
GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

CERTIFIED
P U B L I C
ACCOUNTANTS

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

December 9, 2015

Brian Dolan
Superintendent
Dixon Unified School District
180 S 1st St
Dixon, CA 95620-3438

Dear Brian:

Enclosed are two (2) bound copies of the annual audit report of Dixon Unified School District for the fiscal year ended June 30, 2015. An electronic copy will be emailed to adrian.vargas@dixonusd.org.

Also enclosed is a letter to the Board summarizing the results of the audit. Please present this letter to the Board.

Copies of the report have been filed with the following agencies:

- Solano County Office of Education
- State Controller's Office
- State Department of Education

If you have any questions regarding these reports, please do not hesitate to contact us.

Very truly yours,



Michelle Hanson
Certified Public Accountant

MH:jn

enclosures

DIXON UNIFIED SCHOOL DISTRICT
COUNTY OF SOLANO
DIXON, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

DIXON UNIFIED SCHOOL DISTRICT

JUNE 30, 2015

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DIXON UNIFIED SCHOOL DISTRICT

JUNE 30, 2015

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DIXON UNIFIED SCHOOL DISTRICT

JUNE 30, 2015

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Education
Dixon Unified School District
Dixon, 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 Dixon Unified School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Dixon Unified 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dixon Unified School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 12 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District is recognizing its share of the unfunded liability for the California State Teachers' Retirement Plan (STRS) and the California Public Employees' Retirement System Schools Pool Cost-Sharing Multiple Employer Plan (PERS) for the first time based on the most recent actuarial valuations dated June 30, 2013. The District reported a net pension liability of \$21 million at June 30, 2015. 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 management's discussion and analysis on pages 3 through 10 and budgetary comparison information and accounting by employer for postemployment benefits and pensions on pages 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dixon Unified School District's basic financial statements. The financial and statistical information listed as supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The financial and statistical information listed as supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial and statistical information listed as supplementary information and the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, on our consideration of the Dixon Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dixon Unified School District's internal control over financial reporting and compliance.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 3, 2015

DIXON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

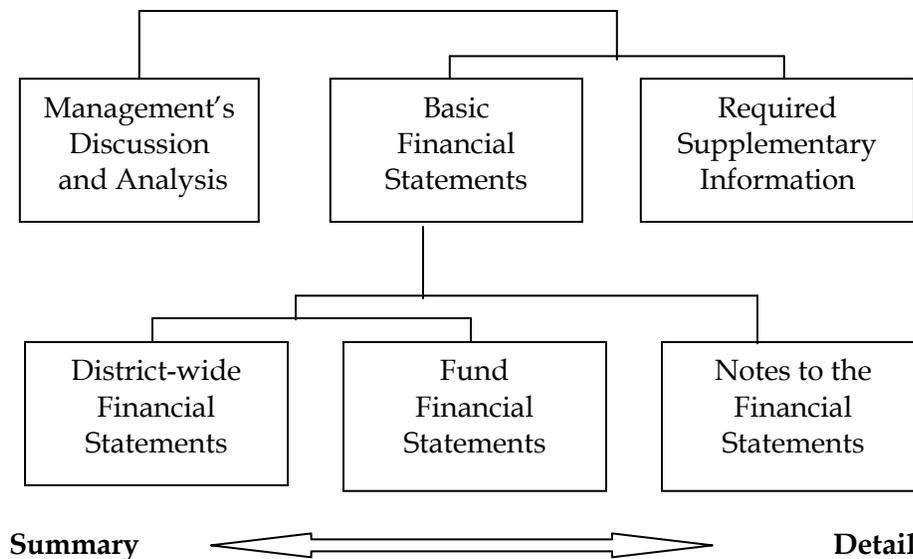
This section of the Dixon Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the transmittal letter at the front of the report and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

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

THE FINANCIAL REPORT

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



District-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

DIXON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

THE FINANCIAL REPORT (CONTINUED)

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

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

Reporting the District as a Whole

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

The District's financial health or position (net position) can be measured by the difference between the District's assets and liabilities.

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

DIXON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

Governmental Activities

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

Reporting the District's Most Significant Funds:

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

Governmental Funds

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

Fiduciary Funds

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

DIXON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net position was a deficit \$11.2 million. Of this amount, a deficit \$29 million was unrestricted. A comparative analysis of government-wide data is presented in Table 1.

(Table 1)
Comparative Statement of Net Position

	Governmental Activities	
	2015	2014
ASSETS		
Cash	\$ 5,186,867	\$ 4,841,092
Receivables	1,356,807	2,593,117
Stores inventory	12,145	19,391
Capital assets	51,540,772	53,236,826
Total assets	<u>58,096,591</u>	<u>60,690,426</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension expense	1,705,625	
Deferred savings on debt refunding	58,483	
Total deferred outflows of resources	<u>1,764,108</u>	<u>0</u>
LIABILITIES		
Accounts payable and other current liabilities	1,568,858	1,506,445
Unearned revenue	46,329	8,908
Other postemployment benefits	720,960	532,298
Net pension liability	21,044,959	
Unamortized bond premiums	840,949	905,638
Long-term liabilities	41,250,903	41,306,562
Total liabilities	<u>65,472,958</u>	<u>44,259,851</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred earnings on pension plan investments	5,581,297	0
NET POSITION		
Net investment in capital assets	14,839,047	15,983,327
Restricted	2,744,176	2,657,135
Unrestricted (deficit)	<u>(28,776,779)</u>	<u>(2,209,887)</u>
Total net position (deficit)	<u>\$ (11,193,556)</u>	<u>\$ 16,430,575</u>

The implementation of GASB 68 in the fiscal year ended June 30, 2015, resulted in a deficit net position.

DIXON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

GOVERNMENTAL ACTIVITIES

The District's net position decreased \$2.8 million during fiscal year 2014-2015 (See Table 2).

**(Table 2)
Comparative Statement of Change in Net Position**

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
REVENUES		
Program revenues	\$ 5,395,392	\$ 4,689,586
General revenues		
Taxes levied for general purposes	7,381,574	6,519,933
Taxes levied for debt service	1,522,069	1,315,390
Federal and State Aid not restricted to specific purposes	16,985,309	15,708,859
Interest and investment earnings	6,580	33,252
Miscellaneous	1,140,293	1,008,045
Total revenues	<u>32,431,217</u>	<u>29,275,065</u>
EXPENSES		
Instruction	20,529,963	18,839,360
Instruction related services	3,157,445	2,837,397
Pupil support services	3,227,592	3,055,259
General administration	2,414,755	2,139,215
Plant services	3,505,133	3,463,970
Other	2,439,164	2,320,302
Total expenses	<u>35,274,052</u>	<u>32,655,503</u>
Decrease in net position	<u>\$ (2,842,835)</u>	<u>\$ (3,380,438)</u>

Overall revenues increased \$3.2 million (10.8%).

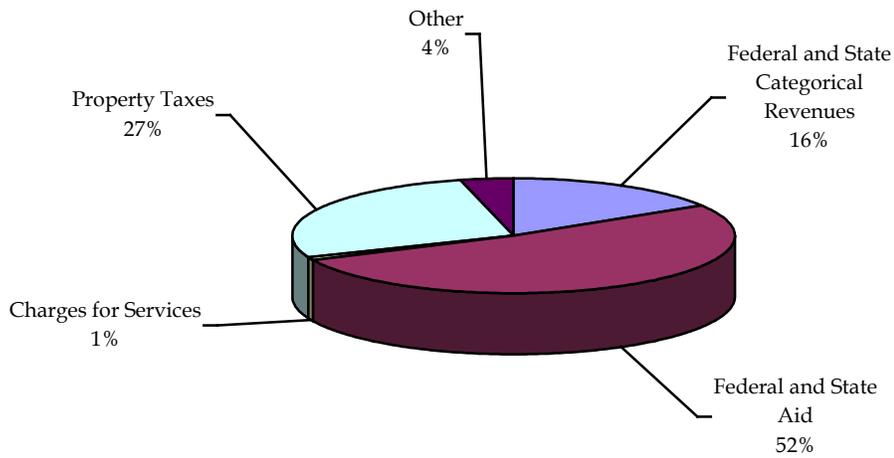
Total expenses increased \$2.6 million (8%) during fiscal year 2014-2015. The District's expenses were predominantly related to educating and caring for students (76%).

