NEW ISSUE—BOOK-ENTRY ONLY **Rating: Moody's: "Aa3"**
(See "MISCELLANEOUS — Rating" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017 Bonds. See "TAX MATTERS" herein.

$19,230,000
DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
General Obligation Bonds, Election of 2016, Series 2017

Dated: Date of Delivery **Due: August 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Dixon Unified School District (Solano County, California) General Obligation Bonds, Election of 2016, Series 2017 (the "Series 2017 Bonds") are issued by the Dixon Unified School District (the "District"), located in the County of Solano, California (the "County"), to finance specific construction, repair and improvement projects approved by the voters of the District. The Series 2017 Bonds were authorized at an election of the voters of the District held on November 8, 2016, at which at least 55% of the voters voting on the proposition authorized the issuance and sale of $30,400,000 principal amount of bonds of the District. The Series 2017 Bonds are being issued under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Education of the District, adopted on February 16, 2017.

The Series 2017 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2017 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS" herein.

The Series 2017 Bonds will be issued as current interest bonds, as set forth on the inside front cover hereof. Interest on the Series 2017 Bonds is payable on each February 1 and August 1 to maturity, commencing February 1, 2018. Principal of the Series 2017 Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Series 2017 Bonds will be issued in denominations of $5,000 principal amount, or any integral multiple thereof as shown on the inside front cover hereof.

The Series 2017 Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2017 Bonds. Individual purchases of the Series 2017 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2017 Bonds purchased by them. See "THE SERIES 2017 BONDS – Form and Registration" herein. Payments of the principal of and interest on the Series 2017 Bonds will be made by Wells Fargo Bank, National Association, as paying agent, registrar and transfer agent with respect to the Series 2017 Bonds, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2017 Bonds. See "THE SERIES 2017 BONDS – Payment of Principal and Interest" herein.

The Series 2017 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2017 BONDS — Redemption" herein.

The Series 2017 Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District. It is anticipated that the Series 2017 Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about April 6, 2017.

PiperJaffray

Dated March 23, 2017.

MATURITY SCHEDULE
BASE CUSIP†: 255651

$19,230,000
DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
General Obligation Bonds, Election of 2016, Series 2017

$14,720,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2018	$1,045,000	2.000%	0.980%	JD4
2019	385,000	3.000	1.230	JE2
2020	130,000	4.000	1.450	JF9
2021	175,000	4.000	1.650	JG7
2022	215,000	4.000	1.860	JH5
2023	265,000	4.000	2.100	JJ1
2024	315,000	4.000	2.260	JK8
2025	290,000	2.250	2.420	JL6
2026	335,000	5.000	2.540	JM4
2027	395,000	5.000	2.620	JN2
2030	575,000	4.000	3.130[C]	JR3
2031	645,000	4.000	3.310[C]	JS1
2032	720,000	4.000	3.440[C]	JT9
2033	800,000	4.000	3.560[C]	JU6
2034	885,000	4.250	3.520[C]	JV4
2035	980,000	4.250	3.570[C]	JW2
2036	1,080,000	4.500	3.510[C]	JX0
2037	1,190,000	4.500	3.530[C]	JY8
2038	1,305,000	4.500	3.550[C]	JZ5
2039	1,430,000	4.500	3.570[C]	KB6
2040	1,560,000	4.500	3.580[C]	KC4

$970,000 3.000% Term Series 2017 Bonds due August 1, 2029 – Yield 3.050% - CUSIP Number† JQ5

$3,540,000 3.750% Term Series 2017 Bonds due August 1, 2042 – Yield 3.950% - CUSIP Number† KA8

[C] Yield to call at par on August 1, 2027.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)

BOARD OF EDUCATION

Guy Garcia, *President*
Melissa Maseda, *Vice President*
Luke Foster, *Clerk*
John Gabby, *Member*
Caitlin O'Halloran, *Member*

DISTRICT ADMINISTRATORS

Brian Dolan, *Superintendent*
Adrian Vargas, *Assistant Superintendent, Business Services & Operations*
Mike Walbridge, *Assistant Superintendent, Educational Services*

PROFESSIONAL SERVICES

Financial Advisor

Cooperative Strategies, LLC
Irvine, California

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent, Registrar and Transfer Agent

Wells Fargo Bank, National Association
Minneapolis, Minnesota

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2017 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2017 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2017 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2017 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2017 Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series 2017 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2017 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

$19,230,000
DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
General Obligation Bonds, Election of 2016, Series 2017

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2017 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $19,230,000 aggregate principal amount of Dixon Unified School District (Solano County, California) General Obligation Bonds, Election of 2016, Series 2017 (the "Series 2017 Bonds"), all as indicated on the inside front cover hereof, to be offered by the Dixon Unified School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure."

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2017 Bonds. Quotations from and summaries and explanations of the Series 2017 Bonds, the resolution of the Board of Education of the District relating to the Series 2017 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2017 Bonds.

Copies of documents referred to herein and information concerning the Series 2017 Bonds are available from the District by contacting: Dixon Unified School District, 180 South First Street, Dixon, California 95620, Attention: Assistant Superintendent, Business Services & Operations. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District, established in 1947, is a public school district located in Solano County, California (the "County"). The District includes approximately 198 square miles in the City of Dixon, certain unincorporated areas of the County and a small portion of the City of Vacaville. The District currently operates three elementary schools, one middle school, two high schools, one continuation high school and one community day school. The current enrollment for the District is approximately 3,254. Total assessed valuation of taxable property in the District in fiscal year 2016-17 is $2,843,849,757. The District operates under the jurisdiction of the Solano County Superintendent of Schools.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

THE SERIES 2017 BONDS

Authority for Issuance; Purpose

The Series 2017 Bonds are issued under the provisions of California Government Code Section 53506 *et seq.*, including Section 53508.7 thereof, and California Education Code Section 15140 and Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Education of the District on February 16, 2017 (the "Resolution").

At an election held on November 8, 2016, the District received authorization under Measure Q to issue general obligation bonds of the District in an aggregate principal amount not to exceed $30,400,000 to repair, renovate and reopen Old Dixon High School as a middle school, repair and renovate Anderson Elementary School and improve security/safety and Americans with Disabilities Act compliance at District schools (collectively, the "2016 Authorization"). Measure Q required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 60.22%. The Series 2017 Bonds represent the first series of authorized bonds to be issued under the 2016 Authorization and will be issued to finance authorized projects. See "*−Application and Investment of Series 2017 Bond Proceeds*" herein.

Form and Registration

The Series 2017 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or integral multiples thereof. The Series 2017 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series 2017 Bonds. Purchases of Series 2017 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2017 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2017 Bonds, beneficial owners ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

Interest. The Series 2017 Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on February 1, 2018, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series 2017 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and on or prior to the succeeding Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2017 Bond, interest is in default on any outstanding Series 2017 Bonds, such Series 2017 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Series 2017 Bonds.

Payment of Series 2017 Bonds. The principal of the Series 2017 Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of Wells Fargo Bank, National Association, as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity.

Interest on the Series 2017 Bonds is payable in lawful money of the United States of America by check mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Series 2017 Bonds who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Series 2017 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Redemption*

Optional Redemption. The Series 2017 Bonds maturing on or before August 1, 2027, are not subject to optional redemption prior to their respective stated maturity dates. The Series 2017 Bonds maturing on or after August 1, 2028, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2027, at a redemption price equal to the principal amount of the Series 2017 Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The $970,000 term Series 2017 Bonds maturing on August 1, 2029 are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2028	$455,000
2029†	515,000

† Maturity.

The principal amount of the $970,000 term Series 2017 Bonds maturing on August 1, 2029, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2017 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

* *Preliminary; subject to change.*

The $3,540,000 term Series 2017 Bonds maturing on August 1, 2042 are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2041	$1,700,000
2042†	1,840,000

† Maturity.

The principal amount of the $3,540,000 term Series 2017 Bonds maturing on August 1, 2042, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2017 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series 2017 Bonds for Redemption. If less than all of the Series 2017 Bonds are called for redemption, the Series 2017 Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2017 Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Series 2017 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2017 Bond shall be deemed to consist of individual Series 2017 Bonds of denominations of $5,000 principal amount, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2017 Bond will be given by the Paying Agent not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Series 2017 Bonds. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series 2017 Bonds and the date of issue of the Series 2017 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2017 Bonds to be redeemed; (vi) if less than all of the Series 2017 Bonds of any maturity are to be redeemed the distinctive numbers of the Series 2017 Bonds of each maturity to be redeemed; (vii) in the case of Series 2017 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2017 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2017 Bonds to be redeemed; (ix) a statement that such Series 2017 Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series 2017 Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Series 2017 Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Series 2017 Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2017 Bonds called for redemption is set aside, the Series 2017 Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2017 Bonds at the place specified in the notice of redemption, such Series 2017 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2017 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2017 Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Series 2017 Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2017 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2017 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2017 Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance of Series 2017 Bonds

The District may pay and discharge any or all of the Series 2017 Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Series 2017 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund or by the Paying Agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Series 2017 Bonds and remaining unclaimed for two years after the principal of such Series 2017 Bonds has become due and payable (whether by maturity or upon prior redemption) is required to be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys is required to be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Series 2017 Bond Proceeds

The proceeds of the Series 2017 Bonds are expected to be applied as follows:

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
General Obligation Bonds, Election of 2016, Series 2017

Estimated Sources and Uses of Funds

Sources of Funds:	
Principal Amount of Series 2017 Bonds	$19,230,000.00
Plus Net Original Issue Premium	971,554.05
Total Sources of Funds	$20,201,554.05
Uses of Funds:	
Deposit to Building Fund	$19,000,000.00
Deposit to Interest and Sinking Fund[1]	971,554.05
Costs of Issuance[2]	162,695.00
Underwriter's Discount	67,305.00
Total Uses of Funds	$20,201,554.05

(1) Consists of premium received by the District.
(2) Includes legal fees, financial advisor fees, rating agency fees, printing fees and other miscellaneous expenses.

