

DIXIE SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

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JUNE 30, 2018**

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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, 2018, 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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Auditor's Responsibility, (continued)

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, 2018, or the changes in financial position thereof for the year then ended.

Opinion

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, 2018, 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.

Emphasis of Matter

As discussed in Notes 1 and 10 to the financial statements, in 2018 Dixie School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 changes in total OPEB liability and related ratios, 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 November 19, 2018 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 the effectiveness of Dixie School District's 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
November 19, 2018

**DIXIE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

MANAGEMENT’S DISCUSSION AND ANALYSIS

INTRODUCTION

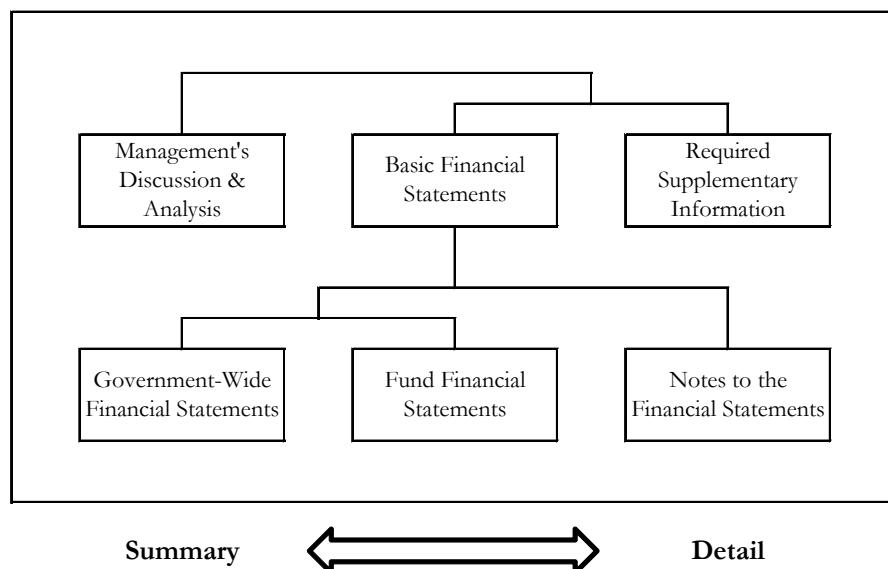
Our discussion and analysis of Dixie School District’s (District) financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total net position was (\$13,749,329) at June 30, 2018. This was a decrease of \$853,515 from the prior year after restatement.
- The cause of the negative net position is largely due to the implementation of GASB 68 in 2014-15 and GASB 75 in 2017-18.
- The District’s net pension liability was further increased in 2017-18.
- Overall expenses were \$26,155,147, which were more than revenues of \$25,301,632.
- ADA remained steady in the 2017-18 year but is projected to increase over the next year.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**DIXIE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The District's net position was (\$13,749,329) at June 30, 2018, as reflected in the table below. Of this amount, (\$17,884,705) was unrestricted. 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		
	2018	2017	Net Change
ASSETS			
Current and other assets	\$ 24,755,881	\$ 14,374,883	\$ 10,380,998
Capital assets	20,068,030	16,217,472	3,850,558
Total Assets	44,823,911	30,592,355	14,231,556
DEFERRED OUTFLOWS OF RESOURCES	7,145,847	4,724,690	2,421,157
LIABILITIES			
Current liabilities	2,744,085	3,351,168	(607,083)
Long-term liabilities	60,826,568	42,715,567	18,111,001
Total Liabilities	63,570,653	46,066,735	17,503,918
DEFERRED INFLOWS OF RESOURCES	2,148,434	1,099,641	1,048,793
NET POSITION			
Net investment in capital assets	1,256,223	1,249,655	6,568
Restricted	2,879,153	3,319,361	(440,208)
Unrestricted	(17,884,705)	(16,418,346)	(1,466,359)
Total Net Position	\$ (13,749,329)	\$ (11,849,330)	\$ (1,899,999)

**DIXIE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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		
	2018	2017	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 189,570	\$ 228,436	\$ (38,866)
Operating grants and contributions	3,765,328	4,406,577	(641,249)
General revenues			
Property taxes	17,725,949	16,032,671	1,693,278
Unrestricted federal and state aid	1,727,425	3,720,926	(1,993,501)
Other	1,893,360	1,996,727	(103,367)
Total Revenues	25,301,632	26,385,337	(1,083,705)
EXPENSES			
Instruction	14,732,938	15,657,550	(924,612)
Instruction-related services	2,460,599	2,579,605	(119,006)
Pupil services	1,892,764	1,934,953	(42,189)
General administration	1,789,291	1,746,616	42,675
Plant services	2,867,535	2,339,613	527,922
Ancillary and community services	25,418	26,735	(1,317)
Debt service	852,259	1,095,662	(243,403)
Other outgo	340,421	371,084	(30,663)
Depreciation	1,193,922	1,203,544	(9,622)
Total Expenses	26,155,147	26,955,362	(800,215)
Change in net position	(853,515)	(570,025)	(283,490)
Net Position - Beginning, as Restated*	(12,895,814)	(11,279,305)	(1,616,509)
Net Position - Ending	\$ (13,749,329)	\$ (11,849,330)	\$ (1,899,999)

* Beginning Net Position was restated for the 2018 year only

The cost of all our governmental activities this year was \$26,155,147 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$17,725,949 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$3,765,328).