DIXON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

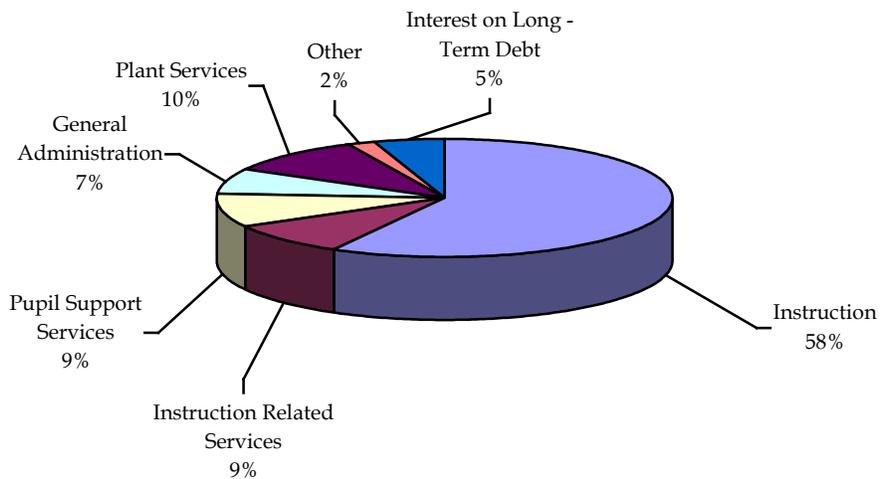
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

**Sources of Revenue for the 2014-2015 Fiscal Year
Figure 1**



**Expenses for the Fiscal Year 2014-2015
Figure 2**



DIXON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

Comparative Schedule of Capital Assets

	2015	2014
Land	\$ 2,687,315	\$ 2,687,315
Site Improvements	5,003,515	5,003,515
Building Improvements	69,343,144	69,333,144
Furniture and Equipment	1,818,269	1,790,425
Work in Process	2,750	
Subtotals	78,854,993	78,814,399
Less: Accumulated Depreciation	27,314,221	25,577,573
Totals	\$ 51,540,772	\$ 53,236,826

The District purchased various items, including kitchen equipment, a vehicle and a vision screener while also recognizing depreciation expense.

Comparative Schedule of Outstanding Debt

	2015	2014
General Obligation Bonds	\$ 27,006,740	\$ 27,403,930
Accreted Interest	4,307,360	3,833,941
Certificates of Participation	9,537,362	9,630,000
Capital Lease Obligations	157,623	219,569
Compensated Absences	241,818	219,122
Totals	\$ 41,250,903	\$ 41,306,562

The District has continued to meet the debt service requirements for its bonded debt and certificates of participation.

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

DIXON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is faced with the same economic pressures as school districts and other county offices throughout the state. The financial well-being of the district is determined in large part by the state funding formula. Additionally, cuts to state and federal restricted programs during this time of economic uncertainty have a great impact on the District's ability to continue to provide high level of services to students.

The Local Control Funding Formula (LCFF) is aimed at correcting historical inequities while decreasing previous constraints on restricted program expenses. The formula is intended to make funding more transparent and simple. With the new flexibility also come new requirements for accountability. The Local Control Accountability Plan (LCAP) is mandated and must be aligned and adopted with the District's 2015-2016 budget. The LCAP is expected to describe how the District intends to meet annual goals for all pupils, with specific activities to address state and local priorities identified during the LCAP development process.

The LCFF is the largest unknown for the District. The new funding structure has no statutory cost of living allowance built into it and relies solely on the annual budget process at the legislative level. Planning for the "out years" will be much more difficult and volatile under the LCFF funding formula. The eight years necessary to bring the District to their target funding could be unpredictable and unstable, thereby creating a need for a larger reserve than past years. The ongoing unpredictability of the District's supplemental and concentration funding under the LCFF will also create unstable budgets even after the district's target has been met in 2020-2021.

Future predictions and uncertainties with the changes to the State funding formula require management to plan carefully and prudently to provide the necessary resources to meet student's needs and continue to keep pace with inflation increases over the next several years

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Adrian Vargas, Chief Financial Officer, Dixon Unified School District, 180 South First Street, Dixon, California 95620, (707) 693-6300, extension 8040.

DIXON UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash (Note 2)	\$ 5,186,867
Accounts Receivable (Note 3)	1,356,807
Stores Inventory (Note 1H)	12,145
Capital Assets, Net of Depreciation (Note 5)	<u>51,540,772</u>
Total Assets	<u>58,096,591</u>
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)	
Deferred Pension Expense	1,705,625
Deferred Payments on Debt Refunding	<u>58,483</u>
Total Deferred Outflows of Resources	<u>1,764,108</u>
LIABILITIES	
Accounts Payable and Other Current Liabilities	1,568,858
Unearned Revenue (Note 1H)	46,329
Unamortized Bond Premiums (Note 6)	840,949
Other Postemployment Benefits (Note 11)	720,960
Net Pension Liability (Note 12)	21,044,959
Long-term Liabilities (Note 10)	
Due Within One Year	869,391
Due After One Year	<u>40,381,512</u>
Total Liabilities	<u>65,472,958</u>
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)	
Deferred Earnings on Pension Plan Investments	<u>5,581,297</u>
NET POSITION	
Net Investment in Capital Assets	14,839,047
Restricted For:	
Capital Projects	798,111
Debt Service	1,131,504
Education Programs	524,684
Other Purposes (Expendable)	289,877
Unrestricted (Deficit)	<u>(28,776,779)</u>
Total Net Position (Deficit)	<u>\$ (11,193,556)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Instruction	\$ 20,529,963	\$ 24,076	\$ 2,403,376	\$ (18,102,511)
Instruction-Related Services:				
Supervision of Instruction	993,067		426,073	(566,994)
Instructional Library, Media and Technology	77,992		4,603	(73,389)
School Site Administration	2,086,386	1,238	145,882	(1,939,266)
Pupil Services:				
Home-To-School Transportation	250,665	4,804	10,939	(234,922)
Food Services	1,365,767	213,559	1,136,380	(15,828)
All Other Pupil Services	1,611,160	260	323,155	(1,287,745)
General Administration:				
Data Processing	597,597	141	23,059	(574,397)
All Other General Administration	1,817,158	143	108,352	(1,708,663)
Plant Services	3,505,133	13,745	161,651	(3,329,737)
Ancillary Services	206,104	41	5,173	(200,890)
Interest on Long-Term Debt	1,817,483			(1,817,483)
Other Outgo	415,577	103,832	284,910	(26,835)
Total Governmental Activities	\$ 35,274,052	\$ 361,839	\$ 5,033,553	(29,878,660)
General Revenues:				
Property Taxes Levied For:				
General Purposes				7,381,574
Debt Service				1,522,069
Federal and State Aid Not Restricted to Specific Purposes				16,985,309
Interest and Investment Earnings				6,580
Miscellaneous				1,140,293
Total General Revenues				27,035,825
Change (Decrease) in net position				(2,842,835)
Net Position (Deficit) Beginning - Restated, Note 16				(8,350,721)
Net Position (Deficit) Ending				\$ (11,193,556)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash (Note 2)	\$ 2,161,339	\$ 1,131,102	\$ 667,015	\$ 908,911	\$ 318,500	\$ 5,186,867
Accounts Receivable (Note 3)	1,161,788				195,019	1,356,807
Due From Other Funds (Note 4)					16,758	16,758
Stores Inventory (Note 1H)					12,145	12,145
Total Assets	\$ 3,323,127	\$ 1,131,102	\$ 667,015	\$ 908,911	\$ 542,422	\$ 6,572,577
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 1,039,983				\$ 121,047	\$ 1,161,030
Unearned Revenue (Note 1H)	46,329					46,329
Due to Other Funds (Note 4)	16,758					16,758
Total Liabilities	1,103,070				121,047	1,224,117
Fund Balances (Note 1H):						
Nonspendable	16,000				12,145	28,145
Restricted	524,684	\$ 1,131,102	\$ 667,015		409,230	2,732,031
Assigned	250,000			\$ 908,911		1,158,911
Unassigned	1,429,373					1,429,373
Total Fund Balances	2,220,057	1,131,102	667,015	908,911	421,375	5,348,460
Total Liabilities and Fund Balances	\$ 3,323,127	\$ 1,131,102	\$ 667,015	\$ 908,911	\$ 542,422	\$ 6,572,577

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balance - governmental funds \$ 5,348,460

Amounts reported for governmental activities in the statement of net position are different 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, at historical cost:	\$	78,854,993	
Accumulated depreciation:		<u>(27,314,221)</u>	
Net:			51,540,772

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

(407,828)

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:

General obligation bonds	\$	27,006,740	
Accreted interest		4,307,360	
Other post-employment benefits		720,960	
Net pension liability		21,044,959	
Certificates of participation		9,537,362	
Capital lease obligations		157,623	
Compensated absences		<u>241,818</u>	
Total			(63,016,822)

Unamortized bond premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as a reduction in annual interest expense over the life of the debt. Unamortized premium at year-end was:

(840,949)

Deferred outflows and inflows of resources relating to pensions and debt refunding: In governmental funds, deferred outflows and inflows of resources relating to pensions and debt refundings 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 and debt refundings are reported.