The proceeds from the sale of the Series 2017 Bonds will be deposited in the County treasury to the credit of the building fund of the District (the "Building Fund") and shall be accounted for together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds shall be applied solely for the purposes for which the Series 2017 Bonds were authorized. Any premium or accrued interest on the Series 2017 Bonds received by the District will be deposited in the Interest and Sinking Fund of the District in the County treasury. Interest and earnings on each fund will accrue to that fund. All funds held by the County Treasurer (the "County Treasurer") in the Building Fund and the Interest and Sinking Fund are expected to be invested at the sole discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX E − "SOLANO COUNTY INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL" for a description of the permitted investments under the investment policy of the County. In addition, to the extent permitted by law, the District may request in writing that all or any portion of the funds held in the Building Fund may be invested in investment agreements, including guaranteed investment contracts, float contracts or other investment products which comply with the requirements of each rating agency then rating the Series 2017 Bonds. The County Treasurer does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

Debt Service

Debt service on the Series 2017 Bonds, assuming no early redemptions, is as shown in the following table.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
General Obligation Bonds, Election of 2016, Series 2017

Year Ending August 1,	Principal	Interest	Total Debt Service
2018	$ 1,045,000.00	$ 1,010,183.16	$ 2,055,183.16
2019	385,000.00	744,712.50	1,129,712.50
2020	130,000.00	733,162.50	863,162.50
2021	175,000.00	727,962.50	902,962.50
2022	215,000.00	720,962.50	935,962.50
2023	265,000.00	712,362.50	977,362.50
2024	315,000.00	701,762.50	1,016,762.50
2025	290,000.00	689,162.50	979,162.50
2026	335,000.00	682,637.50	1,017,637.50
2027	395,000.00	665,887.50	1,060,887.50
2028	455,000.00	646,137.50	1,101,137.50
2029	515,000.00	632,487.50	1,147,487.50
2030	575,000.00	617,037.50	1,192,037.50
2031	645,000.00	594,037.50	1,239,037.50
2032	720,000.00	568,237.50	1,288,237.50
2033	800,000.00	539,437.50	1,339,437.50
2034	885,000.00	507,437.50	1,392,437.50
2035	980,000.00	469,825.00	1,449,825.00
2036	1,080,000.00	428,175.00	1,508,175.00
2037	1,190,000.00	379,575.00	1,569,575.00
2038	1,305,000.00	326,025.00	1,631,025.00
2039	1,430,000.00	267,300.00	1,697,300.00
2040	1,560,000.00	202,950.00	1,762,950.00
2041	1,700,000.00	132,750.00	1,832,750.00
2042	1,840,000.00	69,000.00	1,909,000.00
Total:	$19,230,000.00	$13,769,208.16	$32,999,208.16

Outstanding Bonds

In addition to the Series 2017 Bonds, the District has two additional series of general obligation bonds outstanding, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District on a parity with the Series 2017 Bonds.

The District received authorization at an election held on November 5, 2002, to issue bonds of the District in an aggregate principal amount not to exceed $29.2 million (the "2002 Authorization"). On April 1, 2003, the District issued its General Obligation Bonds, Election of 2002, Series 2003, in the aggregate principal amount of $10,000,000 (the "Series 2003 Bonds"), as its first series of bonds issued under the 2002 Authorization. On April 5, 2005, the District issued its General Obligation Bonds, Election of 2002, Series 2005 (the "Series 2005 Bonds") in the aggregate initial principal amount of $16,180,686.20, consisting of current interest bonds in the aggregate principal amount of $6,620,000 (the "2005 CIBs") and capital appreciation bonds in the aggregate initial principal amount of $9,560,686.20 (the "2005 CABs"), as its second series of bonds issued under the 2002 Authorization. On August 1, 2006, the District issued its General Obligation Bonds, Election of 2002, Series 2006, in the aggregate principal amount of $3,019,000 (the "Series 2006 Bonds"), as its third and final series of bonds issued under the 2002 Authorization.

On August 1, 2012, the District issued its 2012 General Obligation Refunding Bonds, in the aggregate principal amount of $19,395,000 (the "Series 2012 Refunding Bonds"). Proceeds of the Series 2012 Refunding Bonds were used to (i) advance refund the outstanding Series 2003 Bonds, (ii) current refund the 2005 CIBs maturing in the years 2013 through 2015, inclusive, and 2044, (iii) advance refund the 2005 CABs maturing in the years 2018 through 2027, inclusive, and (iv) advance refund the Series 2006 Bonds maturing in the years 2019 through 2022, inclusive.

On April 7, 2016, the District issued its General Obligation Refunding Bonds, Series 2016 (the "Series 2016 Refunding Bonds"). Proceeds of the Series 2016 Refunding Bonds were used to (i) current refund the remaining Series 2005 Bonds and (ii) current refund the remaining Series 2006 Bonds.

Aggregate Debt Service

The following table summarizes the annual aggregate debt service requirements of all outstanding bonds of the District (including the Series 2017 Bonds), assuming no early redemptions.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
General Obligation Bonds – Aggregate Debt Service

Period Ending August 1,	Series 2012 Refunding Bonds	Series 2016 Refunding Bonds	Series 2017 Bonds	Aggregate Total Debt Service
2017	$ 752,150.00	$ 915,650.00	-	$ 1,667,800.00
2018	1,547,150.00	189,250.00	$ 2,055,183.16	3,791,583.16
2019	1,725,350.00	75,950.00	1,129,712.50	2,931,012.50
2020	1,775,150.00	100,950.00	863,162.50	2,739,262.50
2021	1,835,400.00	115,200.00	902,962.50	2,853,562.50
2022	1,894,900.00	134,000.00	935,962.50	2,964,862.50
2023	1,863,400.00	227,200.00	977,362.50	3,067,962.50
2024	1,965,862.50	217,550.00	1,016,762.50	3,200,175.00
2025	2,035,612.50	208,050.00	979,162.50	3,222,825.00
2026	2,119,050.00	193,700.00	1,017,637.50	3,330,387.50
2027	2,126,037.50	$184,650.00	1,060,887.50	3,371,575.00
2028	213,600.00	2,193,150.00	1,101,137.50	3,507,887.50
2029	213,600.00	2,223,150.00	1,147,487.50	3,584,237.50
2030	213,600.00	2,353,400.00	1,192,037.50	3,759,037.50
2031	213,600.00	2,213,150.00	1,239,037.50	3,665,787.50
2032	213,600.00	2,315,400.00	1,288,237.50	3,817,237.50
2033	213,600.00	2,413,150.00	1,339,437.50	3,966,187.50
2034	213,600.00	2,526,150.00	1,392,437.50	4,132,187.50
2035	213,600.00	1,653,150.00	1,449,825.00	3,316,575.00
2036	213,600.00	-	1,508,175.00	1,721,775.00
2037	213,600.00	-	1,569,575.00	1,783,175.00
2038	213,600.00	-	1,631,025.00	1,844,625.00
2039	213,600.00	-	1,697,300.00	1,910,900.00
2040	1,208,600.00	-	1,762,950.00	2,971,550.00
2041	1,358,800.00	-	1,832,750.00	3,191,550.00
2042	1,476,400.00	-	1,909,000.00	3,385,400.00
2043	1,607,400.00	-	-	1,607,400.00
2044	286,000.00	-	-	286,000.00
Total	$28,140,462.50	$20,452,850.00	$32,999,208.16	$81,592,520.66

Source: Cooperative Strategies, LLC

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2017 Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

The Series 2017 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series 2017 Bonds.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

The District has pledged all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of all bonds, including the Series 2017 Bonds (collectively, the "Bonds"), of the District heretofore or hereafter issued pursuant to voter approved measures of the District and amounts on deposit in the Interest and Sinking Fund of the District to the payment of the principal or redemption price of and interest on the Bonds. The Resolution provides that the property taxes and amounts held in the Interest and Sinking Fund shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge constitutes an agreement between the District and the owners of Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the county treasurer-tax collector, the superintendent of schools of which has jurisdiction over the school district holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due, as ex officio treasurer of the school district.