**DIXIE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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	
	2018	2017
Instruction	\$ 12,185,528	\$ 12,186,737
Instruction-related services	2,234,657	2,216,170
Pupil services	1,365,746	1,321,013
General administration	1,732,356	1,662,577
Plant services	2,446,081	2,334,886
Ancillary and community services	24,986	26,550
Debt service	852,259	1,095,662
Transfers to other agencies	164,714	273,210
Depreciation	1,193,922	1,203,544
Total Expenses	\$ 22,200,249	\$ 22,320,349

**DIXIE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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 \$23,051,646, which is more than last year’s ending fund balance of \$12,873,607. The District’s General Fund had \$53,006 more in operating revenues than expenditures for the year ended June 30, 2018. The District’s Building Fund had \$4,895,838 less in operating revenues than expenditures for the year ended June 30, 2018. The District’s Bond Interest and Redemption Fund had \$728,011 more in operating revenues than expenditures for the year ended June 30, 2018.

The increase in the combined fund balance is largely due to the issuance of Election of 2014, Series B General Obligation Bonds in the 2017-18 year.

CURRENT YEAR BUDGET 2017-2018

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 2017-2018 the District had invested \$20,068,030 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	\$ 1,412,651	\$ 1,412,651	\$ -
Construction in progress	6,068,733	1,024,254	5,044,479
Land improvements	9,027,074	9,027,074	-
Buildings & improvements	31,485,365	31,485,365	-
Furniture & equipment	1,649,938	1,649,938	-
Accumulated depreciation	(29,575,731)	(28,381,809)	(1,193,922)
Total Capital Assets	\$ 20,068,030	\$ 16,217,473	\$ 3,850,557

**DIXIE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$60,826,568 in long-term debt, an increase of 17,064,517 from last year – as shown in table below. The cause of the increase in long term liabilities is largely due to the issuance of the Election 2014, Series B General Obligation Bonds in 2017-18. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 35,214,675	\$ 21,104,531	\$ 14,110,144
Capital leases	1,230,011	1,392,004	(161,993)
Early retirement incentive	270,480	-	270,480
Compensated absences	74,582	108,011	(33,429)
Total OPEB liability*	1,110,715	1,136,119	(25,404)
Net pension liability	23,952,951	21,829,059	2,123,892
Less: current portion of long-term debt	(1,026,846)	(1,807,673)	780,827
Total Long-term Liabilities	\$ 60,826,568	\$ 43,762,051	\$ 17,064,517

**Total OPEB liability for 2017 was restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.*

**DIXIE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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.

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). 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 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

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

The 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, 2018. 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 2018-19 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, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 23,947,014
Accounts receivable	808,468
Prepaid expenses	399
Capital assets, not depreciated	7,481,384
Capital assets, net of accumulated depreciation	12,586,646
Total Assets	44,823,911
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	7,145,847
Total Deferred Outflows of Resources	7,145,847
LIABILITIES	
Accrued liabilities	1,664,719
Unearned revenue	52,520
Long-term liabilities, current portion	1,026,846
Long-term liabilities, non-current portion	60,826,568
Total Liabilities	63,570,653
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,148,434
Total Deferred Inflows of Resources	2,148,434
NET POSITION	
Net investment in capital assets	1,256,223
Restricted:	
Capital projects	764,229
Debt service	1,436,218
Educational programs	673,383
All others	5,323
Unrestricted	(17,884,705)
Total Net Position	\$ (13,749,329)

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

**DIXIE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 14,732,938	\$ -	\$ 2,547,410	\$ (12,185,528)
Instruction-related services				
Instructional supervision and administration	727,814	-	161,625	(566,189)
Instructional library, media, and technology	330,667	-	44,246	(286,421)
School site administration	1,402,118	-	20,071	(1,382,047)
Pupil services				
Home-to-school transportation	770,824	-	-	(770,824)
Food services	333,977	189,570	123,083	(21,324)
All other pupil services	787,963	-	214,365	(573,598)
General administration				
Centralized data processing	186,915	-	31,878	(155,037)
All other general administration	1,602,376	-	25,057	(1,577,319)
Plant services	2,867,535	-	421,454	(2,446,081)
Ancillary services	1,418	-	432	(986)
Community services	24,000	-	-	(24,000)
Interest on long-term debt	852,259	-	-	(852,259)
Other outgo	340,421	-	175,707	(164,714)
Depreciation (unallocated)	1,193,922	-	-	(1,193,922)
Total Governmental Activities	\$ 26,155,147	\$ 189,570	\$ 3,765,328	(22,200,249)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				14,634,988
Property taxes, levied for debt service				1,167,985
Property taxes, levied for other specific purposes				1,922,976
Federal and state aid not restricted for specific purposes				1,727,425
Interest and investment earnings				152,590
Interagency revenues				944
Miscellaneous				1,739,826
Subtotal, General Revenue				21,346,734
CHANGE IN NET POSITION				(853,515)
Net Position - Beginning, as Restated				(12,895,814)
Net Position - Ending				\$ (13,749,329)

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

**DIXIE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,794,309	\$ 18,091,477	\$ 977,098	\$ 1,824,507	\$ 23,687,391
Accounts receivable	771,827	-	20,570	16,071	808,468
Prepaid expenditures	399	-	-	-	399
Total Assets	\$ 3,566,535	\$ 18,091,477	\$ 997,668	\$ 1,840,578	\$ 24,496,258
LIABILITIES					
Accrued liabilities	\$ 620,068	\$ 458,598	\$ 296,125	\$ 17,301	\$ 1,392,092
Unearned revenue	6,051	-	46,469	-	52,520
Total Liabilities	626,119	458,598	342,594	17,301	1,444,612
FUND BALANCES					
Nonspendable	3,399	-	-	-	3,399
Restricted	673,383	17,632,879	655,074	1,823,277	20,784,613
Assigned	466,465	-	-	-	466,465
Unassigned	1,797,169	-	-	-	1,797,169
Total Fund Balances	2,940,416	17,632,879	655,074	1,823,277	23,051,646
Total Liabilities and Fund Balances	\$ 3,566,535	\$ 18,091,477	\$ 997,668	\$ 1,840,578	\$ 24,496,258

