds	9/28/2011	8/1/2021	2.00-5.00%	\$ 5,850,000	3,810,000	-	545,000	3,265,000
1999 Capital Appreciation Bonds	8/8/2000	8/1/2025	5.90-5.94%	\$ 1,015,810	2,569,928	154,507	-	2,724,435
					\$ 21,379,928	\$ 154,507	\$ 1,760,000	\$ 19,774,435

The annual requirements to amortize the general obligation bonds as of June 30, 2017 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
1900	\$ 965,000	\$ 556,444	\$ 1,521,444
1900	-	537,144	537,144
1900	30,000	536,844	566,844
1900	50,000	536,044	586,044
1900	70,000	534,144	604,144
1900 - 1900	755,000	2,599,819	3,354,819
1900 - 1900	1,580,000	2,393,750	3,973,750
1900 - 1900	2,650,000	2,052,803	4,702,803
1900 - 1900	4,165,000	1,394,613	5,559,613
1900 - 1900	3,520,000	274,000	3,794,000
Total	\$ 13,785,000	\$ 11,415,605	\$ 25,200,605

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
1900	\$ 580,000	\$ 124,300	\$ 704,300
1900	610,000	107,175	717,175
1900	645,000	84,400	729,400
1900	690,000	54,250	744,250
1900	740,000	18,500	758,500
Total	\$ 3,265,000	\$ 388,625	\$ 3,653,625

DIXIE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

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 Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1900	\$ -	\$ -	\$ -
1900	-	-	-
1900	-	-	-
1900	-	-	-
1900	-	-	-
1900 - 1900	1,015,810	2,984,190	4,000,000
Accretion	1,708,625	(1,708,625)	-
Total	\$ 2,724,435	\$ 1,275,565	\$ 4,000,000

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 Ending June 30,</u>	<u>Lease Payment</u>
1900	\$ 190,292
1900	190,292
1900	190,292
1900	190,292
1900	190,292
1900 - 1900	570,877
Total	1,522,337
Less: Amount representing interest	(130,333)
Present value of minimum lease payments	\$ 1,392,004

D. Net Pension Liability

The District's beginning net pension liability was \$18,296,623 and increased by \$3,532,436 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was \$21,829,059. See Note 11 for additional information regarding the net pension liability.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2017:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 3,000	\$ -	\$ -	\$ -	\$ 3,000
Total non-spendable	3,000	-	-	-	3,000
Restricted					
Educational programs	448,290	-	-	-	448,290
Capital projects	-	7,528,717	-	908,918	8,437,635
Debt service	-	-	2,102,314	154,545	2,256,859
Total restricted	448,290	7,528,717	2,102,314	1,063,463	11,142,784
Assigned					
Other assignments	504,363	-	-	-	504,363
Total assigned	504,363	-	-	-	504,363
Unassigned					
Reserve for economic uncertainties	1,223,460	-	-	-	1,223,460
Total unassigned	1,223,460	-	-	-	1,223,460
Total	\$ 2,179,113	\$ 7,528,717	\$ 2,102,314	\$ 1,063,463	\$ 12,873,607

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. While the State minimum reserve requirement is 3%, 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.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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, 2017, 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, 2017

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		3,400
Adjustment to annual required contribution		(4,915)
Annual OPEB cost (expense)		<u>112,948</u>
Contributions made		<u>(108,301)</u>
Increase (decrease) in net OPEB obligation		4,647
Net OPEB obligation, beginning of the year		<u>84,988</u>
Net OPEB obligation, end of the year	\$	<u><u>89,635</u></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, 2017 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
1/0/1900	\$ 112,948	96%	\$ 89,635
-	\$ 112,649	115%	\$ 84,988
-	\$ 127,015	102%	\$ 101,733

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, 2017

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	\$ 16,480,894	\$ 3,202,304	\$ 839,643	\$ 1,638,314
PERS Pension	5,348,165	1,522,386	259,998	662,081
Total	\$ 21,829,059	\$ 4,724,690	\$ 1,099,641	\$ 2,300,395

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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 10.25% and 9.205% of their salary for fiscal year 2017, 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 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,301,144 for the year ended June 30, 2017.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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 \$830,546 to CalSTRS.