Deferred outflows of resources relating to pensions	\$	1,705,625	
Deferred outflows of resources relating to debt refunding		58,483	
Deferred inflows of resources relating to pensions		<u>(5,581,297)</u>	
Net			<u>(3,817,189)</u>

Total (deficit) net position - governmental activities \$ (11,193,556)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local Control Funding						
Formula Sources						
State Apportionments	\$ 16,832,149					\$ 16,832,149
Local Sources	<u>6,675,584</u>					<u>6,675,584</u>
Total Local Control Funding						
Formula Sources	23,507,733					23,507,733
Federal Revenue	1,210,937				\$ 976,599	2,187,536
Other State Revenue	1,926,642	\$ 11,657			74,031	2,012,330
Other Local Revenue	<u>1,620,197</u>	<u>1,513,259</u>	<u>\$ 583,639</u>	<u>\$ 4,665</u>	<u>360,759</u>	<u>4,082,519</u>
Total Revenues	<u>28,265,509</u>	<u>1,524,916</u>	<u>583,639</u>	<u>4,665</u>	<u>1,411,389</u>	<u>31,790,118</u>
EXPENDITURES						
Certificated Salaries	14,123,198					14,123,198
Classified Salaries	4,097,898				429,183	4,527,081
Employee Benefits	5,745,756				216,240	5,961,996
Books and Supplies	1,064,521				628,846	1,693,367
Services and Other						
Operating Expenditures	3,672,244		188,867	2,750	137,028	4,000,889
Capital Outlay	29,781				16,833	46,614
Debt Service:						
Principal Retirement	61,957	397,190	345,000			804,147
Interest and Fiscal Charges	2,051	940,260	543,020			1,485,331
Other Outgo	<u>415,577</u>	<u>1,025</u>				<u>416,602</u>
Total Expenditures	<u>29,212,983</u>	<u>1,338,475</u>	<u>1,076,887</u>	<u>2,750</u>	<u>1,428,130</u>	<u>33,059,225</u>
Excess of Revenues Over (Under) Expenditures	<u>(947,474)</u>	<u>186,441</u>	<u>(493,248)</u>	<u>1,915</u>	<u>(16,741)</u>	<u>(1,269,107)</u>
Other Financing Sources (Uses):						
Operating Transfers In (Note 4)					280,000	280,000
Operating Transfers Out (Note 4)	(280,000)					(280,000)
Other Sources-COP Refunding			9,537,362			9,537,362
Other Uses-Payment to Refunded COP Escrow Agent			<u>(9,345,572)</u>			<u>(9,345,572)</u>
Total Other Financing Sources (Uses)	<u>(280,000)</u>	<u>0</u>	<u>191,790</u>	<u>0</u>	<u>280,000</u>	<u>191,790</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(1,227,474)</u>	<u>186,441</u>	<u>(301,458)</u>	<u>1,915</u>	<u>263,259</u>	<u>(1,077,317)</u>
Fund Balances - July 1, 2014	<u>3,447,531</u>	<u>944,661</u>	<u>968,473</u>	<u>906,996</u>	<u>158,116</u>	<u>6,425,777</u>
Fund Balances - June 30, 2015	<u>\$ 2,220,057</u>	<u>\$ 1,131,102</u>	<u>\$ 667,015</u>	<u>\$ 908,911</u>	<u>\$ 421,375</u>	<u>\$ 5,348,460</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change (decrease) in fund balances - total governmental funds	\$	(1,077,317)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 was:</p>		
Expenditures for capital outlay:	\$ 47,629	
Depreciation expense:	(1,743,683)	
Net:		(1,696,054)
<p>Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:</p>		
		(139,335)
<p>Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In 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:</p>		
		10,181,946
<p>Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In 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 were:</p>		
		(9,537,362)
<p>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 that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:</p>		
		(486,527)
<p>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 amounts earned. The difference between compensated absences paid and compensated absences earned was:</p>		
		(22,696)
<p>Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:</p>		
		(188,662)
<p>Amortization of debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period was:</p>		
		64,689
<p>Advance payments on debt refunding are categorized as deferred outflows of resources and are amortized over the life of the related debt. The deferred outflow on debt refunding net of the current year amortization was:</p>		
		58,483
Total change (decrease) in net position - governmental activities	\$	(2,842,835)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
JUNE 30, 2015

	Private Purpose Trust Fund		Agency Funds	
	Scholarship Fund	Student Body	Deferred Compensation	Total Agency Funds
ASSETS				
Cash (Note 2)	\$ 118,793	\$ 204,402		\$ 204,402
Investments (Note 2)	167,707		\$ 70,667	70,667
Total Assets	<u>\$ 286,500</u>	<u>\$ 204,402</u>	<u>\$ 70,667</u>	<u>\$ 275,069</u>
LIABILITIES				
Accounts Payable	\$ 11,500			
Due to Student Groups		\$ 204,402		\$ 204,402
Other Accrued Expenses			\$ 70,667	70,667
Total Liabilities	<u>\$ 11,500</u>	<u>\$ 204,402</u>	<u>\$ 70,667</u>	<u>\$ 275,069</u>
NET POSITION				
Held in Trust	<u>\$ 275,000</u>			
Total Net Position	<u>\$ 275,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private Purpose Trust Fund
	Scholarship Fund
ADDITIONS	
Interest and Investment Earnings	\$ 3,842
Net Increase (Decrease) in Fair Value of Investments	(2,832)
Total Additions	1,010
DEDUCTIONS	
Other Operating Expense	15,400
Total Deductions	15,400
Change in Net Position	(14,390)
Total Net Position - July 1, 2014	289,390
Total Net Position - June 30, 2015	\$ 275,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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, boards and agencies that are not legally separate from the District. For Dixon Unified School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles generally accepted in the United States of America. The District and the Mello-Roos Community Facilities District #1 (the Facilities District) have a financial and operational relationship, which meets the reporting entity definition criteria of the GASB Statement No. 14, The Financial Reporting Entity for inclusion of the Facilities District as a component unit of the District. Accordingly, the financial activities of the Agency are reported as a non-major debt service fund in the financial statements of the District.

The following are those aspects of the relationship between the District and the Facilities District which satisfy GASB Statement No. 14 criteria:

1. Manifestation of Oversight

A. The Facilities District's Board of Directors are the same as the District's Governing Board.

2. Accounting for Fiscal Matters

A. The District is able to impose its will upon the Facilities District, based on the following:

- All major financing arrangements, contracts, and other transactions of the Facilities District must have the consent of the District.
- The District exercises significant influence over operations of the Facilities District as it is anticipated that the District will be the sole lessee of all facilities owned by the Facilities District.

B. The Facilities District provides specific financial benefits or imposes specific financial burdens on the District based upon the following:

- Any deficits incurred by the Facilities District will be reflected in the lease payments of the District.

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Concluded)

2. Accounting for Fiscal Matters (Concluded)

- Any surpluses of the Facilities District will be reflected in the lease payments of the District.
- The District has assumed a "moral obligation", and potentially a legal obligation, of any debt incurred by the Facilities District.

3. Scope of Public Service and Financial Presentation

- A. The Facilities District was formed for the sole purpose of providing financing assistance to the District for construction and acquisition of major capital facilities.
- B. The Facilities District is a community facilities district pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended by Chapter 2.5 Part I, Division 2 title 5 of the government code of the State of California on March 30, 1989.
- C. The Facilities District's financial activity is presented in the financial statements as the Mello-Roos Community Facilities District #1 Fund.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

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

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

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

C. Basis of Accounting

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

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. 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. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - exchange and non-exchange transactions (Concluded):

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

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

Expenses/expenditures:

On 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. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

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 positions of the State Teachers Retirement Plan (STRS) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERS) and additions to/deductions from STRS and PERS fiduciary net positions have been determined on the same basis as they are reported separately by STRS and PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Pensions (Concluded):

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District reports the following major funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those require to be accounted for in another fund. The District accounts separately for activity in the Child Development Fund. This fund is reported in the General Fund in these financial statements to conform with GASB 54 requirements.

Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981.

Special Reserve Fund for Capital Outlay Projects is used to account for resources received from the rental of District properties and expenditures made to renovate District facilities.

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Additionally, the District reports the following fund types:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position. The District's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose trust and agency.) Because by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the government, these funds are not incorporated into the government-wide statements.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and Major Special Revenue Funds as required supplementary information in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

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.

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

Deposits and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

2. Stores Inventory and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's cafeteria inventory valuation is First-in-First-out (FIFO).