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, 2018**

Total Fund Balance - Governmental Funds \$ 23,051,646

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	\$ 49,643,761	
Accumulated depreciation	(29,575,731)	20,068,030

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:

(272,581)

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	\$ 35,214,675	
Capital leases	1,230,011	
Early retirement incentive	270,480	
Compensated absences	74,582	
Total OPEB liability	1,110,715	
Net pension liability	23,952,951	(61,853,414)

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	\$ 7,145,847	
Deferred inflows of resources related to pensions	(2,148,434)	4,997,413

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:

259,577

Total Net Position - Governmental Activities \$ (13,749,329)

**DIXIE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 15,703,836	\$ -	\$ -	\$ -	\$ 15,703,836
Federal sources	472,730	-	-	105,674	578,404
Other state sources	2,125,711	-	-	13,906	2,139,617
Other local sources	4,507,983	107,522	1,497,965	1,321,565	7,435,035
Total Revenues	22,810,260	107,522	1,497,965	1,441,145	25,856,892
EXPENDITURES					
Current					
Instruction	14,657,645	-	-	-	14,657,645
Instruction-related services					
Instructional supervision and administration	713,230	-	-	-	713,230
Instructional library, media, and technology	320,658	-	-	-	320,658
School site administration	1,380,822	-	-	-	1,380,822
Pupil services					
Home-to-school transportation	719,891	-	-	-	719,891
Food services	20,171	-	-	313,806	333,977
All other pupil services	787,791	-	-	-	787,791
General administration					
Centralized data processing	169,572	-	-	-	169,572
All other general administration	1,530,806	-	-	8,925	1,539,731
Plant services					
Facilities acquisition and maintenance	163,120	4,883,360	419,449	-	5,465,929
Ancillary services	1,418	-	-	-	1,418
Community services	23,523	-	-	-	23,523
Transfers to other agencies	321,100	-	-	-	321,100
Debt service					
Principal	-	-	-	1,706,993	1,706,993
Interest and other	-	120,000	-	709,793	829,793
Total Expenditures	22,757,254	5,003,360	769,954	2,739,517	31,270,085
Excess (Deficiency) of Revenues Over Expenditures	53,006	(4,895,838)	728,011	(1,298,372)	(5,413,193)
Other Financing Sources (Uses)					
Transfers in	873,449	-	-	165,152	1,038,601
Other sources	-	15,000,000	-	591,232	15,591,232
Transfers out	(165,152)	-	(873,449)	-	(1,038,601)
Net Financing Sources (Uses)	708,297	15,000,000	(873,449)	756,384	15,591,232
NET CHANGE IN FUND BALANCE	761,303	10,104,162	(145,438)	(541,988)	10,178,039
Fund Balance - Beginning	2,179,113	7,528,717	800,512	2,365,265	12,873,607
Fund Balance - Ending	\$ 2,940,416	\$ 17,632,879	\$ 655,074	\$ 1,823,277	\$ 23,051,646

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, 2018**

Net Change in Fund Balances - Governmental Funds \$ 10,178,039

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:	\$ 5,044,479	
Depreciation expense:	<u>(1,193,922)</u>	3,850,557

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:

1,706,993

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(15,591,232)

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:

22,125

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.

(164,591)

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:

33,429

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

25,404

(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, 2018**

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: (751,528)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: (270,480)

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: 100,679

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: 7,090

Change in Net Position of Governmental Activities \$ (853,515)

**DIXIE SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018**

	<u>Governmental Activities</u>
	<u>Self-Insurance Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 259,623
Total current assets	<u>259,623</u>
Total Assets	<u>259,623</u>
LIABILITIES	
Current liabilities	
Accrued liabilities	<u>46</u>
Total current liabilities	<u>46</u>
Total Liabilities	<u>46</u>
NET POSITION	
Restricted	<u>259,577</u>
Total Net Position	<u>\$ 259,577</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, 2018**

	<u>Governmental Activities</u>
	<u>Self-Insurance Fund</u>
OPERATING REVENUE	
Charges for services	\$ 109,276
Total operating revenues	<u>109,276</u>
OPERATING EXPENSE	
Professional services	104,697
Total operating expenses	<u>104,697</u>
Operating income/(loss)	<u>4,579</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	2,511
Total non-operating revenues/(expenses)	<u>2,511</u>
CHANGE IN NET POSITION	7,090
Net Position - Beginning	<u>252,487</u>
Net Position - Ending	<u>\$ 259,577</u>

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

**DIXIE SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Governmental Activities</u>
	<u>Self-Insurance Fund</u>
Cash flows from operating activities	
Cash received from user charges	\$ 109,276
Cash payments for payroll, insurance, and operating costs	(104,651)
Net cash provided by (used for) operating activities	<u>4,625</u>
Cash flows from investing activities	
Interest received	2,511
Net cash provided by (used for) investing activities	<u>2,511</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,136
 CASH AND CASH EQUIVALENTS	
Beginning of year	252,487
End of year	<u>\$ 259,623</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ 4,579
Changes in assets and liabilities:	
Increase (decrease) in accounts payable	46
Net cash provided by (used for) operating activities	<u>\$ 4,625</u>

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

DIXIE SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and investments	\$ 335
Total Assets	\$ 335
LIABILITIES	
Due to student groups	\$ 335
Total Liabilities	\$ 335

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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*).

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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, 2018

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.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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*)

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2016
Measurement Period	July 1, 2017 – June 30, 2018
Reporting Period	July 1, 2017 – June 30, 2018

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

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.