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

At June 30, 2017, 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	\$	16,480,894
State's proportionate share of the net pension liability associated with the District		<u>9,383,660</u>
Total	<u>\$</u>	<u>25,864,554</u>

The net pension liability was measured as of June 30, 2016, 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, 2015, and rolling forward the total pension liability to June 30, 2016. 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, 2016, the District’s proportion was 0.020 percent, which was a decrease of 0.00068 percent from its proportion measured as of June 30, 2015

For the year ended June 30, 2017, the District recognized pension expense of \$1,638,314. In addition, the District recognized pension expense and revenue of \$1,674,263 for support provided by the State. At June 30, 2017, 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	\$ 1,310,223	\$ -
Differences between expected and actual experience	-	402,033
Changes in proportion and differences between District contributions and proportionate share of contributions	590,937	437,610
District contributions subsequent to the measurement date	<u>1,301,144</u>	<u>-</u>
	<u>\$ 3,202,304</u>	<u>\$ 839,643</u>

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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 \$1,301,144 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, 2018. 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>
1900	\$ 146,772	\$ 146,308
1900	146,772	146,308
1900	879,824	146,308
1900	609,603	146,308
1900	118,189	146,308
1900	-	108,103
	<u>\$ 1,901,160</u>	<u>\$ 839,643</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 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, 2015 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, 2017

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (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 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016 are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	6.30%
Private Equity	13%	9.30%
Real Estate	13%	5.20%
Inflation Sensitive	4%	3.80%
Fixed Income	12%	0.30%
Absolute Return	9%	2.90%
Cash/Liquidity	2%	-1.00%
	100%	

* 20-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, 2017

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:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 23,719,723	\$ 16,480,894	\$ 10,468,743

NOTE 11 – PENSION PLANS (continued)

California State Teachers' Retirement System (CalPERS)

Pension plan fiduciary net position

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

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 2017 was 13.888% of annual payroll. Contributions to the plan from the District were \$446,941 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$5,348,165 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, and rolling forward the total pension liability to June 30, 2016. 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, 2016, the District's proportion was 0.027 percent, which was a decrease of 0.00086 percent from its proportion measured as of June 30, 2015.

DIXIE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

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, 2017, the District recognized pension expense of \$662,081. At June 30, 2017, 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	\$ 829,863	\$ -
Differences between expected and actual experience	230,022	-
Changes in assumptions	-	160,680
Changes in proportion and differences between District contributions and proportionate share of contributions	15,560	99,318
District contributions subsequent to the measurement date	446,941	-
	<u>\$ 1,522,386</u>	<u>\$ 259,998</u>

The \$446,941 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, 2018. 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>
1900	\$ 230,643	\$ 118,816
1900	222,735	110,358
1900	405,480	30,824
1900	216,587	-
	<u>\$ 1,075,445</u>	<u>\$ 259,998</u>

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

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, 2015, and rolling forward the total pension liability to June 30, 2016 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, 2015, 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, 2017

NOTE 11 – PENSION PLANS (continued)

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

Actuarial assumptions (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 Debt Securities	20%	0.99%	2.43%
Inflation Assets	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	1%	-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:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 7,979,491	\$ 5,348,165	\$ 3,157,067

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

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

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, 2017.

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, 2017.

C. Construction Commitments

As of June 30, 2017, the District had commitments with respect to unfinished capital projects of \$1,024,254.