Assessed Valuation of Property Within the District

Taxable property located in the District has a fiscal year 2016-17 assessed value of $2,843,849,757. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See "−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values" below.

Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal year 2007-08 through 2016-17.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
Assessed Valuations
Fiscal Years 2007-08 through 2016-17

Fiscal Year Ending	Local Secured	Utility	Unsecured	Total Valuation
2007-08	$2,388,677,795	$1,376,518	$75,477,878	$2,465,532,191
2008-09	2,415,019,887	3,574,556	79,582,521	2,498,176,964
2009-10	2,302,630,605	3,574,556	88,659,805	2,394,864,966
2010-11	2,257,430,400	3,574,556	70,718,305	2,331,723,261
2011-12	2,226,224,157	3,574,556	75,484,919	2,305,283,632
2012-13	2,215,525,485	2,105,160	79,465,323	2,297,095,968
2013-14	2,338,394,561	2,105,160	128,118,380	2,468,618,101
2014-15	2,476,228,558	305,160	99,907,871	2,576,441,589
2015-16	2,610,672,526	305,160	91,702,931	2,702,680,617
2016-17	2,753,139,877	181,590	90,528,290	2,843,849,757

Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also "*−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2016-17 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $71.10 million and its net bonding capacity is approximately $40.01 million (taking into account current outstanding debt before issuance of the Series 2017 Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries that reside in the cities of Dixon and Vacaville and unincorporated portions of the County for fiscal year 2016-17.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
2016-17 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Dixon	$1,921,809,363	67.58%	$1,921,809,363	100.00%
City of Vacaville	10,808,530	0.38	$11,440,454,969	0.09%
Unincorporated Solano County	911,231,864	32.04	$4,969,031,968	18.34%
Total District	$2,843,849,757	100.00%		
Solano County	$2,843,849,757	100.00%	$49,251,075,939	5.77%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2016-17 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
2016-17 Assessed Valuation and Parcels by Land Use

	2016-17 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$495,117,060	17.98%	1,162	15.30%
Commercial/Office	234,176,006	8.51	209	2.75
Vacant Commercial	35,500,755	1.29	111	1.46
Industrial	394,358,177	14.32	96	1.26
Vacant Industrial	16,435,437	0.60	38	0.50
Government/Social/Institutional	1,828,398	0.07	4	0.05
Miscellaneous	12,547,682	0.46	45	0.59
Subtotal Non-Residential	$1,189,963,515	43.22%	1,665	21.92%
Residential:				
Single Family Residence	$1,453,459,761	52.79%	5,301	69.78%
Condominium/Townhouse	124,555	0.00	2	0.03
Mobile Home	1,507,383	0.05	50	0.66
Mobile Home Park	1,412,994	0.05	2	0.03
2+ Residential Units/Apartments	74,158,945	2.69	284	3.74
Miscellaneous Residential	7,567,338	0.27	13	0.17
Vacant Residential	24,945,386	0.91	280	3.69
Subtotal Residential	$1,563,176,362	56.78%	5,932	78.08%
TOTAL	$2,753,139,877	100.00%	7,597	100.00%

(1) Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2016-17.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
2016-17 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	2016-17 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	5,301	$1,453,459,761	$274,186	$264,968

2016-17 Assessed Valuation	No. of Parcels(1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	11	0.208%	0.208%	$234,570	0.016%	0.016%
$25,000 - $49,999	133	2.509	2.716	5,312,827	0.366	0.382
$50,000 - $74,999	159	2.999	5.716	10,009,649	0.689	1.070
$75,000 - $99,999	151	2.849	8.564	13,312,785	0.916	1.986
$100,000 - $124,999	189	3.565	12.130	21,405,181	1.473	3.459
$125,000 - $149,999	237	4.471	16.601	32,699,675	2.250	5.709
$150,000 - $174,999	282	5.320	21.920	45,970,454	3.163	8.872
$175,000 - $199,999	401	7.565	29.485	75,151,074	5.170	14.042
$200,000 - $224,999	427	8.055	37.540	90,785,037	6.246	20.288
$225,000 - $249,999	401	7.565	45.105	95,384,357	6.563	26.851
$250,000 - $274,999	433	8.168	53.273	113,672,366	7.821	34.672
$275,000 - $299,999	371	6.999	60.272	106,713,993	7.342	42.014
$300,000 - $324,999	323	6.093	66.365	100,886,629	6.941	48.955
$325,000 - $349,999	376	7.093	73.458	126,817,772	8.725	57.680
$350,000 - $374,999	359	6.772	80.230	130,033,287	8.946	66.627
$375,000 - $399,999	277	5.225	85.456	107,280,795	7.381	74.008
$400,000 - $424,999	212	3.999	89.455	87,493,265	6.020	80.027
$425,000 - $449,999	208	3.924	93.379	90,573,758	6.232	86.259
$450,000 - $474,999	94	1.773	95.152	43,249,323	2.976	89.234
$475,000 - $499,999	72	1.358	96.510	34,852,681	2.398	91.632
$500,000 and greater	185	3.490	100.000	121,620,283	8.368	100.000
Total	5,301	100.000%		$1,453,459,761	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Largest Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2016-17 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
Largest 2016-17 Local Secured Taxpayers

	Property Owner	Primary Land Use	2016-17 Assessed Valuation	Percent of Total[1]
1.	Genentech Inc.	Industrial	$87,087,701	3.16%
2.	Campbell Soup Supply Co. LLC	Industrial	40,573,933	1.47
3.	Basalite Concrete Products LLC	Industrial	31,018,170	1.13
4.	Winters Nursery LLC	Commercial Nursery	27,746,118	1.01
5.	Dixon Vaughn Holdings LLC	Industrial	27,157,936	0.99
6.	Ellensburg Lamb Company Inc.	Industrial	24,451,095	0.89
7.	Cardinal Health 200 Inc.	Industrial	24,329,326	0.88
8.	Norcal Waste System Hay Road	Industrial	22,677,198	0.82
9.	Wal-Mart Real Estate Business Trust	Commercial	22,485,223	0.82
10.	Salad Cosmo USA Corp.	Industrial	22,199,448	0.81
11.	California Water Service Co.	Water Company	17,481,260	0.63
12.	Harold E. and E.M. Robben	Agricultural	15,042,704	0.55
13.	Robert A. and Suzanne A. Robben	Commercial and Residential	13,906,197	0.51
14.	Insulfoam LLC	Industrial	13,574,755	0.49
15.	Tranquility Orchards LLC	Agricultural	12,568,174	0.46
16.	Robert J. and S.J. Hilarides	Agricultural	10,592,366	0.38
17.	Safeway Stores	Commercial	10,258,877	0.37
18.	Altec Industries Inc.	Industrial	8,991,124	0.33
19.	1000 Vaughn Road Assoc. LLC	Industrial	8,436,595	0.31
20.	William Cummings	Agricultural	8,232,000	0.30
			$448,810,200	16.30%

[1] 2016-17 local secured assessed valuation: $2,753,139,877
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See *"−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* above.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Series 2017 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2017 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2017 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 2-017). This Tax Rate Area comprises approximately 13.90% of the total assessed value of the District.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
Typical Total Tax Rates per $100 of Assessed Valuation
Fiscal Years 2012-13 through 2016-17

	2012-13	2013-14	2014-15	2015-16	2016-17
Countywide	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Solano County Community College District	.020598	.039549	.036716	.034918	0.035043
Dixon Unified School District	.054867	.052218	.056915	.048329	0.057132
State Water Project	.020000	.020000	.020000	.020000	0.020000
Total Tax Rate	1.095465%	1.111767%	1.113631%	1.103247%	1.112175%

Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the Education Code, bonds approved pursuant to the 2016 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2016 Authorization will require a tax rate no greater than $60.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2017 Bonds, the District projects that the maximum tax rate required to repay the Series 2017 Bonds and all other outstanding bonds approved at the 2016 Authorization will be within that legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2017 Bonds and any other series of bonds issued under the 2016 Authorization in each year.

Tax Charges and Delinquencies

A school district’s share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Series 2017 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer-tax collector

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The following table sets forth real property tax charges and corresponding delinquencies with respect to the property located in the District for fiscal years 2011-12 through 2015-16.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2011-12 through 2015-16

Fiscal Year	Secured Tax Charge(1)	Amount Delinquent June 30	Percent Delinquent June 30
2011-12	$1,467,116.14	$35,052.18	2.39%
2012-13	1,198,976.36	28,596.49	2.39
2013-14	1,201,609.38	15,232.11	1.27
2014-15	1,395,857.10	12,174.45	0.87
2015-16	1,248,410.22	17,105.89	1.37

(1) District's general obligation bond debt service levy only.
Source: California Municipal Statistics, Inc.

Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including the District, receives the full amount of uncollected taxes credited to its fund (including delinquent taxes, if any), in the same manner as if the full amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of school district bonds.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective January 19, 2017 for debt outstanding as of February 1, 2017. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
Statement of Direct and Overlapping Bonded Debt

January 19, 2017

2016-17 Assessed Valuation: $2,843,849,757

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 2/1/17
Solano Community College District	6.005%	$12,453,119
Dixon Unified School District	100.000	31,086,999[(1)]
City of Dixon Community Facilities District No. 2013-1	100.000	7,670,000
City of Dixon 1915 Act Bonds	100.000	2,287,374
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$53,497,492
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Solano County General Fund Obligations	5.774%	$5,135,396
Solano County Pension Obligations	5.774	2,764,591
Solano County Board of Education Certificates of Participation	5.774	41,284
Solano County Community College District General Fund Obligations	6.005	613,647
Dixon Unified School District Certificates of Participation	100.000	9,537,362
City of Dixon General Fund Obligations	100.000	1,165,800
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$19,258,080
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$2,100,000
COMBINED TOTAL DEBT		$74,855,572[(2)]

Ratios to 2016-17 Assessed Valuation:

Direct Debt ($31,086,999)....................1.09%
Total Direct and Overlapping Tax and Assessment Debt................1.88%
Combined Direct Debt ($40,624,361) 1.43%
Combined Total Debt....................2.63%

Ratios to Redevelopment Incremental Valuation ($249,579,294):

Total Overlapping Tax Increment Debt....................0.84%

(1) Excludes the Series 2017 Bonds; excludes accreted value.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series 2017 Bonds is less than the amount to be paid at maturity of such Series 2017 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2017 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2017 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2017 Bonds is the first price at which a substantial amount of such maturity of the Series 2017 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2017 Bonds accrues daily over the term to maturity of such Series 2017 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2017 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2017 Bonds. Beneficial Owners of the Series 2017 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2017 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2017 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2017 Bonds is sold to the public.

Series 2017 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2017 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2017 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2017 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2017 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2017 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2017 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2017 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2017 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the presidential budget proposals in previous years have proposed legislation that would limit the exclusion from gross income of interest on the Series 2017 Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2017 Bonds. Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2017 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2017 Bonds ends with the issuance of the Series 2017 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2017 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2017 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2017 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2017 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series 2017 Bonds at the time of issuance substantially in the form set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series 2017 Bonds are legal investments for commercial banks in California to the extent that the Series 2017 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Series 2017 Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Series 2017 Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2016-17 fiscal year (which is due no later than April 1, 2018) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "Rule") of the Securities and Exchange Commission (the "SEC").

In the previous five years, the District failed to file annual reports in a timely and complete manner. In addition, in the previous five years, the District failed to file notices of certain events, including rating changes, as required by its prior continuing disclosure undertakings in a timely manner. The District has since filed the required information.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2017 Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2017 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2017 Bonds or District officials who will sign certifications relating to the Series 2017 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2017 Bonds.

The District is occasionally subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

MISCELLANEOUS

Rating

Moody's Investors Service has assigned a rating of "Aa3" to the Series 2017 Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions as well as information and materials furnished to them (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2017 Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2017 Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series 2017 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2017 Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2017 Bonds. Cooperative Strategies, LLC is acting as the District's financial advisor with respect to the Series 2017 Bonds. Payment of the fees and expenses of the District's financial advisor are also contingent upon the sale and delivery of the Series 2017 Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series 2017 Bonds.

Underwriting

The Series 2017 Bonds are being purchased for reoffering to the public by Piper Jaffray & Co. (the "Underwriter") pursuant to the terms of a bond purchase agreement executed on March 23, 2017, by and between the District and the Underwriter (the "Purchase Agreement"). The Underwriter has agreed to purchase the Series 2017 Bonds at a price of $20,134,249.05 (which represents the aggregate principal amount of the Series 2017 Bonds, plus net original issue premium of $971,554.05, and less Underwriter's discount in the amount of $67,305.00). The Purchase Agreement provides that the Underwriter will purchase all of the Series 2017 Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series 2017 Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has entered into a distribution agreement with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to that agreement, CS&Co. will purchase Series 2017 Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Series 2017 Bonds that CS&Co. sells.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2017 Bonds. Quotations from and summaries and explanations of the Series 2017 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2017 Bonds.

The District has duly authorized the delivery of this Official Statement.

DIXON UNIFIED SCHOOL DISTRICT

By: /s/ Brian Dolan
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Dixon Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2017 Bonds are payable from the general fund of the District or from State revenues. The Series 2017 Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of Solano on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2017 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District, established in 1947, is a public school district located in Solano County, California (the "County"). The District includes approximately 198 square miles in the City of Dixon, certain unincorporated areas of the County and a small portion of the City of Vacaville. The District currently operates three elementary schools, one middle school, two high schools, one continuation high school and one community day school. The current enrollment for the District is 3,254. Total assessed valuation of taxable property in the District in fiscal year 2016-17 is $2,843,849,757. The District operates under the jurisdiction of the Solano County Superintendent of Schools.

Board of Education

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected by voters within the District to serve alternating four-year terms. The Board consists of five voting members. The voting members are elected to four-year terms in alternate slates of two and three, and elections are held every two years. Each December the Board elects a President, Vice President and Clerk to serve one-year terms. Current voting members of the Board, together with their office and the date their current term expires, are listed below.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)

Board of Education

Name	Office	Term Expires
Guy Garcia	President	December 2018
Melissa Maseda	Vice President	December 2020
Luke Foster	Clerk	December 2018
John Gabby	Member	December 2018
Caitlin O'Halloran	Member	December 2018

Superintendent and Business Services Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Mr. Dolan was appointed by the Board to serve as Superintendent in August 2011. Information concerning the District's Superintendent and the Assistant Superintendent, Business Services & Operations is set forth below.

Brian Dolan, Superintendent. Mr. Dolan began his public education career in 1988 as a history/social science teacher and subsequently served as an assistant principal from 1996 to 1998. For the last 18 years, Mr. Dolan has worked in the District in a variety of roles. During the first eight years, Mr. Dolan was principal of Dixon High School. During the following five years, he directed human resources, pupil services, facilities, maintenance and operations, and served two stints as an interim elementary principal. Mr. Dolan has served as Superintendent of the District since August 2011. He is a graduate of the University of California at Davis with a B.A. in International Relations and has received single subject teaching credential. He earned his administrative credential and Masters Degree in Educational Administration from Saint Mary's College of California in Moraga, California.

Adrian Vargas, Assistant Superintendent, Business Services & Operations. Mr. Vargas began his career in public education in 2002. Prior to joining the District, Mr. Vargas worked for two large school districts including positions as accounts payable technician, school site controller and budget analyst for two large school districts. Most recently, Mr. Vargas served as the Supervisor of Fiscal Services/Auditor for Woodland Joint Unified School District and Director of Budget and Accounting for Natomas Unified School District. Mr. Vargas began working for the District on October 13, 2014. Mr. Vargas received his Bachelor Degree in Economics from California State University, San Diego, and completed the University of Southern California Rossier School of Education CBO certificate program in 2009.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (see "− Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "− Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has projected to receive approximately 71.45% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately $24.09 million in fiscal year 2016-17. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "−Allocation of State Funding to School Districts; Local Control Funding Formula – Attendance and LCFF" and "−Other District Revenues – Other State Revenues" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented a new funding formula for school finance system called the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF"). Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two–thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2016-17 State budget on June 27, 2016.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2017 Bonds, and the District takes no responsibility for informing owners of the Series 2017 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2016-17 State Budget. The Governor signed the fiscal year 2016-17 State budget (the "2016-17 State Budget") on June 27, 2016. The 2016-17 State Budget sets forth a balanced budget for Fiscal Year 2016-17 and allocates funds from Proposition 2 to pay down outstanding budgetary borrowing and retirement liabilities of the State and University of California. The 2016-17 State Budget estimates that total resources available in fiscal year 2015-16 totaled approximately $120.45 billion (including a prior year balance of $3.4 billion) and total expenditures in fiscal year 2015-16 totaled approximately $115.57 billion. The 2016-17 State Budget projects total resources available for fiscal year 2016-17 of $125.18 billion, inclusive of revenues and transfers of $120.31 billion and a prior year balance of $4.87 billion. The 2016-17 State Budget projects total expenditures of $122.47 billion, inclusive of non-Proposition 98 expenditures of $71.42 billion and Proposition 98 expenditures of $51.05 billion. The 2016-17 State Budget proposes to allocate $966 million of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $1.75 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the 2016-17 State Budget estimates the Rainy Day Fund will have a fund balance of $6.71 billion.

Certain budgeted adjustments for K-12 education set forth in the 2016-17 State Budget include the following:

- School District Local Control Funding Formula. The 2016-17 State Budget includes an increase of more than $2.9 billion to continue the implementation of the Local Control Funding Formula. The 2016-17 State Budget proposes to commit most new funding to Supplemental Grants and Concentration Grants. The Governor estimates that the budgeted increase will bring the total Local Control Funding Formula implementation to 96%.