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*)

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.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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, 2018

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, 2018

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 implemented GASB Statement No. 75 for the year ended June 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard’s primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard’s primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard’s primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard’s primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

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	\$ 23,682,391	\$ 259,623	\$ 23,942,014	\$ -
Cash on hand and in banks	2,000	-	2,000	335
Cash in revolving fund	3,000	-	3,000	-
Total cash and investments	\$ 23,687,391	\$ 259,623	\$ 23,947,014	\$ 335

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, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$23,967,773 and an amortized book value of \$23,942,014. The average weighted maturity for this pool is 211 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, 2018, the pooled investments in the County Treasury were rated AAA/V1.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

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, 2018, 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 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, 2018 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 23,967,773
Total fair market value of investments	\$ 23,967,773

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 58,642	\$ -	\$ 11,416	\$ 70,058
State Government				
Apportionment	228	-	-	228
Categorical aid	59,896	-	4,655	64,551
Lottery	90,253	-	-	90,253
Local Government				
Other local sources	562,808	20,570	-	583,378
Total	\$ 771,827	\$ 20,570	\$ 16,071	\$ 808,468

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,412,651	\$ -	\$ -	\$ 1,412,651
Construction in progress	1,024,254	5,044,479	-	6,068,733
Total Capital Assets not Being Depreciated	2,436,905	5,044,479	-	7,481,384
Capital assets being depreciated				
Land improvements	9,027,074	-	-	9,027,074
Buildings & improvements	31,485,365	-	-	31,485,365
Furniture & equipment	1,649,938	-	-	1,649,938
Total Capital Assets Being Depreciated	42,162,377	-	-	42,162,377
Less Accumulated Depreciation				
Land improvements	6,693,856	274,672	-	6,968,528
Buildings & improvements	20,330,993	867,693	-	21,198,686
Furniture & equipment	1,356,960	51,557	-	1,408,517
Total Accumulated Depreciation	28,381,809	1,193,922	-	29,575,731
Governmental Activities				
Capital Assets, net	\$ 16,217,473	\$ 3,850,557	\$ -	\$ 20,068,030

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Interfund Transfers Out	Interfund Transfers In		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 165,152	\$ 165,152
Special Reserve Fund for Capital Outlay Projects	873,449	-	873,449
Total Interfund Transfers	\$ 873,449	\$ 165,152	\$ 1,038,601
Transfer from the General Fund to the Cafeteria Fund for annual contribution to the cafeteria program.			\$ 14,000
Transfer from the General Fund to the Debt Service Fund for solar energy savings.			151,152
Transfer from the Special Reserve Fund for Capital Outlay Projects to the General Fund for transfer of property taxes per MOU.			873,449
Total			\$ 1,038,601

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Funds	District-Wide	Total Governmental Activities
Payroll	\$ 57,991	\$ -	\$ 45,543	\$ 25	\$ -	\$ -	\$ 103,559
Construction	-	458,531	250,563	-	-	-	709,094
Vendors payable	445,163	-	-	17,276	-	-	462,439
Unmatured interest	-	-	-	-	-	272,581	272,581
Other liabilities	116,914	67	19	-	46	-	117,046
Total	\$ 620,068	\$ 458,598	\$ 296,125	\$ 17,301	\$ 46	\$ 272,581	\$ 1,664,719

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Total Governmental Activities
Federal sources	\$ 6,051	\$ -	\$ 6,051
Local sources	-	46,469	46,469
Total	\$ 6,051	\$ 46,469	\$ 52,520

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated			Balance June 30, 2018	Balance Due In One Year
	Balance July 01, 2017	Additions	Deductions		
Governmental Activities					
General obligation bonds	\$ 19,774,435	\$ 15,164,591	\$ 1,545,000	\$ 33,394,026	\$ 610,000
Unamortized premium	1,330,096	591,232	100,679	1,820,649	100,680
Total general obligation bonds	21,104,531	15,755,823	1,645,679	35,214,675	710,680
Capital leases	1,392,004	-	161,993	1,230,011	165,286
Early retirement incentive	-	270,480	-	270,480	150,880
Compensated absences	108,011	-	33,429	74,582	-
Total OPEB liability	1,136,119	-	25,404	1,110,715	-
Net pension liability	21,829,059	2,123,892	-	23,952,951	-
Total	\$ 45,569,724	\$ 18,150,195	\$ 1,866,505	\$ 61,853,414	\$ 1,026,846

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 and early retirement incentive 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, 2018 amounted to \$74,582. 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, 2018

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds

The outstanding general obligation debt of the District as of June 30, 2018 is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2018
					Outstanding July 01, 2017	Additions	Deductions	
1999 Capital Appreciation Bonds	8/8/2000	8/1/2025	5.90-5.95%	\$2,569,928	\$ 2,724,435	\$ 164,591	\$ -	\$ 2,889,026
2011 General Obligation Refunding Bonds	9/28/2011	8/1/2021	2.00-5.00%	5,850,000	3,265,000	-	580,000	2,685,000
Election of 2014, Series A	3/10/2015	8/1/2044	2.00-4.00%	15,000,000	13,785,000	-	965,000	12,820,000
Election of 2014, Series B	1/10/2018	8/1/2044	3.00-5.00%	15,000,000	-	15,000,000	-	15,000,000
					\$ 19,774,435	\$ 15,164,591	\$ 1,545,000	\$ 33,394,026

The annual requirements to amortize the general obligation bonds as of June 30, 2018 are as follows:

In August 2000, the Election of 1999 General Obligation Bonds, Series A, in the aggregate principal amount of \$9,995,810 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:

Year Ended June 30,	Principal	Interest	Total
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	268,810	696,190	965,000
2024 - 2026	747,000	2,288,000	3,035,000
Accretion	1,873,216	(1,873,216)	-
Total	\$ 2,889,026	\$ 1,110,974	\$ 4,000,000

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
2019	\$ 610,000	\$ 107,175	\$ 717,175
2020	645,000	84,400	729,400
2021	690,000	54,250	744,250
2022	740,000	18,500	758,500
Total	\$ 2,685,000	\$ 264,325	\$ 2,949,325

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds, (continued)

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
2019	\$ -	\$ 537,144	\$ 537,144
2020	30,000	536,844	566,844
2021	50,000	536,044	586,044
2022	70,000	534,144	604,144
2023	95,000	530,844	625,844
2024 - 2028	905,000	2,566,619	3,471,619
2029 - 2033	1,770,000	2,341,244	4,111,244
2034 - 2038	2,915,000	1,952,241	4,867,241
2039 - 2043	4,540,000	1,199,163	5,739,163
2044 - 2045	2,445,000	124,875	2,569,875
Total	\$ 12,820,000	\$ 10,859,162	\$ 23,679,162

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 B Bonds are the second series of bonds to be issued under the 2014 Authorization totaling \$15,000,000. The terms of Series B are summarized as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ -	\$ 560,618	\$ 560,618
2020	300,000	543,925	843,925
2021	100,000	535,425	635,425
2022	125,000	529,800	654,800
2023	155,000	522,800	677,800
2024 - 2028	1,290,000	2,452,125	3,742,125
2029 - 2033	2,410,000	1,997,375	4,407,375
2034 - 2038	3,815,000	1,398,506	5,213,506
2039 - 2043	5,470,000	680,337	6,150,337
2044	1,335,000	21,694	1,356,694
Total	\$ 15,000,000	\$ 9,242,605	\$ 24,242,605

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 8 – LONG-TERM DEBT (continued)

C. Capital Leases

On December 27, 2009, the District has entered into an agreement to lease solar equipment and improvements, valued at \$2,629,385. The agreement provides for title to pass upon expiration of the lease term. Future minimum lease payments under this agreement are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 165,286	\$ 25,006	\$ 190,292
2020	168,647	21,646	190,293
2021	172,075	18,217	190,292
2022	175,574	14,719	190,293
2023	179,143	11,150	190,293
2024 - 2025	369,286	11,299	380,585
Total	\$ 1,230,011	\$ 102,037	\$ 1,332,048

D. Early Retirement Incentive

The District offered early retirement incentives to qualified certificated employees for retirements effective at the end of the June 30, 2018 and June 30, 2019 school years. To qualify, the certificated employee must have at least 10 years of service and be at least 60 years old by June 30, 2018. The cash incentive is \$27,600 and is paid out in a lump sum, two equal payments or three equal payments. The District’s obligation to those retirees as of June 30, 2018 is as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>
2019	\$ 150,880
2020	119,600
Total	\$ 270,480

E. Other Postemployment Benefits

The District’s restated beginning total OPEB liability was \$1,136,119 and decreased by \$25,404 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was \$1,110,715. See Note 10 for additional information regarding the total OPEB liability.

E. Net Pension Liability

The District’s beginning net pension liability was \$21,829,059 and increased by \$2,123,892 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$23,952,951. See Note 11 for additional information regarding the net pension liability.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 3,000	\$ -	\$ -	\$ -	\$ 3,000
Prepaid expenditures	399	-	-	-	399
Total non-spendable	<u>3,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,399</u>
Restricted					
Educational programs	673,383	-	-	-	673,383
Capital projects	-	17,632,879	655,074	109,155	18,397,108
Debt service	-	-	-	1,708,799	1,708,799
All others	-	-	-	5,323	5,323
Total restricted	<u>673,383</u>	<u>17,632,879</u>	<u>655,074</u>	<u>1,823,277</u>	<u>20,784,613</u>
Assigned					
Deferred maintenance	31,481	-	-	-	31,481
Other assignments	434,984	-	-	-	434,984
Total assigned	<u>466,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>466,465</u>
Unassigned					
Reserve for economic uncertainties	1,797,169	-	-	-	1,797,169
Total unassigned	<u>1,797,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,797,169</u>
Total	<u>\$ 2,940,416</u>	<u>\$ 17,632,879</u>	<u>\$ 655,074</u>	<u>\$ 1,823,277</u>	<u>\$ 23,051,646</u>

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, 2018

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Dixie School District’s defined benefit OPEB plan, Dixie School District Retiree Benefit Plan (the Plan) is described below. Retirees are offered a choice of three fully-insured medical/prescription drug options from Kaiser. In addition, all groups are offered dental benefits through Delta Dental. The retiree rates are substantially higher than corresponding rates for active employees, so we have concluded that there is no implicit subsidy for valuation purposes. Certificated employees (including management) who attain age 55 and have completed at least 5 years of service, and Classified employees (including confidential and management) who attain age 55 and have completed at least 10 years of service, are eligible to retire with District-paid medical/prescription drug and dental coverages, to a maximum of \$425 per month. Benefits are paid for 5 years regardless of Medicare eligibility, and are subject to rules described below. Employees must be at least 50% full-time equivalent (or 20 hours/week or greater) in order to be eligible. Once the 5 years of benefits end, retirees who continue in the District medical plan are eligible to receive a lifetime District contribution of \$7 .40 per month.

Employees must be participating in the medical plan at the time of retirement to be eligible for full benefits. Employees who waived medical coverage prior to retirement and are only participating in the dental plan will receive a District contribution equal to the dental premium only, including the cost of spousal coverage if applicable. Retirees are allowed to drop medical coverage within the first 5 years and continue to receive their full \$425 per month contribution provided the funds are used to purchase medical insurance elsewhere. However, participation in the dental plan is required for new retirees in order to continue their benefit eligibility.