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the period when purchased.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5 to 50 years depending on the asset class.

4. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position 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(s) and will not be recognized as an inflow of resources (revenue) until that time.

5. Unearned Revenue

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

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

8. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets "or "restricted net position".

9. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

10. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent:

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Continued)

Nonspendable Fund Balance - Includes the portions of fund balance not appropriable for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal action of the District Governing Board.

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board, or the Superintendent of the District.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

Fund Balances

The District's fund balances at June 30, 2015 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total
Nonspendable:						
Revolving Fund	\$ 16,000					\$ 16,000
Stores Inventory					\$ 12,145	12,145
Total Nonspendable Fund Balance	<u>16,000</u>				<u>12,145</u>	<u>28,145</u>
Restricted For:						
Legally Restricted Categorical Funding	524,684					524,684
Debt Service		\$ 1,131,102			402	1,131,504
Child Nutrition Program					277,732	277,732
Mello Roos Purposes					131,096	131,096
Purposes Specified in Government Code Sections 65970-65981			\$ 667,015			667,015
Total Restricted Fund Balance	<u>524,684</u>	<u>1,131,102</u>	<u>667,015</u>		<u>409,230</u>	<u>2,732,031</u>
Assigned For:						
Certificates of Participation Reserve	250,000					250,000
Capital Projects				\$ 908,911		908,911
Total Assigned Fund Balance	<u>250,000</u>	<u>0</u>	<u>0</u>	<u>908,911</u>	<u>0</u>	<u>1,158,911</u>
Unassigned:						
Reserve for Economic Uncertainties	1,429,373					1,429,373
Total Unassigned Fund Balance	<u>1,429,373</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,429,373</u>
Total Fund Balances	<u>\$ 2,220,057</u>	<u>\$ 1,131,102</u>	<u>\$ 667,015</u>	<u>\$ 908,911</u>	<u>\$ 421,375</u>	<u>\$ 5,348,460</u>

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Concluded)

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has a Board Policy to achieve and maintain unrestricted fund balance in the General Fund of 17% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, higher than the recommended level promulgated by the State of California.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

11. Local Control Funding Formula/Property Tax

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

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

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

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

11. Local Control Funding Formula/Property Tax (Concluded)

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

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

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

I. Impact of Recently Issued Accounting Principles

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* in June 2012 to amend Statements 27 and 50 and improve accounting and financial reporting by state and local governments for pensions. The Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 69, *Government Combinations and Disposals of Government Operations* in January 2013 to provide guidance for reporting mergers, acquisitions, transfers of operations, and disposals of government operations. The District does not have activities affected by the Standard and therefore the adoption of GASB 69 does not impact the District's financial statements. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which amends Statement 68 by requiring that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 72, *Fair Value Measurement and Application* in February 2015 to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using consistent and accepted valuation techniques. The Statement is effective beginning in fiscal year 2015-2016.

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Continued)

The GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in June 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in June 2015. The Statement will require enhanced note disclosures and schedules of required supplementary information that will be presented for other post-employment benefit plans (OPEB) to enhance the decision-usefulness of the financial reports of those OPEB plans. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. The requirements of this Statement will improve the decision-usefulness of financial information and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The Statement is effective beginning in fiscal year 2017-2018.

The GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* superseding Statement No. 55 in June 2015. The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements in conformity with GAAP and the framework for selecting those principles. As a result of implementing this Standard, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 77, *Tax Abatement Disclosures* in August 2015. The Statement requires disclosure of tax abatement information to make these transactions more transparent to financial statement users. Users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and the impact those abatements have on a government's financial position and economic condition. The Statement is effective beginning in fiscal year 2016-2017.

The Office of Management and Budget issued the guidance *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards) on December 29, 2013 which supersedes and streamlines requirements from eight different circulars into one document.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

The new administrative requirements and cost principles are required to be implemented for all federal awards made after December 26, 2014. The Uniform Guidance for Federal Awards will not affect the District until fiscal year 2015-2016 as all 2014-2015 federal awards occurred prior to December 26, 2014.

NOTE 2 - CASH AND INVESTMENTS

A. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2015:

<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
<u>\$5,186,867</u>	<u>\$ 561,569</u>	<u>\$5,748,436</u>

The District had the following cash and investments at June 30, 2015:

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Quality Rating</u>
<u>Cash</u>			
Cash in Commercial Banks	\$ 205,202	\$ 205,202	Not Rated
Cash in Revolving Fund	16,000	16,000	Not Rated
Cash in County Treasury	<u>5,296,416</u>	<u>5,288,860</u>	Not Rated
Total Cash	<u>5,517,618</u>	<u>5,510,062</u>	
<u>Investments</u>			
Securities America Mutual Funds	68,609	68,609	
First Northern Bank Corp. Stock, 12,954 shares	99,098	99,098	
Nationwide Bank Liquid Savings	26,395	26,395	
American Funds Invmt. Co. of America, 247.87 Shares	9,129	9,129	
Federated Kaufman K, Mid Cap Stock, 5,414.84 shares	<u>35,143</u>	<u>35,143</u>	
Total Investments	<u>238,374</u>	<u>238,374</u>	
Total Cash and Investments	<u>\$ 5,755,992</u>	<u>\$ 5,748,436</u>	

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2015 the carrying amount of the District's accounts was \$221,202, all of which was insured.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$691,032,021 as of June 30, 2015. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$692,019,317. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

C. Risk Disclosures (Continued)

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 Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At June 30, 2015 the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>More than 4</u>
County Treasury	\$5,296,416	\$2,132,867	\$3,081,985	\$ 81,564
Other Various Investments	<u>238,374</u>	<u>238,374</u>	<u>0</u>	<u>0</u>
Total	<u>\$5,534,790</u>	<u>\$2,371,241</u>	<u>\$3,081,985</u>	<u>\$ 81,564</u>

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

C. Risk Disclosures (Concluded)

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015 consists of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Federal Government			
Categorical Aid Programs	\$ 294,627	\$ 122,878	\$ 417,505
State Government			
Categorical Aid Programs	21,858		21,858
Lottery	326,287		326,287
Other	6,403	18,562	24,965
Total State Government	354,548	18,562	373,110
Local Government	202,257		202,257
Miscellaneous	310,356	53,579	363,935
Total Accounts Receivable	<u>\$ 1,161,788</u>	<u>\$ 195,019</u>	<u>\$ 1,356,807</u>

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2015 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund		\$ 16,758
Non-Major Governmental Funds:		
Cafeteria Fund	\$ 16,758	
Total	<u>\$ 16,758</u>	<u>\$ 16,758</u>

Interfund Transfers

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

Interfund transfers for the 2014-2015 fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund		\$ 280,000
Non-Major Governmental Funds:		
Cafeteria Fund	\$ 280,000	
Total	<u>\$ 280,000</u>	<u>\$ 280,000</u>

Transfer \$280,000 to the Cafeteria Fund from the General Fund to reflect a permanent transfer of funds that were previously considered a loan.

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, is shown below:

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 2,687,315			\$ 2,687,315
Work in progress		\$ 2,750		2,750
Total capital assets, not being depreciated	<u>2,687,315</u>	<u>2,750</u>		<u>2,690,065</u>
Capital assets being depreciated:				
Buildings	69,333,144	10,000		69,343,144
Improvements of sites	5,003,515			5,003,515
Equipment	1,790,425	34,879	\$ 7,035	1,818,269
Total capital assets, being depreciated	<u>76,127,084</u>	<u>44,879</u>	<u>7,035</u>	<u>76,164,928</u>
Less accumulated depreciation for:				
Buildings	21,625,386	1,399,464		23,024,850
Improvements of sites	2,644,341	202,388		2,846,729
Equipment	1,307,846	141,831	7,035	1,442,642
Total accumulated depreciation	<u>25,577,573</u>	<u>1,743,683</u>	<u>7,035</u>	<u>27,314,221</u>
Total capital assets, being depreciated, net	<u>50,549,511</u>	<u>(1,698,804)</u>	<u>0</u>	<u>48,850,707</u>
Governmental activities capital assets, net	<u>\$ 53,236,826</u>	<u>\$ (1,696,054)</u>	<u>\$ 0</u>	<u>\$ 51,540,772</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$ 1,403,784
School Site Administration	2,690
Food Services	9,589
Pupil Services	160
All Other General Administration	1,276
Plant Services	237,848
Centralized Data Processing	88,336
Total	<u>\$ 1,743,683</u>

NOTE 6 - UNAMORTIZED BOND PREMIUMS

The District sold its 2012 Refunding General Obligation Bonds at a total premium of \$1,035,016. The premium is being amortized using the straight-line method over the life of the related bond issue as a reduction in annual interest expense.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - UNAMORTIZED BOND PREMIUMS (CONCLUDED)

The annual amortization of the bond premiums is as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2016	\$ 64,689
2017	64,689
2018	64,689
2019	64,689
2020	64,689
2021-2025	323,443
2026-2028	<u>194,061</u>
Totals	<u>\$ 840,949</u>

NOTE 7 - GENERAL OBLIGATION BONDS PAYABLE

In July, 2012, the District issued 2012 General Obligation Refunding Bonds in an aggregate principal amount of \$19,395,000. The bonds were issued to refund a portion of the District's General Obligation Bonds Series 2003, 2005, and 2006. The bonds were comprised of Current Interest Bonds, bear an interest rate ranging from 2.00% to 5.00%, and are scheduled to mature through August, 2044.