- Proposition 98 Minimum Guarantee. The 2016-17 State Budget includes Proposition 98 funding of $71.9 billion, inclusive of State and local funds, for fiscal year 2016-17. Such amount is expected to satisfy the Proposition 98 minimum guarantee for fiscal year 2016-17.

- Mandate Claims. The 2016-17 State Budget proposes to allocate approximately $1.3 billion in one-time moneys to reduce outstanding mandate claims by K-12 local education agencies. The State expects such funds to be used for activities including, among others, deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology and the implementation of new educational standards.

- College Readiness Block Grant. The 2016-17 State Budget includes a one-time increase of $200 million to the Proposition 98 General Fund for grants to school districts and charter schools that serve high school students. The State will direct grant recipients to such funds be used to support access to higher education and transition to higher education.

- Integrated Teacher Preparation Grant Program. The 2016-17 State Budget includes a one-time allocation of $10 million from the Proposition 98 portion of the General Fund to the Integrated Teacher Preparation Grant Program, which provides competitive grants to colleges and universities to develop or improve teacher credential programs.

- Classified School Employees Credentialing Program. The 2016-17 State Budget includes a one-time allocation of $20 million from the Proposition 98 portion of the General Fund to establish a credentialing program that recruits non-certified school employees and prepares them to become certificated classroom teachers.

- California Center on Teacher Careers. The 2016-17 State Budget includes a one-time increase of $5 million of Proposition 98 General Fund to establish a multi-year competitive grant, which will be awarded to a local education agency to establish and operate the California Center on Teaching Careers. The California Center on Teaching Careers, once established, will recruit individuals to the teaching profession, host a referral database for teachers seeking employment, develop and distribute recruitment publications, conduct outreach activities to high school and college students, provide statewide public service announcements related to teacher recruitment, and provide prospective teachers information on credential requirements, financial aid and loan assistance programs.

- California Collaborative for Educational Excellence. The 2016-17 State Budget provides a one-time increase of $24 million to the Proposition 98 portion of the General Fund for the California Collaborative for Educational Excellence to, among other things, support statewide professional development training relating to evaluation methods and metrics and implement a pilot program related to advising and assisting local education agencies on improving pupil outcomes.

- Safe Drinking Water in Schools. The 2016-17 State Budget includes an increase of $9.5 million of one-time Proposition 98 General Fund to create a grant program to improve access to safe drinking water for schools located in isolated areas and economically disadvantaged areas. The program will be developed and administered by the State Water Resources Control Board in consultation with the California Department of Education.

- Charter School Startup Grants. The 2016-17 State Budget allocates an increase of $20 million of one-time Proposition 98 General Fund resources to support operational startup costs for new charter schools in 2016 and 2017. Such allocation is expected to partially offset the loss of federal funding previously available for such purpose.

- Multi-Tiered Systems of Support. The 2016-17 State Budget allocates an increase of $20 million of one-time Proposition 98 General Fund resources to build upon the $10 million investment included in the 2015-16 State Budget for an increased number of local educational agencies to provide academic and behavioral supports in a coordinated and systematic way. The State expects such funds to, among other things, assist local education agencies as they provide services that support academic, behavioral, social and emotional needs and improve outcomes for students.

- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The 2016-17 State Budget includes an increase of $18 million on a one-time basis to the Proposition 98 portion of the General Fund allocated to a grant program for truancy and dropout prevention.

The complete 2016-17 State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

2017-18 Proposed State Budget. The Governor released his proposed fiscal year Proposed 2017-18 State Budget (the "Proposed 2017-18 State Budget") on January 10, 2017. The Proposed 2017-18 State Budget sets forth a balanced budget for fiscal year 2017-18. However, the Governor cautions that the State's projected revenues are approximately $5.8 billion lower than projected for 2015-16 through 2017-18 and, absent corrective action, could lead to annual deficits of $1 billion to $2 billion. The Proposed 2017-18 State Budget estimates that total resources available in fiscal year 2016-17 totaled approximately $123.79 billion (including a prior year balance of $5.0 billion) and total expenditures in fiscal year 2016-17 totaled approximately $122.76 billion. The Proposed 2017-18 State Budget projects total resources available for fiscal year 2017-18 of $125.05 billion, inclusive of revenues and transfers of $124.03 billion and a prior year balance of $1.03 billion. The Proposed 2017-18 State Budget projects total expenditures of $122.52 billion, inclusive of non-Proposition 98 expenditures of $71.17 billion and Proposition 98 expenditures of $51.35 billion. The 2016-17 State Budget proposes to allocate $980 million of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $1.55 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the Proposed 2017-18 State Budget estimates the Rainy Day Fund will have a fund balance of $7.87 billion.

Certain budgeted adjustments for K-12 education set forth in the Proposed 2017-18 State Budget include the following:

- School District Local Control Funding Formula. The Proposed 2017-18 State Budget includes an increase of more than $744 million to continue the transition to full implementation of the Local Control Funding Formula. The Governor estimates that the Local Control Funding Formula's implementation will reach 96 percent in fiscal year 2017-18.

- Proposition 98 Minimum Guarantee. The Proposed 2017-18 State Budget proposes to fund the Proposition 98 minimum guarantee in fiscal year 2016-17 and 2017-18. However, due to changes in workload factors and budgetary adjustments, the Governor's calculation of the Proposition 98 minimum guarantee will be approximately $55.5 million and $113.5 million less than previously projected for fiscal years 2015-16 and 2016-17, respectively. The Proposed 2017-18 State Budget projects a Proposition 98 minimum guarantee of $73.5 billion in 2017-18.

- One-Time Local Control Funding Formula Cost Shift. The Proposed 2017-18 State Budget proposes to shift $859.1 million in Local Control Funding Formula expenditures from June 2017 to July 2017 in order to maintain 2016-17 programmatic expenditure levels. The Proposed 2017-18 State Budget will repay this deferral in 2017-18.

- One-Time Discretionary Funding. The Proposed 2017-18 State Budget includes an increase of $287 million in one-time Proposition 98 General Fund for school districts, charter schools and county offices of education to use at local discretion. This funding will support investments such as content standards implementation, technology, professional development, induction programs for beginning teachers and deferred maintenance.

- Career Technical Education Funding. The Proposed 2017-18 State Budget includes $200 million for the Career Technical Education Incentive Grant Program, the final installment of funding for this three-year program.

- County Offices of Education Local Control Funding Formula. The Proposed 2017-18 State Budget includes an increase of $2.4 million Proposition 98 General Fund to support a cost-of-living adjustment and average daily attendance changes for county offices of education.

- Charter School Growth. The Proposed 2017-18 State Budget includes an increase of $93 million Proposition 98 General Fund to support projected charter school average daily attendance growth.

- Special Education. The Proposed 2017-18 State Budget includes a decrease of $4.9 million Proposition 98 General Fund to reflect a projected decrease in special education average daily attendance.

- Local Property Tax Adjustments. The Proposed 2017-18 State Budget includes a decrease of $922.7 million in Proposition 98 General Fund for school districts and county offices of education in 2017-18 as a result of increased offsetting local property tax revenues.

- School District Average Daily Attendance. The Proposed 2017-18 State Budget includes a decrease of $63.1 million in fiscal year 2017-18 for school districts as a result of a projected decline in average daily attendance.

- Cost-of-Living Adjustments. The Proposed 2017-18 State Budget includes an increase of $58.1 million Proposition 98 General Fund to support a 1.48-percent cost-of-living adjustment for categorical programs that remain outside of the Local Control Funding Formula, including Special Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- California Clean Energy Jobs Act. The California Clean Energy Jobs Act of 2012 increases state corporate tax revenues, and requires half of the increased revenues, up to $550 million per year, to be used to support energy efficiency for fiscal years 2013-14 through 2017-18. The Proposed 2017-18 State Budget includes $422.9 million to support school district and charter school energy efficiency projects.

- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The Proposed 2017-18 State Budget includes $10.1 million to support investments aimed truancy and dropout prevention among K-12 public school pupils.

- Proposition 56. Proposition 56 (2016) requires a portion of the revenues from the increased cigarette tax and the tax on other tobacco products to be used for school programs that prevent and reduce the use of tobacco and nicotine products by youths. The Proposed 2017-18 State Budget includes $29.9 million to support tobacco and nicotine prevention and reduction programs at K-12 schools.

- Kindergarten Through Community College Public Education Facilities Bond Act. The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 authorized $7 billion in State general obligation bonds for K-12 schools. The Proposed 2017-18 State Budget states that the Governor will support the expenditures of Proposition 51 funds after, among other things, legislation is approved regarding bond expenditures audit requirements and the State Allocation Board and Office of Public School Construction revise policies and regulations for school participants that request funding through the school facilities program.