Medicare-eligible retirees in the first 5 years of retirement whose total premiums (medical plus dental) are less than \$425 per month receive a monthly check from the District for the balance. It is required that this cash payment be used to cover Medicare Part B expenses and/or other supplemental coverages; proof of eligible expenses may be requested by the District.

B. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below. (Some grandfathered certificated retirees receive additional benefits under a recent retirement incentive.)

	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>
Applies to	50% full-time equivalent*	50% full-time equivalent*	50% full-time equivalent*
	Medical/perscription	Medical/perscription	Medical/perscription
Benefit types provided	drug and dental	drug and dental	drug and dental
Duration of Benefits	5 years**	5 years**	5 years**
Required Service	5 years	10 years	10 years
Minimum Age	55	50	50/55
District Contribution %	100%	100%	100%
District Cap	\$450 per Month	Same as active	Same as active

*Or 20 hours/week or greater

**Retirees who continue in the District medical plan are eligible to receive a lifetime District contribution

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

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

C. Contributions

The contribution requirements of Plan members and the Dixie School District are established and may be amended by the Dixie School District and the Dixie Teachers’ Association and the local California Service Employees Association. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

D. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	57
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	199
Total number of participants**	<u>256</u>

*Information not provided

**As of the July 1, 2016 valuation date

E. Total OPEB Liability

The Dixie School District’s total OPEB liability of \$1,110,715 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2016.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Economic assumptions:

Discount rate	3.62%
Salary increases	3.00%
Healthcare cost trend rates	6.00%

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

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

F. Actuarial Assumptions and Other Inputs (continued)

Non-economic assumptions:

Mortality:

Pre-retirement	RP-2014 Employee Mortality Tables for Males or Females
Post-retirement	RP-2014 Health Annuitant Mortality Table for Males or Females

Retirement rates:

Certificated	2009 CalSTRS Retirement Rates Table
Classified	2009 CalPERS 2.0%@60 Rates for Miscellaneous Employee Table 2009 CalPERS Retirement Rates for School Employees Table

The actuarial assumptions used in the June 30, 2018 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2018.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

G. Changes in Total OPEB Liability

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 52,864
Interest on total OPEB liability	39,023
Benefits payments	<u>(117,291)</u>
Net change in total OPEB liability	(25,404)
Total OPEB liability - beginning	<u>1,136,119</u>
Total OPEB liability - ending	<u>\$ 1,110,715</u>
Covered payroll	\$ 13,106,051
District's total OPEB liability as a percentage of covered payroll	8%

The Dixie School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a “roll-back” technique has been used.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

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

H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Dixie School District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62 percent) or one percentage point higher (4.62 percent) than the current discount rate:

	1% Decrease	Valuation Discount Rate	1% Increase
	(2.62%)	(3.62%)	(4.62%)
Total OPEB liability	\$ 1,190,593	\$ 1,110,715	\$ 1,039,339

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Dixie School District, as well as what the District’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.00 percent) or one percentage point higher (7.00 percent) than the current healthcare cost trend rate:

	1% Decrease	Valuation Trend Rate	1% Increase
	(5.0%)	(6.0%)	7.0%
Total OPEB liability	\$ 1,110,416	\$ 1,110,715	\$ 1,111,017

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Dixie School District recognized OPEB expense of \$91,887. At June 30, 2018, the Dixie School District reported no deferred outflows or deferred inflows of resources related to OPEB.

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straightline basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

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:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 17,931,108	\$ 5,356,268	\$ 1,792,042	\$ 1,743,909
PERS Pension	6,021,843	1,789,579	356,392	981,061
Total	\$ 23,952,951	\$ 7,145,847	\$ 2,148,434	\$ 2,724,970

A. 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:

1. 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 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.
2. 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 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.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

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 2018, 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 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,495,260 for the year ended June 30, 2018.

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 \$862,659 to CalSTRS.

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

At June 30, 2018, 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	\$ 17,931,108
State's proportionate share of the net pension liability associated with the District	10,607,979
Total	\$ 28,539,087

The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District’s proportion was 0.019 percent, which was a decrease of 0.00099 percent from its proportion measured as of June 30, 2016.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

A. 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)

For the year ended June 30, 2018, the District recognized pension expense of \$1,743,909. In addition, the District recognized pension expense and revenue of \$304,888 for support provided by the State. At June 30, 2018, 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	\$ -	\$ 477,555
Differences between expected and actual experience	66,311	312,747
Changes in assumptions	3,321,947	-
Changes in proportion and differences between District contributions and proportionate share of contributions	472,750	1,001,740
District contributions subsequent to the measurement date	1,495,260	-
	<u>\$ 5,356,268</u>	<u>\$ 1,792,042</u>

The \$1,495,260 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, 2019. 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>
2019	\$ 682,897	\$ 646,042
2020	682,897	(51,808)
2021	682,897	205,787
2022	682,899	673,671
2023	564,710	212,170
2024	564,708	106,180
	<u>\$ 3,861,008</u>	<u>\$ 1,792,042</u>

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* 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 MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

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. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

*20-year geometric average

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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.