The District has defeased various bond issues by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements.

The outstanding general obligation bonded debt at June 30, 2015 is:

General Obligation Bonds

<u>Series</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Outstanding July 01, 2014</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2015</u>
2005	08/01/43	2.7-11.9%	\$ 9,560,686	\$ 6,043,930		\$ 77,190	\$ 5,966,740
2006	08/01/30	4.0-10.0%	3,019,000	1,965,000		120,000	1,845,000
2012	08/01/44	2.0-5.0%	<u>19,395,000</u>	<u>19,395,000</u>		<u>200,000</u>	<u>19,195,000</u>
Total			<u>\$ 31,974,686</u>	<u>\$ 27,403,930</u>	<u>\$ 0</u>	<u>\$ 397,190</u>	<u>\$ 27,006,740</u>

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 - GENERAL OBLIGATION BONDS PAYABLE (CONCLUDED)

Accreted Interest

Series	Maturity Date	Interest Rate	Outstanding July 01, 2014	Accretion Current Year	Current Year	Outstanding June 30, 2015
2005	08/01/43	2.7-11.7%	\$ 3,833,941	\$ 566,229	\$ 92,810	\$ 4,307,360

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2015 are as follows:

Year Ended June 30	Principal	Interest	Total
2016	\$ 444,741	\$ 956,259	\$ 1,401,000
2017	437,856	1,014,244	1,452,100
2018	409,795	1,046,855	1,456,650
2019	920,000	800,572	1,720,572
2020	1,005,000	761,994	1,766,994
2021-2025	6,690,000	2,982,491	9,672,491
2026-2030	6,928,126	4,547,240	11,475,366
2031-2035	2,433,082	7,728,677	10,161,759
2036-2040	1,703,763	9,929,237	11,633,000
2041-2045	6,034,377	5,411,523	11,445,900
Totals	\$ 27,006,740	\$ 35,179,092	\$ 62,185,832

NOTE 8 - CERTIFICATES OF PARTICIPATION

On August 20, 2014 the District issued \$9,537,362 of Refunding Certificates of Participation (COP). The proceeds from the 2014 Refunding COP were used to advance refund the outstanding COP (2007 Refinancing Project and 2007 Capital Improvement Project). The 2014 Refunding COP bears 2.87 percent interest and is scheduled to mature through September, 2042. The refunding reduces the District's annual debt service through September 1, 2026. As a result of the advance refunding, the District increased its total debt service requirements by \$2,015,620 which resulted in an economic loss (difference between the present value of debt service payments on the old debt and new debt) of \$286,086.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - CERTIFICATES OF PARTICIPATION (CONCLUDED)

The District has defeased the Certificates of Participation by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advanced refunding met the requirements of an in-substance debt defeasance and therefore removed as liability from the District's government-wide financial statements.

The outstanding certificates of participation at June 30, 2015 are as follows:

Date of Issue	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015
2007	2026	\$ 5,450,000	\$ 4,000,000		\$ 4,000,000	
2007	2042	6,330,000	5,630,000		5,630,000	
2014	2042	<u>9,537,362</u>	<u>0</u>	<u>\$ 9,537,362</u>	<u>0</u>	<u>\$ 9,537,362</u>
Totals		<u>\$ 21,317,362</u>	<u>\$ 9,630,000</u>	<u>\$ 9,537,362</u>	<u>\$ 9,630,000</u>	<u>\$ 9,537,362</u>

The certificates mature through 2043 as follows:

Year Ended June 30	Principal	Interest	Total
2016	\$ 0	\$ 273,722	\$ 273,722
2017	0	273,722	273,722
2018	100,000	273,722	373,722
2019	100,000	272,287	372,287
2020	232,189	352,520	584,709
2021-2025	1,337,660	2,028,018	3,365,678
2026-2030	1,687,866	1,693,729	3,381,595
2031-2035	2,129,754	1,271,923	3,401,677
2036-2040	2,687,329	739,681	3,427,010
2041-2043	<u>1,262,564</u>	<u>131,784</u>	<u>1,394,348</u>
Totals	<u>\$ 9,537,362</u>	<u>\$ 7,311,108</u>	<u>\$ 16,848,470</u>

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The District is leasing a building under an agreement which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u>
2016	\$ 64,007
2017	64,008
2018	<u>32,004</u>
Total payments	160,019
Less amounts representing interest	<u>(2,396)</u>
Present value of net minimum lease payments	<u>\$ 157,623</u>

The District received \$40,249 in sublease rental income. The subleases are for one year terms. The District expects to receive \$29,916 in 2015-2016 for related subleases.

NOTE 10 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015 is shown below:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
General Obligation Bonds	\$ 27,403,930		\$ 397,190	\$ 27,006,740	\$ 444,741
Accreted Interest	3,833,941	\$ 566,229	92,810	4,307,360	120,259
Certificates of Participation	9,630,000	9,537,362	9,630,000	9,537,362	
Capital Lease Obligations	219,569		61,946	157,623	62,573
Compensated Absences	219,122	22,696		241,818	241,818
Totals	<u>\$ 41,306,562</u>	<u>\$ 10,126,287</u>	<u>\$ 10,181,946</u>	<u>\$ 41,250,903</u>	<u>\$ 869,391</u>

The Compensated Absences payable will be paid from the General Fund. Capital Lease Obligations will be paid from the General Fund and Capital Facilities Fund. Payments on the General Obligation Bonds will be made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation will be made from the General Fund and Capital Facilities Fund.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 12, the District provides post-employment healthcare benefits to qualified District employees who retire from the District after 15 years of service. An eligible retiree receives benefits for a maximum period of 5 years or until age 65, whichever occurs first. The District pays up to \$1,034 per month per retiree for medical benefits insurance premiums to maintain the level of insurance at the retirement date; retirees are required to pay for any increases in premiums or increases in coverage.

Funding Policy

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$480,305
Interest on net OPEB obligation	23,953
Adjustment to annual required contribution	<u>(29,973)</u>
Annual OPEB cost (expense)	474,285
Contributions made	<u>(285,623)</u>
Increase in net OPEB obligation	188,662
Net OPEB obligation - beginning of year	<u>532,298</u>
Net OPEB obligation - end of year	<u>\$720,960</u>

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Concluded)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2015, 2014 and 2013 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$474,285	60.2%	\$720,960
June 30, 2014	\$463,849	46.0%	\$532,298
June 30, 2013	\$295,082	67.3%	\$281,995

As of March 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3.5 million, all of which is unfunded.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

Actuarial Methods and Assumptions (Concluded)

In the March 1, 2014 actuarial valuation, the "entry age normal" actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4% initially. An inflation rate of 2.75% was used. The level percentage of payroll method is being used to allocate amortization cost by year with a closed 30 year amortization period for the initial UAAL and an open 25 year amortization period for any residual UAAL. The remaining amortization period for the initial UAAL at June 30, 2015 was twenty (20) years.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

Pension Plan Fiduciary Net Position. The plans fiduciary net positions disclosed in this report may differ from the plan assets reported in the funding actuarial valuations reported due to several reasons. First, for the accounting valuations, items such as deficiency reserves, fiduciary self-insurance and OPEB expense are included in fiduciary net positions. These amounts are excluded for rate setting purposes in the funding actuarial valuations. In addition, differences may result from early closing and final reconciled reserves.

A. State Teachers' Retirement System (STRS)

Plan Description. The Dixon Unified School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The State of California is a Nonemployer Contributing Entity to STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. Although CalSTRS is the administrator of the STRS, the state is the sponsor of the STRS and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRS. 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, 100 Waterfront Place, West Sacramento, California 95610.

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

Benefit. STRS provides defined benefit program benefits under two formulas: 2% at 60 for members hired on or before December 31, 2012 and 2% at 62 for members hired after that date. Both formulas define hire as the date at which the member was hired to perform service that could be creditable to CalSTRS. The benefit under each formula is calculated as 2% per year of creditable service. The 2% at 60 formula uses final compensation to calculate the benefit. The 2% at 62 formula uses an average of the highest compensation for three consecutive years to calculate the benefit.