The complete Proposed 2017-18 State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of 2017-18 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2017-18 Proposed State Budget entitled "The 2017-18 Budget: Overview of the Governor's Budget" on January 13, 2017 (the "2017-18 Proposed Budget Overview"). In the 2017-18 Proposed Budget Overview, the LAO challenges the Governor's revenue projections with regard to personal income tax revenues as being far too low. While the LAO admits that the Governor's estimated 3.3% personal income tax growth rate is possible, the LAO points out that it is inconsistent with other aspects of the administration's economic outlook, which predicts stock price growth for several years after 2016. By the May revision of the budget, the LAO predicts that the budget will change and reflect considerably more revenue since the State will have more information on its fiscal condition. The LAO also points out that the Governor's budget proposal assumes no major changes in federal policy, which the LAO notes is a reasonable assumption given that at this point, there is no way of knowing precisely what actions the new Congress and President will pursue. The LAO explains that there may be some near-term benefit to state tax revenues based on changes in federal tax policies, but states that other possible federal policy changes, however, could affect the economy, reduce federal funding, and/or increase state costs substantially in future years—especially potential changes in federal health care programs.

With respect to the Proposition 98 budget plan in the 2017-18 Proposed State Budget, the LAO expects that the minimum guarantee for fiscal year 2015-16 will remain unchanged while the fiscal year 2016-17 minimum guarantee could be revised more substantially. In light of the higher revenue that the LAO expects in fiscal year 2017-18, the LAO also predicts that the minimum guarantee for fiscal year 2017-18 will be higher.

As discussed in the 2017-18 Proposed Budget Overview, the largest ongoing budget proposal is a $744 million augmentation to LCFF. According to the LAO, the proposed augmentation is approximately equal to the cost of applying the statutory 1.48% cost-of-living adjustment. The LAO reports that the Governor estimates that LCFF would be 96% funded in fiscal year 2017-18—about the same percentage as fiscal year 2016-17. Under this proposal, school districts would receive 13 months of payments in fiscal year 2017-18, which includes 12 normal monthly LCFF payments plus a one-time payment of $859 million related to the prior-year deferral. The LAO notes that the Governor's proposed budget also includes new community college funding—about half of which is for apportionments, and the remainder is for mainly one-time payments for categorical programs. The 2017-18 Proposed Budget Overview provides that the Governor's budget plan includes $600 million in additional Proposition 98 related funding, including (1) $287 million for the K-12 mandates backlog, (2) $200 million for the Career Technical Education Incentive Grant program, (3) $44 million for deferred maintenance at the community colleges, and (4) $70 million for fund swaps (using one-time payments to support ongoing programs).

The Governor's budget roughly balances new ongoing and one-time Proposition 98 spending in fiscal year 2017-18. Regardless of the exact level of the fiscal year 2017-18 minimum guarantee, the LAO recommends that the Legislature adopt a final budget plan that continues to rely on a mix of ongoing and one-time spending. Under the LAO's advised approach, the Legislature could dedicate a portion of any additional increases in the minimum guarantee to LCFF and California Community College apportionments while using the remainder for one-time payments to reduce or eliminate the K-12 mandates backlog. The LAO cautions that a stronger fiscal year 2017-18 does not necessarily imply a strong fiscal year 2018-19, and by setting aside some funding for one-time purposes, the state would be better positioned to accommodate a drop in the fiscal year 2018-19 minimum guarantee without needing to make cuts to LCFF or community college apportionments.

The 2017-18 Proposed Budget Overview is available on the LAO website at **www.lao.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2017-18 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2017-18 State budget from the 2017-18 Proposed State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2017-18 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2017-18 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2016-17 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Bonds.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "CONSTITUTIONAL AND

STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*" herein). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant ("Base Grant") per unit of average daily attendance ("A.D.A.") with additional supplemental funding (the "Supplemental Grant") allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF has an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

- A Base Grant for each local education agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2016-17, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $7,820 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,189 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $7,403 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $8,801 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.

- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional Concentration Grant of up to 50% of a local education agency's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, LEAs would receive the greater of the Base Grant or the ERT.

Under the new formula, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year local control and accountability plan ("LCAP"). Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

Attendance and Base Revenue Limit. The following table sets forth the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2011-12 and 2012-13 for grades kindergarten through grade 12, including special education.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
Average Daily Attendance, Enrollment and Funded Base Revenue Limit
Fiscal Years 2011-12 and 2012-13

Fiscal Year	Average Daily Attendance[1]	Enrollment[2]	Base Revenue Limit Per Unit of Average Daily Attendance
2011-12[3]	3,525	3,592	$6,480.85
2012-13[4]	3,412	3,537	6,692.85

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(2) Reflects enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
(3) The District had a 20.602% base revenue limit deficit factor and a 2.24% cost of living adjustment in fiscal year 2011-12, which resulted in a funded base revenue limit of $5,145.67.
(4) The District had a 22.272% base revenue limit deficit factor and a 3.243% cost of living adjustment in fiscal year 2012-13, which resulted in a funded base revenue limit of $5,202.22.
Source: Dixon Unified School District.

Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 through 2016-17, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2013-14 through 2016-17

		A.D.A./Base Grant					Enrollment[7]	
Fiscal Year		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment[7]	Unduplicated Percentage of EL/LI Students
2013-14	A.D.A.[2]:	844.64	691.95	539.50	1,170.60	3,246.70	3,406	57.12%
	Targeted Base Grant[3]:	$7,675	$7,056	$7,266	$8,638	--	--	--
2014-15	A.D.A.[2]:	834.16	684.71	523.92	1,166.06	3,208.85	3,404	58.40%
	Targeted Base Grant[3][4]:	$7,740	$7,116	$7,328	$8,712	--	--	--
2015-16	A.D.A.[2]:	817.89	697.70	505.24	1,137.89	3,158.72	3,332	58.94%
	Targeted Base Grant[3][5]:	$7,083	$7,189	$7,403	$8,578	--	--	--
2016-17[1]	A.D.A.[2]:	806.98	651.31	499.43	1,151.23	3,108.95	3,254	59.45%
	Targeted Base Grant[3][6]:	$7,116	$7,223	$7,438	$8,618	--	--	--

(1) Figures are projections.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts were not expected to be fully funded in fiscal years 2013-14, 2014-15, 2015-16 and 2016-17.
(4) Targeted fiscal year 2014-15 Base Grant amounts reflect a 0.85% cost-of-living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
(5) Targeted fiscal year 2015-16 Base Grant amounts reflect a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
(6) Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.
(7) Reflects enrollment as of October report submitted to the California Department of Education through CBEDS for the 2013-14 and 2014-15 school years and CALPADS for the 2015-16 school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students will be expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment will be based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI Students will be based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Dixon Unified School District.

The District received approximately $26.61 million in aggregate revenues reported under LCFF sources in fiscal year 2015-16 and has projected to receive approximately $27.85 million in aggregate revenues under the LCFF in fiscal year 2016-17 (or approximately 82.62% of its general fund revenues in fiscal year 2016-17). Such amount includes supplemental grants projected to be approximately $2.96 million in fiscal year 2016-17.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See *"−Allocation of State Funding to School Districts; Local Control Funding Formula"* herein for more information about the LCFF.

Local property tax revenues account for approximately 25.86% of the District's aggregate revenues reported under LCFF sources and are projected to be approximately $7.20 million, or 21.37% of total general fund revenues in fiscal year 2016-17.

For information about the property taxation system in California and the District's property tax base, see "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS – Property Taxation System," –"Assessed Valuation of Property within the District," and –"Tax Charges and Delinquencies."

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In an LCFF district, such as the District, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 4.02% (or approximately \$1.36 million) of the District's general fund projected revenues for fiscal year 2016-17.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Other State revenues comprise approximately 10.20% (or approximately \$3.44 million) of the District's general fund projected revenues for fiscal year 2016-17.

A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected at approximately \$618,255 for fiscal year 2016-17.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Other local revenues comprise approximately 3.16% (or approximately \$1.07 million) of the District's general fund projected revenues for fiscal year 2016-17.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability, and (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. However, independent charter schools that receive their funding directly from the State are generally not included in a school district's financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Dependent charter schools receive their funding from the school district and would generally be included in the school district's financial reports and audited financial statements.

There is currently one independent charter school operating in the District, Dixon Montessori Charter School, which is a District-authorized charter school. Such charter school serves students in transitional kindergarten through eighth grade, and the current enrollment for fiscal year 2016-17 is approximately 420 students. Although the District does not expect enrollment at such charter school to increase in future years, the District cannot provide any assurances whether enrollment at such charter school will increase at the expense of District enrollment in future years, whether additional charter schools will be established within the territory of the District, or as to the impact these or other charter school developments may have on the District's A.D.A. or finances in future years.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2016, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's auditor, Goodell, Porter, Sanchez & Bright, LLP, Certified Public Accountants, Sacramento, California, for fiscal years 2011-12 through 2015-16.