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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 26,328,560	\$ 17,931,108	\$ 11,116,007

Pension Plan Fiduciary Net Position

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

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement 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 6.5% 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 2018 was 15.531% of annual payroll. Contributions to the plan from the District were \$478,182 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$6,021,843 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District’s proportion was 0.025 percent, which was a decrease of 0.00185 percent from its proportion measured as of June 30, 2016.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. 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, 2018, the District recognized pension expense of \$981,061. At June 30, 2018, 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	\$ 208,315	\$ -
Differences between expected and actual experience	215,738	-
Changes in assumptions	879,585	70,900
Changes in proportion and differences between District contributions and proportionate share of contributions	7,759	285,492
District contributions subsequent to the measurement date	478,182	-
	<u>\$ 1,789,579</u>	<u>\$ 356,392</u>

The \$478,182 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, 2019. 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>
2019	\$ 420,676	\$ 181,156
2020	590,376	106,830
2021	414,417	68,406
2022	(114,072)	-
	<u>\$ 1,311,397</u>	<u>\$ 356,392</u>

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. 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, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

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, 2016, 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 adjusted to account for assumed administrative expenses.

DIXIE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. 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.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

*An expected inflation of 2.50% used for this period.
 **An expected inflation of 3.00% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 8,860,061	\$ 6,021,843	\$ 3,667,304

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. 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, 2018.

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, 2018.

C. Construction Commitments

As of June 30, 2018, the District had commitments with respect to unfinished capital projects of \$6,480,204.

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.

DIXIE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2018, total deferred outflows related to pensions was \$7,145,847 and total deferred inflows related to pensions was \$2,148,434.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District’s total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ (11,849,330)
Restatement	(1,046,484)
Net Position - Beginning, as Restated	<u>\$ (12,895,814)</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

**DIXIE SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 15,193,258	\$ 15,328,145	\$ 15,703,836	\$ 375,691
Federal sources	449,021	502,586	472,730	(29,856)
Other state sources	1,590,180	1,620,972	2,125,711	504,739
Other local sources	3,634,048	4,245,568	4,507,581	262,013
Total Revenues	20,866,507	21,697,271	22,809,858	1,112,587
EXPENDITURES				
Certificated salaries	10,446,747	10,642,477	10,548,558	93,919
Classified salaries	3,352,610	3,782,524	3,722,095	60,429
Employee benefits	4,917,562	5,103,991	4,979,195	124,796
Books and supplies	536,206	762,441	713,452	48,989
Services and other operating expenditures	1,906,034	2,022,627	2,262,883	(240,256)
Capital outlay	-	2,474	163,120	(160,646)
Other outgo				
Excluding transfers of indirect costs	515,618	515,618	321,100	194,518
Total Expenditures	21,674,777	22,832,152	22,710,403	121,749
Excess (Deficiency) of Revenues Over Expenditures	(808,270)	(1,134,881)	99,455	1,234,336
Other Financing Sources (Uses)				
Transfers in	1,133,449	1,133,449	880,798	(252,651)
Transfers out	(173,403)	(173,403)	(172,501)	902
Net Financing Sources (Uses)	960,046	960,046	708,297	(251,749)
NET CHANGE IN FUND BALANCE	151,776	(174,835)	807,752	982,587
Fund Balance - Beginning	2,101,183	2,101,183	2,101,183	-
Fund Balance - Ending	\$ 2,252,959	\$ 1,926,348	\$ 2,908,935	\$ 982,587

* 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 CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 52,864
Interest on total OPEB liability	39,023
Benefits payments	<u>(117,291)</u>
Net change in total OPEB liability	(25,404)
Total OPEB liability - beginning	<u>1,136,119</u>
Total OPEB liability - ending	<u>\$ 1,110,715</u>
Covered payroll	\$ 13,106,051
District's total OPEB liability as a percentage of covered payroll	8%

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, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.019%	0.020%	0.021%	0.020%
District's proportionate share of the net pension liability	\$ 17,931,108	\$ 16,480,894	\$ 14,178,436	\$ 11,671,424
State's proportionate share of the net pension liability associated with the District	10,607,979	9,383,660	7,498,809	7,073,333
Total	<u>\$ 28,539,087</u>	<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	\$ 8,895,879
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.9%	163.6%	158.2%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**DIXIE SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
- CALPERS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.025%	0.027%	0.028%	0.028%
District's proportionate share of the net pension liability	\$ 6,021,843	\$ 5,348,165	\$ 4,118,187	\$ 3,169,628
District's covered payroll	\$ 3,216,779	\$ 3,235,980	\$ 2,931,991	\$ 2,930,930
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.2%	165.3%	140.5%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**DIXIE SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,495,260	\$ 1,301,144	\$ 1,080,947	\$ 899,655
Contributions in relation to the contractually required contribution*	(1,495,260)	(1,301,144)	(1,080,947)	(899,655)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,461,745	\$ 10,372,040	\$ 10,076,401	\$ 8,964,602
Contributions as a percentage of covered payroll	14.29%	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, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 478,182	\$ 446,941	\$ 282,872	\$ 364,586
Contributions in relation to the contractually required contribution	(478,182)	(446,941)	(282,872)	(364,586)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,069,827	\$ 3,216,779	\$ 3,235,980	\$ 2,931,991
Contributions as a percentage of covered payroll	15.58%	13.89%	8.74%	12.43%

See accompanying note to required supplementary information.