Funding Policy. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Active plan members are required to contribute 8.15% of their salary and the Dixon Unified School District and the State are required to contribute actuarially determined rates. The actuarial methods and assumptions used for determining the rates are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% and for fiscal year 2014-2015 8.88% of annual payroll. The required State contribution rate for fiscal year 2014-2015 was 5.68%. The Dixon Unified School District's contributions to STRS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$1,204,348, \$1,063,782, and \$1,003,492, respectively, and equal 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015 the District reported a liability of \$16,946,730 for its proportionate share of the net pension liability for STRS. The net pension liability was measured as of June 30, 2014, 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, 2013. The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2014, the District's proportion of contributions was 0.0290 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,895,097 which included the State's required on-behalf contribution. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers’ Retirement System (STRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 4,173,100
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to measurement date of June 30, 2014	\$ 1,204,348	-
Totals	\$ 1,204,348	\$ 4,173,100

Actuarial Assumptions. The total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment rate of return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series table adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

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

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

* 10-year geometric average

Discount Rate. The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming the contributions, benefit payments, and administrative expense occurred midyear. Based on those assumptions, the STRS'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 payment to determine the total pension liability.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Discount Rate (Concluded). Presented below is the District's proportionate share of the net pension liability of employers and the state using the current discount rate of 7.60 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

Discount Rate	Net Pension Liability of Employers
3% Decrease (4.60%)	\$ 51,772,250
2% Decrease (5.60%)	37,866,170
1% Decrease (6.60%)	26,415,520
Current Discount Rate (7.60%)	16,946,730
1% Increase (8.60%)	9,051,480
2% Increase (9.60%)	2,417,440
3% Increase (10.60%)	(3,178,110)

B. California Public Employees Retirement System (CalPERS)

Plan Description. The Dixon Unified School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Room 1820, Sacramento, CA 95814.

Funding Policy. Active plan members were required to contribute 6.974% of their salary and the Dixon Unified School District was required to contribute an actuarially annually 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 2013-2014 was 11.442% and for fiscal year 2014-2015 11.771% of annual payroll. The contribution requirements of the plan members are established by State statute. The Dixon Unified School District's employer contributions to CalPERS for the fiscal year ending June 30, 2015, 2014 and 2013 were \$501,277, \$448,428 and \$409,768, respectively and equal 100% of the required contributions for each year.

Benefits. CalPERS provides defined benefit program benefits based on members' years of service, age, final compensation and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (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. At June 30, 2015, the District reported a liability of \$4,098,229 for its proportionate share of the net pension liability for CalPERS. The net pension liability was measured as of June 30, 2014, 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, 2013. 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 and the state, actuarially determined. At June 30, 2014, the District's proportion of contributions was 0.0361 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$501,277. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 1,408,197
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to measurement date of June 30, 2014	\$ 501,277	-
Totals	\$ 501,277	\$ 1,408,197

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

Actuarial Assumptions. For the year ended June 30, 2014, the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

CalPERS uses a mortality table based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 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 following presents the net pension liability of the Plan as of June 30, 2014, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

Discount Rate	Plan's Net Pension Liability
1% Decrease (6.50%)	\$ 7,169,147
Current Discount Rate (7.50%)	4,077,495
1% Increase (8.50%)	1,494,101

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.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS) (Concluded)

Discount Rate (Concluded). 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.

New Strategic Asset Class	Real Return Allocation	Real Return Years 1-10¹	Years 11+²
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Cash/Liquidity	2%	(0.55)%	(1.05)%

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

D. On Behalf Payment

The District was recipients of on-behalf payments made by the State of California to the State Teachers Retirement System (STRS). These payments consist of State general fund contributions of \$690,749 to STRS (5.68% of salaries subject to STRS).

NOTE 13 - STUDENT BODY FUND

The Student Body Funds often engage in activities which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

DIXON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. 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, 2015.

B. State and Federal Allowance, Award, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

NOTE 15 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District contracted with North Bay Schools Insurance Authority for property and liability insurance coverage and also for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2015, the District participated in the North Bay Schools Insurance Authority (NBSIA), an insurance purchasing pool. The intent of the NBSIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the NBSIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the NBSIA. Each participant pays its workers' compensation premium based on its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the NBSIA. Participation in the NBSIA is limited to districts that can meet the NBSIA selection criteria.

DIXON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 16 - RESTATEMENT OF NET POSITION

The amounts previously reported as Governmental Activities Net Position at June 30, 2014 on the Government-Wide Statement of Net Position have been restated due to implementing Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The June 30, 2014, Net Position is being restated to recognize the net effect resulting from recognition of Deferred Outflows of Pension costs and related pension liability as follows:

	Government-Wide Financial Statements
Net Position, June 30, 2014 as originally reported	\$ 16,430,575
Retroactive recognition of the District's share of unfunded pension liabilities for STRS and PERS	(24,781,296)
Net Position, June 30, 2014 as restated	\$ <u>(8,350,721)</u>

NOTE 17 - SUBSEQUENT EVENTS

On July 1, 2015 the District borrowed \$6,000,000 from the County of Solano as a Constitutional Advance under Article XVI, Section 6 of the California Constitution. The District is permitted to borrow up to 85 percent of fiscal year 2016 anticipated property tax revenues and will be charged an interest rate equal to the rate the County applies to funds on deposit with the County Treasury. The borrowing is to supplement cash flow.

Management has evaluated subsequent events through December 3, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

DIXON UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local Control Funding Formula Sources:				
State Apportionments	\$ 17,143,176	\$ 16,832,149	\$ 16,832,149	
Local Sources	5,869,333	6,675,584	6,675,584	
Total Local Control Funding Formula Sources	23,012,509	23,507,733	23,507,733	
Federal Revenue	1,212,903	1,420,968	1,210,937	\$ (210,031)
Other State Revenue	867,705	1,235,398	1,926,642	691,244
Other Local Revenue	1,269,433	1,663,859	1,620,197	(43,662)
Total Revenues	26,362,550	27,827,958	28,265,509	437,551
EXPENDITURES				
Certificated Salaries	13,443,624	14,101,357	14,123,198	(21,841)
Classified Salaries	3,732,858	4,083,436	4,097,898	(14,462)
Employee Benefits	5,206,125	5,060,025	5,745,756	(685,731)
Books and Supplies	1,016,024	1,219,560	1,064,521	155,039
Services and Other				
Operating Expenditures	3,847,849	3,862,541	3,672,244	190,297
Capital Outlay	40,000	29,781	29,781	
Debt Service:				
Principal Retirement		61,957	61,957	
Interest and Fiscal Charges		2,051	2,051	
Other Outgo	198,833	418,712	415,577	3,135
Total Expenditures	27,485,313	28,839,420	29,212,983	(373,563)
Excess of Revenues Over (Under) Expenditures	(1,122,763)	(1,011,462)	(947,474)	63,988
Other Financing Sources (Uses):				
Operating Transfers Out	(835,000)	(280,000)	(280,000)	
Excess of Revenues Over (Under) Expenditures and Other Uses	(1,957,763)	(1,291,462)	(1,227,474)	63,988
Fund Balances - July 1, 2014	3,296,335	3,447,531	3,447,531	0
Fund Balances - June 30, 2015	\$ 1,338,572	\$ 2,156,069	\$ 2,220,057	\$ 63,988

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/13	October 1, 2011	\$ -	\$ 3,043,952	\$ 3,043,952	0%	\$ 15,740,554	19%
6/30/14	March 1, 2014	\$ -	\$ 3,495,584	\$ 3,495,584	0%	\$ 16,767,072	21%
6/30/15	March 1, 2014	\$ -	\$ 3,495,584	\$ 3,495,584	0%	\$ 16,321,322	21%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

California State Teachers' Retirement System (CalSTRS)

	2015
District's proportion of the net pension liability	0.0290%
District's proportionate share of the net pension liability	\$ 16,946,730
District's covered-employee payroll	\$ 12,894,327
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131%
Plan fiduciary net position as a percentage of the total pension liability	77%

Public Employee Retirement System (CalPERS)

District's proportion of the net pension liability	0.0361%
District's proportionate share of the net pension liability	\$ 4,098,229
District's covered-employee payroll	\$ 3,919,140
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	105%
Plan fiduciary net position as a percentage of the total pension liability	83%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
 SCHEDULES OF THE DISTRICT'S CONTRIBUTIONS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>California State Teachers' Retirement System (CalSTRS)</u>	
	2015
Contractually required contribution	\$ 1,063,782
Contributions in relation to the contractually required contribution	1,063,782
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	\$ 12,894,327
Contributions as a percentage of covered-employee payroll	8.250%
 <u>Public Employee Retirement System (CalPERS)</u>	
Contractually required contribution	\$ 448,428
Contributions in relation to the contractually required contribution	448,428
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	\$ 3,919,140
Contributions as a percentage of covered-employee payroll	11.442%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

The excess of expenditures over appropriations in individual governmental funds at June 30, 2015 are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Governmental Funds:	
General Fund	
Certificated Salaries	\$ 21,841
Classified Salaries	14,462
Employee Benefits	685,731
Capital Facilities Fund	
Contract Services	170,806
Debt Service-Principal Retirement	345,000
Debt Service-Interest	397,795
Other Uses-Payment to Refunded COP Escrow Agent	9,345,572
Non-Major Governmental Funds:	
Cafeteria Fund	
Food and Supplies	71,641
Capital Outlay	6,798

The District did not revise the budget for the STRS pension expense covered by State of California direct payments.