Goodell, Porter, Sanchez & Bright, LLP has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2011-12 through 2015-16.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2011-12 through 2015-16

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Revenues					
Revenue Limit Sources/LCFF Sources[(1)]:					
State Apportionments	$13,007,541	$11,596,052	$15,750,675	$16,832,149	$19,326,261
Local Sources	5,452,478	6,384,069	5,927,441	6,675,584	7,281,530
Total Revenue Limit/LCFF Sources	18,460,019	17,980,121	21,678,116	23,507,733	26,607,791
Federal Revenue	2,418,301	1,307,373	1,295,966	1,210,937	1,500,732
Other State Revenue	3,614,031	3,793,847	1,747,464	1,926,642	3,809,019
Other Local Revenue	1,743,184	1,394,040	1,352,823	1,620,197	1,651,290
Total Revenues	26,235,535	24,475,381	26,074,369	28,265,509	33,568,832
Expenditures:					
Certificated Salaries	12,677,431	12,445,647	13,320,732	14,123,198	14,774,841
Classified Salaries	3,263,894	3,307,327	3,634,604	4,097,898	4,717,448
Employment Benefits	4,490,640	4,479,296	4,677,054	5,745,756	6,604,054
Books and Supplies	1,015,807	766,037	1,227,358	1,064,521	1,384,692
Services and Other Operating Expenditures	3,284,283	3,698,159	4,223,893	3,672,244	3,929,208
Capital Outlay	28,179	34,199	18,386	29,781	329,666
Debt Service:					
Principal Retirement	125,026	56,037	63,446	61,957	62,573
Interest and Fiscal Charges	31,860	10,811	562	2,051	1,434
Other Outgo	287,446	463,374	360,423	415,577	302,029
Total Expenditures	25,204,566	25,260,887	27,526,458	29,212,983	32,105,945
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,030,969	(785,506)	(1,452,089)	(947,474)	1,462,887
Other Financing Sources (Uses):					
Operating Transfers In	-	-	-	-	-
Other Sources	98	-	-	-	-
Operating Transfers Out	(743,306)	(781,268)	(645,386)	(280,000)	-
Total Other Financing Sources (Uses)	(743,208)	(781,268)	(645,386)	(280,000)	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	287,761	(1,566,774)	(2,097,475)	(1,227,474)	1,462,887
Fund Balance, July 1	6,824,019	7,111,780	5,545,006	3,447,531	2,220,057
Fund Balance, June 30	$7,111,780	$5,545,006	$3,447,531	$2,220,057	$3,682,944

(1) The LCFF was implemented beginning in fiscal year 2013-14.
Source: Dixon Unified School District Audited Financial Reports for fiscal years 2011-12 through 2015-16.

The following table shows the general fund balance sheet of the District for fiscal years 2011-12 through 2015-16.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2011-12 through 2015-16

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
ASSETS:					
Cash	$3,471,055	$4,642,770	$1,822,575	$2,161,339	$3,808,421
Accounts Receivable	5,662,583	3,669,003	2,394,295	1,161,788	1,442,483
Due From Other Funds	188,463	285,337	356,179	-	59,533
Prepaid Expenditures	-	-	-	-	24,538
Total Assets	$9,322,101	$8,597,110	$4,573,049	$3,323,127	$5,334,975
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	$2,182,669	$2,743,063	$1,001,436	$1,039,983	$1,444,016
Deferred/Unearned Revenue	7,652	2,829	8,908	46,329	146,070
Due to Other Funds	20,000	306,212	115,174	16,758	61,945
Total Liabilities	2,210,321	3,052,104	1,125,518	1,103,070	1,652,031
Fund Balances:					
Nonspendable	16,000	16,000	16,000	16,000	40,538
Restricted	621,405	516,600	585,885	524,684	887,758
Assigned	5,699,375	284,293	364,276	250,000	1,427,023
Unassigned	775,000	4,728,113	2,481,370	1,429,373	1,327,625
Total Fund Balance	7,111,780	5,545,006	3,447,531	2,220,057	3,682,944
Total Liabilities and Fund Balances	$9,322,101	$8,597,110	$4,573,049	$3,323,127	$5,334,975

Source: Dixon Unified School District Audited Financial Reports for fiscal years 2011-12 through 2015-16.

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the County of Solano Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than August 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget, and file it with the county superintendent no later than September 8. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the county superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the county superintendent determines that a district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the county superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent in that fiscal year or in the next succeeding year.

For school districts under fiscal distress, the county superintendent of schools is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent of schools, receive an emergency appropriation from the State, the acceptance of which constitutes an agreement to submit to management of the school district by a Superintendent appointed administrator.

In the event the State elects to provide an emergency appropriation to a school district, such appropriation may be accomplished through the issuance of "State School Fund Apportionment Lease Revenue Bonds" to be issued by the California Infrastructure and Economic Development Bank, on behalf of the school district. State law provides that so long as such bonds are outstanding, the recipient school district (via its State-appointed administrator) cannot file for bankruptcy.

In the last five years, the District received qualified certifications for its first and second interim reports in fiscal years 2011-12 and 2012-13. Since then, the District has not received a qualified or negative certification. During the fiscal years 2008-09 through 2014-15, the District's General Fund expenditures and other uses exceeded revenues and other sources. The District's deficit spending during this period was attributable to, among other things, debt service payments on outstanding certificates of participation from the General Fund. In fiscal year 2015-16, the District did not deficit spend as reflected in the District's audited financial statements for fiscal year 2015-16. The District's first interim report for fiscal year 2016-17 projects deficit spending of approximately $500,000 due to planned one-time expenditures including those for improving facilities, purchasing a copier and paying off the lease on the District Office building.

The following table sets forth the District's adopted general fund budgets for fiscal years 2014-15 through 2016-17, unaudited actuals for fiscal years 2014-15 through 2015-16 and second interim report for fiscal year 2016-17.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
General Fund Budgets for Fiscal Years 2014-15 through 2016-17,
Unaudited Actuals for Fiscal Years 2014-15 through 2016-17
and Second Interim Report for Fiscal Year 2016-17

	2014-15 Original Adopted Budget	2014-15 Unaudited Actuals(1)	2015-16 Original Adopted Budget	2015-16 Unaudited Actuals	2016-17 Original Adopted Budget(2)	2016-17 Second Interim Report(2)
REVENUES						
LCFF Sources	$23,012,509.00	$23,507,733.00	$26,558,688.00	$26,607,790.74	$27,891,088.00	$27,854,293.00
Federal Revenue	1,212,903.00	1,210,936.66	1,153,797.00	1,500,731.85	1,260,011.00	1,356,223.00
Other State Revenue	867,705.00	1,235,893.10	2,814,009.00	3,809,019.48	3,009,645.00	3,437,464.00
Other Local Revenue	1,269,433.00	1,620,196.83	1,117,075.00	1,651,289.84	1,075,237.00	1,066,813.00
TOTAL REVENUES	26,362,550.00	27,574,759.59	31,643,569.00	33,568,831.91	33,235,981.00	33,714,793.00
EXPENDITURES						
Certificated Salaries	13,443,624.00	14,123,197.71	14,064,646.00	14,774,840.55	14,659,904.00	14,605,327.00
Classified Salaries	3,732,858.00	4,097,898.30	4,196,137.00	4,717,447.84	4,948,293.00	5,281,245.00
Employee Benefits	5,206,125.00	5,055,007.29	5,493,010.00	6,604,054.20	7,525,104.00	7,420,708.00
Books and Supplies	1,016,024.42	1,064,520.65	1,060,414.00	1,384,691.91	1,264,197.00	1,545,807.00
Services, Other Operating Expenses	3,847,848.87	3,672,243.84	4,408,238.00	3,929,208.06	3,986,408.00	4,315,053.00
Capital Outlay	40,000.00	29,781.29	-	329,665.97	7,500.00	363,995.00
Other Outgo (excluding Direct Support/Indirect Costs)	271,083.00	479,584.63	507,298.00	425,568.51	549,000.00	508,481.00
Other Outgo - Transfers of Indirect Costs	(72,250.00)	-	(68,254.00)	(59,532.78)	(39,444.00)	(39,444.00)
TOTAL EXPENDITURES	27,485,313.29	28,522,233.71	29,661,489.00	32,105,944.26	32,900,962.00	34,001,172.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,122,763.29)	(947,474.12)	1,982,080.00	1,462,887.65	335,019.00	(286,379.00)
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	-	-	-	-	-	-
Inter-fund Transfers Out	835,000.00	280,000.00	-	-	-	-
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	(835,000.00)	(280,000.00)	-	-	-	-
NET INCREASE (DECREASE) IN FUND BALANCE	(1,957,763.29)	(1,227,474.12)	1,982,080.00	1,462,887.65	335,019.00	(286,379.00)
BEGINNING BALANCE, as of July 1	3,291,490.33	3,447,530.29	1,548,668.29	2,220,056.17	2,855,366.00	3,682,944.00
Audit Adjustments	-	-	-	-	-	-
As of July 1 – Audited	3,291,490.33	3,447,530.29	1,548,668.29	2,220,056.17	2,855,366.00	3,682,944.00
Other Restatements	-	-	-	-	-	-
Adjusted Beginning Balance	3,291,490.33	3,447,530.29	1,548,668.29	2,220,056.17	2,855,366.00	3,682,944.00
ENDING BALANCE	$1,333,727.04	$2,220,056.17	$3,530,748.29	$3,682,943.82	$3,190,385.00	$3,396,565.00
Unrestricted Ending Balance	$1,252,864.78	$1,695,372.45	$3,375,101.82	$2,795,185.41	$2,975,414.00	$2,815,965.00
Restricted Ending Balance	$80,862.26	$524,683.72	$155,646.47	$887,758.41	$214,971.00	$580,600.00