**DIXIE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

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 Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee 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.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

**DIXIE SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, 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			
Services and other operating expenditures	\$ 2,022,627	\$ 2,262,883	\$ 240,256
Capital outlay	\$ 2,474	\$ 163,120	\$ 160,646

**SUPPLEMENTARY
INFORMATION**

**DIXIE SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2018**

	Second Period Report <8427E129>	Annual Report <BEAAB2F2>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	857.65	857.45
Extended Year Special Education	1.04	1.04
Special Education - Nonpublic Schools	1.78	1.82
Total TK/K through Third	860.47	860.31
Fourth through Sixth		
Regular ADA	636.70	637.77
Extended Year Special Education	0.29	0.29
Special Education - Nonpublic Schools	0.49	1.02
Total Fourth through Sixth	637.48	639.08
Seventh through Eighth		
Regular ADA	409.62	409.18
Extended Year Special Education	0.35	0.35
Special Education - Nonpublic Schools	0.96	0.94
Total Seventh through Eighth	410.93	410.47
TOTAL SCHOOL DISTRICT	1,908.88	1,909.86

**DIXIE SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	Minutes Requirement	2017-18	Number of Days	Status
		Actual Minutes		
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	63,322	180	Complied
Grade 7	54,000	63,322	180	Complied
Grade 8	54,000	63,322	180	Complied

**DIXIE SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

	2019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 24,268,226	\$ 23,690,656	\$ 22,717,043	\$ 22,758,799
Expenditures And Other Financing Uses	22,796,212	22,882,904	22,735,478	22,531,065
Net change in Fund Balance	\$ 1,472,014	\$ 807,752	\$ (18,435)	\$ 227,734
Ending Fund Balance	\$ 4,380,949	\$ 2,908,935	\$ 2,101,183	\$ 2,119,618
Available Reserves*	\$ 2,391,524	\$ 1,797,169	\$ 1,223,460	\$ 1,146,303
Available Reserves As A Percentage Of Outgo	10.49%	7.85%	5.38%	5.09%
Long-term Debt	\$ 60,826,568	\$ 61,853,414	\$ 44,523,240	\$ 42,837,009
Average Daily Attendance At P-2	1,946	1,909	1,909	1,932

The General Fund balance has increased by \$789,317 over the past two years. The fiscal year 2018-19 budget projects a further increase of \$1,472,014. 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 surplus in two of the past three years and anticipates incurring an operating surplus during the 2018-19 fiscal year. Total long-term obligations have increased by \$19,016,405 over the past two years.

Average daily attendance has decreased by 23 ADA over the past two years. An increase of 37 ADA is anticipated during the 2018-19 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, 2018**

	General Fund	Deferred Maintenance Fund
June 30, 2018, annual financial and budget report fund balance	\$ 2,908,935	\$ 31,481
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	31,481	(31,481)
Net adjustments and reclassifications	31,481	(31,481)
June 30, 2018, audited financial statement fund balance	\$ 2,940,416	\$ -

**DIXIE SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2018**

	Cafeteria Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
ASSETS					
Cash and investments	\$ 6,553	\$ 109,155	\$ 1,592,001	\$ 116,798	\$ 1,824,507
Accounts receivable	16,071	-	-	-	16,071
Total Assets	\$ 22,624	\$ 109,155	\$ 1,592,001	\$ 116,798	\$ 1,840,578
LIABILITIES					
Accrued liabilities	\$ 17,301	\$ -	\$ -	\$ -	\$ 17,301
Total Liabilities	17,301	-	-	-	17,301
FUND BALANCES					
Restricted	5,323	109,155	1,592,001	116,798	1,823,277
Total Fund Balances	5,323	109,155	1,592,001	116,798	1,823,277
Total Liabilities and Fund Balance	\$ 22,624	\$ 109,155	\$ 1,592,001	\$ 116,798	\$ 1,840,578

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, 2018**

	Cafeteria Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
REVENUES					
Federal sources	\$ 105,674	\$ -	\$ -	\$ -	\$ 105,674
Other state sources	6,009	-	7,897	-	13,906
Other local sources	193,446	9,674	1,117,052	1,393	1,321,565
Total Revenues	305,129	9,674	1,124,949	1,393	1,441,145
EXPENDITURES					
Current					
Pupil services					
Food services	313,806	-	-	-	313,806
General administration					
All other general administration	-	8,925	-	-	8,925
Debt service					
Principal	-	-	1,545,000	161,993	1,706,993
Interest and other	-	-	681,494	28,299	709,793
Total Expenditures	313,806	8,925	2,226,494	190,292	2,739,517
Excess (Deficiency) of Revenues Over Expenditures	(8,677)	749	(1,101,545)	(188,899)	(1,298,372)
Other Financing Sources (Uses)					
Transfers in	14,000	-	-	151,152	165,152
Other sources	-	-	591,232	-	591,232
Net Financing Sources (Uses)	14,000	-	591,232	151,152	756,384
NET CHANGE IN FUND BALANCE	5,323	749	(510,313)	(37,747)	(541,988)
Fund Balance - Beginning	-	108,406	2,102,314	154,545	2,365,265
Fund Balance - Ending	\$ 5,323	\$ 109,155	\$ 1,592,001	\$ 116,798	\$ 1,823,277

See accompanying note to supplementary information.

**DIXIE SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2018**

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
Alissa Chacko	Vice-President	December 2020
Jennifer Taekman	Clerk	December 2018
Marnie Glickman	Trustee	December 2020
Mark Schott	Trustee	December 2018

DISTRICT ADMINISTRATORS

Jason Lustig Yamashiro, Ed.L.D
Superintendent

Robert Marical*
Chief Business Official

Judith Arrow**
Assistant Superintendent of Educational Services

Rebecca Minnich
Director of Special Education

**Tanya Michel became Chief Business Official during the 2018-19 school year.*

*** Tracy Smith became Assistant Superintendent of Educational Services during the 2018-19 year.*

DIXIE SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, 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, 2018, 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 November 19, 2018 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 from 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
November 19, 2018

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 *2017-2018 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, 2018, 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 *2017-2018 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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State Board of Accountancy*

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, 2018.

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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
After/Before 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
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
November 19, 2018

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**DIXIE SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2018 because federal award expenditures did not exceed \$750,000.

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

DIXIE SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018.

**DIXIE SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no state award findings in fiscal year ended June 30, 2018.

**DIXIE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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.

Current Status: Implemented