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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**DIXIE SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 15,092,148	\$ 15,046,270	\$ 15,043,779	\$ (2,491)
Federal sources	611,076	562,193	518,617	(43,576)
Other state sources	1,426,921	1,787,449	1,797,099	9,650
Other local sources	3,458,735	4,247,095	4,224,099	(22,996)
Total Revenues	20,588,880	21,643,007	21,583,594	(59,413)
EXPENDITURES				
Certificated salaries	10,264,186	10,605,294	10,584,834	20,460
Classified salaries	3,515,121	3,762,174	3,653,160	109,014
Employee benefits	4,340,860	4,770,398	4,698,596	71,802
Books and supplies	839,912	1,052,560	855,967	196,593
Services and other operating expenditures	2,087,155	2,415,902	2,287,372	128,530
Capital outlay	-	18,175	19,050	(875)
Other outgo				
Excluding transfers of indirect costs	620,383	493,960	471,764	22,196
Total Expenditures	21,667,617	23,118,463	22,570,743	547,720
Excess (Deficiency) of Revenues Over Expenditures	(1,078,737)	(1,475,456)	(987,149)	488,307
Other Financing Sources (Uses)				
Transfers in	998,449	1,133,449	1,133,449	-
Transfers out	(144,645)	(167,146)	(164,735)	2,411
Net Financing Sources (Uses)	853,804	966,303	968,714	2,411
NET CHANGE IN FUND BALANCE	(224,933)	(509,153)	(18,435)	490,718
Fund Balance - Beginning	2,119,618	2,119,618	2,119,618	-
Fund Balance - Ending	\$ 1,894,685	\$ 1,610,465	\$ 2,101,183	\$ 490,718

* 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, 2017**

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
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, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.020%	0.021%	0.020%
District's proportionate share of the net pension liability	\$ 16,480,894	\$ 14,178,436	\$ 11,671,424
State's proportionate share of the net pension liability associated with the District	9,383,660	7,498,809	7,073,333
Total	<u>\$ 25,864,554</u>	<u>\$ 21,677,245</u>	<u>\$ 18,744,757</u>
District's covered payroll	\$ 10,372,040	\$ 10,076,401	\$ 8,964,602
District's proportionate share of the net pension liability as a percentage of its covered payroll	158.9%	140.7%	130.2%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	74.0%	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, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.027%	0.028%	0.028%
District's proportionate share of the net pension liability	\$ 5,348,165	\$ 4,118,187	\$ 3,168,628
District's covered payroll	\$ 3,216,779	\$ 3,235,980	\$ 2,931,991
District's proportionate share of the net pension liability as a percentage of its covered payroll	166.3%	127.3%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	73.9%	79.4%	83.4%

See accompanying note to required supplementary information.

**DIXIE SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,301,144	\$ 1,080,947	\$ 899,655
Contributions in relation to the contractually required contribution*	(1,301,144)	(1,080,947)	(899,655)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,372,040	\$ 10,076,401	\$ 8,964,602
Contributions as a percentage of covered payroll	12.54%	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, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 446,941	\$ 382,872	\$ 364,586
Contributions in relation to the contractually required contribution	(446,941)	(382,872)	(364,586)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,216,779	\$ 3,235,980	\$ 2,931,991
Contributions as a percentage of covered payroll	13.89%	11.83%	12.43%

See accompanying note to required supplementary information.

**DIXIE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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 payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered 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 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 payroll.

**DIXIE SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2017, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Capital outlay	\$ 18,175	\$ 19,050	\$ 875

**SUPPLEMENTARY
INFORMATION**

**DIXIE SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2017**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	856.39	857.23
Extended Year Special Education	0.77	0.77
Special Education - Nonpublic Schools	1.99	1.97
Total TK/K through Third	859.15	859.97
Fourth through Sixth		
Regular ADA	605.61	605.41
Extended Year Special Education	0.70	0.70
Special Education - Nonpublic Schools	1.69	1.51
Total Fourth through Sixth	608.00	607.62
Seventh through Eighth		
Regular ADA	439.21	438.46
Extended Year Special Education	0.51	0.51
Special Education - Nonpublic Schools	1.69	1.43
Total Seventh through Eighth	441.41	440.40
TOTAL SCHOOL DISTRICT	1,908.56	1,907.99

**DIXIE SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2017**

Grade Level	Minutes Requirement	1900-00 Actual Minutes	Number of Days	Status
Kindergarten	36,000	43,230	180	Complied
Grade 1	50,400	51,815	180	Complied
Grade 2	50,400	51,815	180	Complied
Grade 3	50,400	51,815	180	Complied
Grade 4	54,000	54,770	180	Complied
Grade 5	54,000	54,770	180	Complied
Grade 6	54,000	63,375	180	Complied
Grade 7	54,000	63,375	180	Complied
Grade 8	54,000	63,375	180	Complied