The District incurred unanticipated expenditures for which the budget was not revised. The District did not revise the Capital Facilities Fund budget for current year debt service payments and refunding for the 2007 Certificates of Participation.

DIXON UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONCLUDED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES (CONCLUDED)

B. Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

C. Schedules of the District's Proportionate Share of the Net Pension Liability

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

D. Schedules of the District's Contributions

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS during the year.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

DIXON UNIFIED SCHOOL DISTRICT

DIXON, CALIFORNIA

JUNE 30, 2015

ORGANIZATION

The Dixon Unified School District was established in 1947 and encompasses an area of approximately 200 square miles in the County of Solano, California. There were no changes in the boundaries of the District during the current year. The District operates three elementary schools, one middle school, one high school, one continuation high school and one community day school.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term expires</u>
Caitlin O'Halloran	President	December 2018
Guy Garcia	Vice President	December 2016
John Gabby	Clerk	December 2018
Joe DiPaola	Member	December 2016
Andrew Bloom	Member	December 2018

ADMINISTRATION

Brian Dolan
Superintendent

Mike Walbridge
Assistant Superintendent of Educational Services

Adrian Vargas
Chief Financial Officer

DIXON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Second Period Report	Annual Report
Regular ADA		
Transitional Kindergarten through Third	834	838
Fourth through Sixth	685	687
Seventh and Eighth	522	523
Ninth through Twelfth	1,155	1,150
Special Education - Nonpublic, Nonsectarian Schools		
Seventh and Eighth	2	2
Ninth through Twelfth	4	4
Community Day School		
Ninth through Twelfth	7	6
	<u>3,209</u>	<u>3,210</u>
ADA Totals	<u>3,209</u>	<u>3,210</u>

Average daily attendance is a measurement of the numbers 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 the District. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

DIXON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Grade Level	Minutes Requirement	Minutes Requirement As Reduced	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	45,200	180	In Compliance
Grade 1	50,400	49,000	53,380	180	In Compliance
Grade 2	50,400	49,000	53,380	180	In Compliance
Grade 3	50,400	49,000	53,380	180	In Compliance
Grade 4	54,000	52,500	54,280	180	In Compliance
Grade 5	54,000	52,500	54,280	180	In Compliance
Grade 6	54,000	52,500	54,280	180	In Compliance
Grade 7	54,000	52,500	56,385	180	In Compliance
Grade 8	54,000	52,500	56,385	180	In Compliance
Grade 9	64,800	63,000	65,707	180	In Compliance
Grade 10	64,800	63,000	65,707	180	In Compliance
Grade 11	64,800	63,000	65,707	180	In Compliance
Grade 12	64,800	63,000	65,707	180	In Compliance

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has not met its local control funding formula target.

Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes specified in Education Code Section 46201(b) or 46207(a), shown as the minutes requirement above.

For the 2014-2015 school year, a school district may reduce up to five days of instruction or equivalent number of minutes without incurring penalties pursuant to Education Code Sections 46201.2(b) and 46207(c).

DIXON UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

On May 22, 2014, the Governing Board approved the petition for Charter renewal for the Dixon Montessori Charter School. The Charter renewal term is July 1, 2014 to June 30, 2019. The Dixon Montessori Charter School will be independent of the District and as such will be subject to its own separate audit and will not be included in the financial statements of the District.

SEE NOTES TO SUPPLEMENTARY INFORMATION

DIXON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Passed through the California			
Department of Education (CDE):			
Child Nutrition Cluster: **			
National School Lunch (Sec 4 and Sec 11)	10.555	13523/13524	\$ 636,600
School Breakfast Basic	10.553	13525	11,846
School Breakfast Needy	10.553	13526	240,219
Meal Supplements	10.556	13528	7,742
Summer Food Program	10.559	13004	<u>23,406</u>
Subtotal Child Nutrition Cluster			919,813
Child Nutrition: Child and Adult Care Food Program	10.558	13666	47,141
Child Nutrition: NSLP Equipment Assistance Grants	10.579	14906	<u>9,645</u>
Total U.S. Department of Agriculture			<u>976,599</u>
U.S. Department of Education:			
Passed through CDE:			
Special Education Cluster:			
IDEA: Basic Local Assistance, Part B, Section 611	84.027*	13379	565,840
IDEA: Preschool Local Entitlements Part B, Section 611	84.027A*	13682	42,734
IDEA: Preschool Grants	84.173*	13430	<u>30,583</u>
Subtotal Special Education Cluster			<u>639,157</u>
English Language Acquisition Cluster:			
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	2,723
NCLB (ESEA): Title III, Immigrant Education Program	84.365	15146	<u>50,562</u>
Subtotal English Language Acquisition Cluster			53,285
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.010*	14329	318,912
NCLB: Title II, Part A, Teacher Quality	84.367	14341	91,229
Vocational Programs: Adult Sec 131 (Carl Perkins Act)	84.048	14894	<u>20,639</u>
Total U.S. Department of Education			<u>1,123,222</u>
U.S. Department of Health and Human Services:			
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	<u>87,715</u>
Total U.S. Department of Health and Human Services			<u>87,715</u>
Total Federal Programs			<u>\$ 2,187,536</u>

* Denotes a Major Program

** Does not include the fair value of commodities received, which totaled \$ 6,585.

SEE NOTES TO SUPPLEMENTARY INFORMATION

DIXON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUALS FINANCIAL
REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Auditor's Comment

The audited financial statements for all funds were in agreement with the Unaudited Actuals Financial Report for the year ended June 30, 2015.

DIXON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>General Fund</u>	Budget 2015-2016	2014-2015	2013-2014	2012-2013
Revenues and Other Financial Sources	\$ 31,643,569	\$ 28,265,509	\$ 26,074,369	\$ 24,475,381
Expenditures	29,661,489	29,212,983	27,526,458	25,260,887
Other Uses and Transfers Out	0	280,000	645,386	781,268
Total Outgo	29,661,489	29,492,983	28,171,844	26,042,155
Change in Fund Balance (Deficit)	1,982,080	(1,227,474)	(2,097,475)	(1,566,774)
Ending Fund Balance	\$ 3,530,748	\$ 2,220,057	\$ 3,447,531	\$ 5,545,006
Available Reserves	\$ 2,451,361	\$ 1,429,373	\$ 2,481,370	\$ 4,728,113
Reserve for Economic Uncertainties	\$ 892,000	\$ 1,429,373	\$ 825,794	\$ 758,052
Unassigned Fund Balance	\$ 1,559,361	\$ 0	\$ 1,655,576	\$ 3,970,061
Available Reserves as a Percentage of Total Outgo	8.3%	4.8%	8.8%	18.2%
Total Long-Term Debt	\$ 40,623,330	\$ 41,250,903	\$ 41,306,562	\$ 41,702,870
Average Daily Attendance at P-2	3,178	3,209	3,241	3,355

The General Fund Balance decreased \$4,891,723 (69%) over the last three years. For a district this size, the state recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses. Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

Total long-term debt has decreased \$451,967 over the past two years. Total average daily attendance has decreased 146 over the past two years.

The amounts presented as Budget 2015-2016 are provided for additional analysis and have not been audited.