**DIXIE SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	1900 (Budget)	2017	1900	1900
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 21,999,956	\$ 22,717,043	\$ 22,758,799	\$ 19,948,686
Expenditures And Other Financing Uses	21,848,180	22,735,478	22,531,065	20,965,699
Net change in Fund Balance	\$ 151,776	\$ (18,435)	\$ 227,734	\$ (1,017,013)
Ending Fund Balance	\$ 2,252,959	\$ 2,101,183	\$ 2,119,618	\$ 1,891,884
Available Reserves*	\$ 1,270,639	\$ 1,223,460	\$ 1,146,303	\$ 858,682
Available Reserves As A Percentage Of Outgo	5.82%	5.38%	5.09%	4.10%
Long-term Debt	\$ 42,715,567	\$ 44,523,240	\$ 42,837,009	\$ 40,016,947
Average Daily Attendance At P-2	1,909	1,909	1,932	1,931

The General Fund balance has increased by \$209,299 over the past two years. The fiscal year 2017-18 budget projects a further increase of \$151,776. 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 surplus during the 2017-18 fiscal year. Total long term obligations have increased by \$4,506,293 over the past two years.

Average daily attendance has decreased by 22 ADA over the past two years. No change in ADA is anticipated during the 2017-18 fiscal year.

*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, 2017**

	General Fund	Deferred Maintenance Fund
June 30, 2017, annual financial and budget report fund balance	\$ 2,101,183	\$ 77,930
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	77,930	(77,930)
Net adjustments and reclassifications	77,930	(77,930)
June 30, 2017, audited financial statement fund balance	<u>\$ 2,179,113</u>	<u>\$ -</u>

**DIXIE SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2017**

	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Non-Major Governmental Funds
ASSETS					
Cash and investments	\$ 51	\$ 113,408	\$ 845,885	\$ 154,545	\$ 1,113,889
Accounts receivable	759	-	12,814	-	13,573
Total Assets	\$ 810	\$ 113,408	\$ 858,699	\$ 154,545	\$ 1,127,462
LIABILITIES					
Accrued liabilities	\$ 27	\$ 5,002	\$ 11,718	\$ -	\$ 16,747
Due to other funds	783	-	-	-	783
Unearned revenue	-	-	46,469	-	46,469
Total Liabilities	810	5,002	58,187	-	63,999
FUND BALANCES					
Restricted	-	108,406	800,512	154,545	1,063,463
Total Fund Balances	-	108,406	800,512	154,545	1,063,463
Total Liabilities and Fund Balance	\$ 810	\$ 113,408	\$ 858,699	\$ 154,545	\$ 1,127,462

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, 2017**

	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Non-Major Governmental Funds
REVENUES					
Federal sources	\$ 61,252	\$ -	\$ -	\$ -	\$ 61,252
Other state sources	4,697	-	-	-	4,697
Other local sources	231,653	16,293	1,481,857	12,884	1,742,687
Total Revenues	297,602	16,293	1,481,857	12,884	1,808,636
EXPENDITURES					
Current					
Pupil services					
Food services	317,692	-	-	-	317,692
General administration					
All other general administration	-	32,689	-	-	32,689
Plant services	-	-	333,670	-	333,670
Facilities acquisition and maintenance	-	-	239,543	-	239,543
Debt service					
Principal	-	-	-	158,765	158,765
Interest and other	-	-	-	31,527	31,527
Total Expenditures	317,692	32,689	573,213	190,292	1,113,886
Excess (Deficiency) of Revenues Over Expenditures	(20,090)	(16,396)	908,644	(177,408)	694,750
Other Financing Sources (Uses)					
Transfers in	20,090	-	-	144,645	164,735
Transfers out	-	-	(1,133,449)	-	(1,133,449)
Net Financing Sources (Uses)	20,090	-	(1,133,449)	144,645	(968,714)
NET CHANGE IN FUND BALANCE	-	(16,396)	(224,805)	(32,763)	(273,964)
Fund Balance - Beginning	-	124,802	1,025,317	187,308	1,337,427
Fund Balance - Ending	\$ -	\$ 108,406	\$ 800,512	\$ 154,545	\$ 1,063,463

See accompanying note to supplementary information.

**DIXIE SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2017**

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

Member	Office	Term Expires
Brad Honsberger	President	December 2018
Marnie Glickman	Vice-President	December 2020
Jennifer Taekman	Clerk	December 2018
Alissa Chacko	Trustee	December 2020
Mark Schott	Trustee	December 2018

DISTRICT ADMINISTRATORS

Thomas Lohwasser, Ed.D
Superintendent

Robert Marical
Chief Business Official

Judith Arrow
Assistant Superintendent of Educational Services

Rebecca Minnich
Director of Special Education

**DIXIE SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

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, 2017, the District participated in the Longer Day incentive funding program. As of June 30, 2017, 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)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

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, 2017, 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 1, 2017 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 D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO

LOS ANGELES

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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.



San Diego, California
December 1, 2017

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Dixie School District's state programs for the fiscal year ended June 30, 2017, 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the 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 #2017-001. 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, 2017.

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:

PROGRAM NAME	PROCEDURES PERFORMED
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
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

PROGRAM NAME	PROCEDURES PERFORMED
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 did not exceed the threshold that requires testing.

Christy White Associates

San Diego, California
December 1, 2017

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**DIXIE SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2017 because federal award expenditures did not exceed \$750,000.

STATE AWARDS

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

DIXIE SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017.

**DIXIE SCHOOL DISTRICT
 STATE AWARD FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2017**

<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 #2017-001- 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: 3 of 53 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM and indicated as “No” under the “Direct Certification” column did not have proper supporting documentation to support their designation. 100% of the population was tested.

Cause: Oversight by the District.

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

Context: A total of 3 students from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM 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, 2017**

**FINDING #2017-001- UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000),
(continued)**

Questioned Cost:

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2			6,043	
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2			1,100	
3	Audit Adjustment - Number of Enrollment			-	
4	Audit Adjustment - Number of Unduplicated Pupil Count			(3)	
5	Revised Adjusted Enrollment			6,043	
6	Revised Adjusted Unduplicated Pupil Count			1,097	
7	UPP calculated as of P-2			0.1820	
8	Revised UPP for audit finding			0.1815	
9	Charter Schools Only: Determinative School District Concentration Cap				
10	Revised UPP adjusted for Concentration Cap			0.1815	
LCFF Target Supplemental Grant Funding Audit Adjustment		TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	880.05	603.37	476.27	
10	Adjusted Base Grant per ADA	\$7,820	\$7,189	\$8,578	
11	Target Supplemental Grant Funding calculated as of P-2				\$557,104
12	Revised Target Supplemental Grant Funding for audit finding				\$555,574
13	Target Supplemental Grant Funding audit adjustment				(\$1,530)
LCFF Target Concentration Grant Funding Audit Adjustment					
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				\$0
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				(\$1,530)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.5607679980
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				(\$858)

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

District Response: Whenever a record is updated in AERIES after the CalPADS submission, a notification will be sent via e-mail to the CalPADS Coordinator. They will then manually correct the records in CalPADS and be requested to respond that the data has been corrected.

**DIXIE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017

FINDING #2016-1- 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		0.1929
8	Charter Schools Only: Determinative School District Concentration Cap		-
9	Revised UPP adjusted for Concentration Cap		0.1929
LCFF Target Base Grant Funding		Estimated Values	
10	Total Base Grant Funding as of P-2	\$14,811,492	
LCFF Target Supplemental Grant Funding Audit Adjustment			
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	(\$4,740)	
LCFF Target Concentration Grant Funding Audit Adjustment			
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	\$0	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target			
17	Total Target Supplemental and Concentration audit adjustment	(\$4,740)	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap			
18	Statewide Gap Funding Rate as of P-2	0.5255761597	
21	Estimated Cost of Unduplicated Pupil Count audit adjustment	(\$2,491)	

**DIXIE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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

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.

Current Status: Partially implemented. See Finding #2017-001