DIXON UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 JUNE 30, 2015

	Cafeteria Fund	Debt Service Fund for Blended Component Units	Mello-Roos Community Facilities District #1	Total Non-Major Governmental Funds
ASSETS				
Cash	\$ 187,002	\$ 402	\$ 131,096	\$ 318,500
Accounts Receivable	195,019			195,019
Due From Other Funds	16,758			16,758
Stores Inventory	12,145			12,145
Total Assets	<u>\$ 410,924</u>	<u>\$ 402</u>	<u>\$ 131,096</u>	<u>\$ 542,422</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 121,047			\$ 121,047
Total Liabilities	<u>121,047</u>			<u>121,047</u>
Fund Balances:				
Nonspendable	12,145			12,145
Restricted	277,732	\$ 402	\$ 131,096	409,230
Total Fund Balances	<u>289,877</u>	<u>402</u>	<u>131,096</u>	<u>421,375</u>
Total Liabilities and Fund Balances	<u>\$ 410,924</u>	<u>\$ 402</u>	<u>\$ 131,096</u>	<u>\$ 542,422</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cafeteria Fund	Debt Service Fund for Blended Component Units	Mello-Roos Community Facilities District #1	Total Non-Major Governmental Funds
REVENUES				
Federal Revenue	\$ 976,599			\$ 976,599
Other State Revenue	74,031			74,031
Other Local Revenue	360,071	\$ 2	\$ 686	360,759
Total Revenues	1,410,701	2	686	1,411,389
EXPENDITURES				
Classified Salaries	429,183			429,183
Employee Benefits	216,240			216,240
Books and Supplies	628,846			628,846
Services and Other				
Operating Expenditures	129,913		7,115	137,028
Capital Outlay	16,833			16,833
Total Expenditures	1,421,015	0	7,115	1,428,130
Excess of Revenues Over (Under) Expenditures	(10,314)	2	(6,429)	(16,741)
Other Financing Sources: Operating Transfers In	280,000			280,000
Excess of Revenues and Other Sources Over (Under) Expenditures	269,686	2	(6,429)	263,259
Fund Balances - July 1, 2014	20,191	400	137,525	158,116
Fund Balances - June 30, 2015	<u>\$ 289,877</u>	<u>\$ 402</u>	<u>\$ 131,096</u>	<u>\$ 421,375</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
Deferred Compensation Account				
ASSETS				
Cash	\$ 67,507	\$ 5,662	\$ 2,502	\$ 70,667
LIABILITIES				
Other Liabilities	\$ 67,507	\$ 5,662	\$ 2,502	\$ 70,667
Dixon High School				
ASSETS				
Cash	\$ 130,727	\$ 349,315	\$ 357,115	\$ 122,927
LIABILITIES				
Due to Student Groups	\$ 130,727	\$ 349,315	\$ 357,115	\$ 122,927
CA Jacobs Middle School				
ASSETS				
Cash	\$ 37,334	\$ 54,811	\$ 50,263	\$ 41,882
LIABILITIES				
Due to Student Groups	\$ 37,334	\$ 54,811	\$ 50,263	\$ 41,882
Tremont Elementary School				
ASSETS				
Cash	\$ 34,194	\$ 37,466	\$ 42,640	\$ 29,020
LIABILITIES				
Due to Student Groups	\$ 34,194	\$ 37,466	\$ 42,640	\$ 29,020
Anderson Elementary School				
ASSETS				
Cash	\$ 3,727	\$ 19,605	\$ 19,906	\$ 3,426
LIABILITIES				
Due to Student Groups	\$ 3,727	\$ 19,605	\$ 19,906	\$ 3,426
Gretchen Higgins School				
ASSETS				
Cash	\$ 10,322	\$ 26,653	\$ 29,828	\$ 7,147
LIABILITIES				
Due to Student Groups	\$ 10,322	\$ 26,653	\$ 29,828	\$ 7,147
Total - All Agency Funds				
ASSETS				
Cash and Investments	\$ 283,811	\$ 493,512	\$ 502,254	\$ 275,069
LIABILITIES				
Due to Student Groups	\$ 216,304	\$ 487,850	\$ 499,752	\$ 204,402
Other Liabilities	67,507	5,662	2,502	70,667
Total Liabilities	\$ 283,811	\$ 493,512	\$ 502,254	\$ 275,069

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46208. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has not met its local control funding formula target.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. Schedule of Expenditures of Federal Awards

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

E. Reconciliation of Unaudited Actuals Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actuals Financial Report to the audited financial statements.

F. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

G. Combining Statements and Individual Fund Schedules

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION



JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

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

Board of Education
Dixon Unified School District
Dixon, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dixon Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Dixon Unified School District's basic financial statements and have issued our report thereon dated December 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dixon Unified 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 Dixon Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dixon Unified School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiency described as 2015-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

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

Dixon Unified School District's Responses to Findings

Dixon Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Dixon Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 3, 2015

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

Board of Education
Dixon Unified School District
Dixon, California

Report on Compliance for Each Major Federal Program

We have audited Dixon Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Dixon Unified School District's major federal programs for the year ended June 30, 2015. Dixon Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Dixon Unified School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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



GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 3, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
Dixon Unified School District
Dixon, California

We have audited Dixon Unified School District's compliance with the types of compliance requirements described in the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of Dixon Unified School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with State laws and regulations of Dixon Unified School District's State government programs based on our audit of the types of compliance requirements referred to below. 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 *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. 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 applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Dixon Unified 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. However, our audit does not provide a legal determination of Dixon Unified School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Mis-assignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see next page)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Yes
GANN Limit Calculation	Yes
School Accountability Report Card	Yes

<u>Description</u>	<u>Procedures Performed</u>
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
School Districts, County Office of Education and Charter Schools:	
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Procedures were not performed for Independent Study attendance because the average daily attendance generated by the program was below the level required for testing.

Procedures were not performed for California Clean Energy Jobs Act because the District is in the preliminary phase and has not incurred any expenditures in 2014-2015.

Opinion on Each State Government Program

In our opinion, Dixon Unified School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2015.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
 Certified Public Accountants

December 3, 2015

FINDINGS AND QUESTIONED COSTS SECTION

DIXON UNIFIED SCHOOL DISTRICT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 Yes No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173 84.010	Special Education Cluster NCLB: Title I, Part A, Basic Grants Low Income and Neglected

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

Auditee qualified as low-risk auditee? Yes No

State Awards

Internal control over state programs:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

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

DIXON UNIFIED SCHOOL DISTRICT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II - Financial Statements Findings

2015 - 001 - GENERAL FUND DEFICIT SPENDING - 60000

Criteria: Sound business practices require entities to maintain sufficient reserves to provide a cushion for financial uncertainties. Title 5, CCR, Sections 15443 and 15456 recommend the District maintain available reserves of at least 3% of total General Fund expenditures, transfers out and other uses (total outgo.)

Statement of Condition: The District's General Fund balance has decreased \$4.9 million, or 69%, over the last three years. Future payments on the District's Certificates of Participation will likely have to be paid by the General Fund if developer fee receipts are insufficient.

Cause: Lack of austerity measures that effectively addressed declining enrollment and the associated reductions in State funding have resulted in three years of significant General Fund deficits.

Effect or Potential Effect: Although the District's available reserves at June 30, 2015 exceed the amount recommended by the State, the District has reduced the total General Fund balance by 69% over the last three years. If this trend of deficit spending continues, it will become difficult for the District to meet obligations and maintain reserves of 3% of General fund total outgo without additional borrowing or significant staff and program reductions.

Recommendation: The District adopted a General Fund budget for 2015-2016 which projects a \$2 million surplus. We recommend the District continuously monitor actual expenditures against budgeted 2015-2016 appropriations. No increase in expenditures should be approved unless an expenditure reduction is realized in a different area or unexpected revenue is realized. If budgeted revenues are not received, appropriate expenditure reductions must be made to prevent further increases in deficit spending. Additionally, the District must develop a sustainable plan to eliminate deficit spending in future years.

District Response: The District will continue to monitor the budget to avoid deficit spending while maintaining a reserve above the required 3%. Currently the District is projecting no deficit spending in the current fiscal year and next two years with its first interim report.

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV - State Award Findings and Questioned Costs

No matters are reported.

DIXON UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2014 - 001: The District must develop a sustainable plan to eliminate deficit spending in future years.

Current Status:

Accepted
Not Implemented

Explanation if Not Fully Implemented:

See repeat finding, 2015-001.

2014 - 002: The District should implement changes to reverse the pattern of deficit spending in the Cafeteria Fund with the goal to eliminate, or at a minimum, significantly reduce encroachment on the General Fund.

Current Status:

Accepted
Implemented

2014 - 003: The District should enforce the existing policy by requiring employees to use excess vacation time by the end of each fiscal year or pay employees for unused vacation time in excess of the maximum.

Current Status:

Accepted
Partially Implemented

Explanation if Not Fully Implemented:

The District has taken steps to reduce the excess vacation liability. The Superintendent has approved all excess balances on June 30, 2015.

2014 - 004: The District should review, update and enforce its current personnel policies and develop a check and balance system to mitigate data entry errors.

Current Status:

Accepted
Implemented

DIXON UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONCLUDED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2014 - 005: A continuation form, approved by the California Department of Education should be completed for each kindergarten student continued for a second year.

Current Status:

Accepted

Implemented