(1) Total revenues and expenditures do not match the audited financial statements because the District did not include contributions made by the State on behalf of the District in its internal financial reports, which amounted to $690,749 in fiscal year 2014-15. The District's audited financial statements for fiscal year 2014-15 include such amounts as revenues and expenditures. See "– Retirement Benefits – GASB 67 and 68" herein.
(2) Figures are projections.
Source: Dixon Unified School District adopted general fund budgets for fiscal years 2014-15 through 2016-17; unaudited actuals for fiscal years 2014-15 through 2015-16; and second interim report for fiscal year 2016-17.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2016, consisted of the following:

Long-Term Debt	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
General Obligation Bonds	$27,006,740	$12,747,000	$8,041,740	$31,712,000	$625,000
Accreted interest	4,307,360	656,085	4,890,235	73,210	-
Other Post Employment Benefits	720,960	533,299	338,701	915,558	
Certificates of Participation	9,537,362	-	-	9,537,362	-
Capital Lease Obligations	157,623	-	62,573	95,050	63,207
Compensated Absences	241,818	79,277	-	321,095	321,095
Net Pension Liability	21,044,959	3,513,997	-	24,558,956	-
Totals	$63,016,822	$17,529,658	$13,333,249	$67,213,231	$1,009,302

Source: Dixon Unified School District Audited Financial Report for fiscal year 2015-16.

General Obligation Bonds. In addition to the Series 2017 Bonds, the District has outstanding two additional series of general obligation bonds, each of which is secured by *ad valorem* taxes levied upon all property subject to taxation by the District on a parity with the Series 2017 Bonds.

See "THE SERIES 2017 BONDS – Outstanding Bonds" and "– Aggregate Debt Service" in the front portion of this Official Statement for more information about such outstanding bonds.

Certificates of Participation. On August 20, 2014, the District executed and delivered $9,537,362 aggregate principal amount of its Refunding Certificates of Participation (the "2014 Refunding COPs"). The proceeds from the 2014 Refunding COPs were used to advance prepay the District's outstanding (i) Certificates of Participation (2007 Capital Improvement Project) that were executed and delivered on June 13, 2007 in the aggregate principal amount of $6,330,000 (the "2007 New Money COPs"), and (ii) Certificates of Participation (2007 Refinancing Project) that were executed and delivered on February 8, 2007 in the aggregate principal amount of $5,450,000 (collectively, the "2007 Refunding COPs"). The 2014 Refunding COPs bear interest at a rate of 2.87% per annum and are scheduled to mature in September 2042. The prepayment of the 2007 New Money COPs and the 2007 Refunding COPs reduced the District's annual debt service through September 1, 2026.

The District defeased the 2007 New Money COPs and the 2007 Refunding COPs by creating a separate irrevocable trust fund. The proceeds of the 2014 Refunding COPs were used to purchase U.S. Government Securities which were deposited in the irrevocable trust. The investments and fixed earnings from such investments are sufficient to fully service the defeased debt until the debt is called or matures. The outstanding certificates of participation at June 30, 2016 are as follows:

Date of Issue	Maturity Date	Amount of Original Issue	Outstanding July 1, 2015	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2016
2014	2042	$9,537,362	$9,537,362	-	-	$9,537,362
Totals		$9,537,362	$9,537,362	-	-	$9,537,362

The certificates of participation mature through 2043 as follows:

Year Ended June 30	Principal	Interest	Total
2017	-	$273,722	$273,722
2018		273,722	273,722
2019	$100,000	272,287	372,287
2020	100,000	352,520	452,520
2021	232,189	428,789	660,978
2022-2026	1,337,660	1,967,230	3,304,890
2027-2031	1,687,866	1,617,027	3,304,893
2032-2036	2,129,754	1,175,139	3,304,893
2037-2041	2,687,329	617,560	3,304,889
2042-2043	1,262,564	59,390	1,321,954
Totals	$9,537,362	$7,037,386	$16,574,748

Source: Dixon Unified School District Audited Financial Report for fiscal year 2015-16.

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:

Year Ended June 30	Lease Payment
2017	$64,008
2018	32,004
Total payments	96,012
Less amounts representing interest	(962)
Present value of net minimum lease payments	$95,050

Source: Dixon Unified School District Audited Financial Report for fiscal year 2014-15.

The District received $38,216 in sublease rental income. The subleases are for one year terms. The District expects to receive $40,392 in fiscal year 2016-17 for related subleases. The District anticipates paying off the existing lease in fiscal year 2016-17, which will contribute to the projected deficit spending in fiscal year 2016-17. See “APPENDIX A – DISTRICT FINACIAL MATTERS – District Budget Process and County Review.”

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and the State Public Employees' Retirement System ("CalPERS") (see "– Retirement Benefits" below), the District provides certain 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 five years or until age 65, whichever occurs first. The District pays up to $1,021 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. For a description of the District's program, see Note 11 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

The Governmental Accounting Standards Board released its Statement Number 45 ("Statement Number 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues.

The contribution requirement of plan members and the District are established and may be amended by the District and its bargaining units. The annual required contributions are based on projected pay-as-you-go financing requirements and for fiscal years 2013-14, 2014-15 and 2015-16 were $467,038, $480,305 and $548,345, respectively. The District's contributions for these respective fiscal years were $213,546, $285,623 and $338,701, respectively. For more information about the District's annual required contribution for fiscal year 2015-16 and the District's net OPEB obligation and prefunding of benefits at June 30, 2016, see Note 11 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

Total Compensation Systems, Inc. has prepared an actuarial valuation (the "Actuarial Valuation") covering the District's retiree health benefits and reports that, as of March 1, 2016 valuation date, the District had 27 eligible retirees as well as approximately 312 eligible active plan members. The Actuarial Valuation reports that, as of March 1, 2016, the District had an actuarial accrued liability of $3.8 million, all of which is unfunded. The Actuarial Valuation provides that the remaining unamortized balance of the initial unfunded actuarially accrued liability is $3,027,866, leaving a residual actuarial accrued liability of $791,087. For the year beginning March 1, 2016, the annual required contribution is estimated to be $548,345 and the pay-as-you-go requirement is $225,214 under the Actuarial Valuation. The Actuarial Valuation assumes, among other things, 2.75% inflation per year, 4.5% discount rate per year and 2.75% payroll increase per year.

Tax and Revenue Anticipation Notes. The most recent fiscal year in which the District issued tax and revenue anticipation notes ("TRANS") was fiscal year 2011-12. The District does not expect to issue TRANS or borrow funds to supplement the District's cash flow in fiscal year 2016-17. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Employment

As of January 2017, the District employed 173 full-time certificated employees and 59 full-time classified employees. In addition, the District employed 150 part-time faculty and staff. For fiscal year 2015-16, the total certificated and classified payrolls for all funds were approximately $14.7 million and $4.7 million, respectively, and are projected to be approximately $14.6 million and $5.3 million, respectively, in fiscal year 2016-17. These employees, except management and some part-time employees, are represented by the bargaining units as noted below.

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
Dixon Teachers Association	181.8	June 30, 2018
Service Employees International Union, AFL-CIO Local 1021	87.8	September 30, 2016[(1)]

(1) The District and the Service Employees International Union, AFL-CIO Local 1021 are negotiating terms to be contained in a successor contract including one-time and on-going salary adjustments and health and welfare expenditures.
Source: Dixon Unified School District.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("CalPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As of June 30, 2015, an actuarial valuation (the "2015 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $76.20 billion, an increase of approximately $3.48 million from the June 30, 2015, June 30, 2014 and June 30, 2013 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2015, June 30, 2014 and June 30, 2013, based on the actuarial assumptions, were approximately 68.5%, 68.5% and 66.9%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2015 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2015 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "−Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

On February 1, 2017, the State Teachers' Retirement Board voted to adopt revised actuarial assumptions reflecting members' increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor. Due to the revised actuarial assumptions, among other factors, CalSTRS projects that the June 30, 2016 actuarial valuation will reflect a decrease in overall funded ratio of its defined benefit program from 68.5% to approximately 64% based on the actuarial value of assets.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2015 CalSTRS Actuarial Valuation noted that, as of June 30, 2015, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 33.439% over the next 30 years.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the next three years. The State's total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to Assembly Bill 1469, school district's contribution rates will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The following table sets forth the District's total employer contributions to CalSTRS for fiscal years 2012-13 through 2015-16 and the projected contribution for fiscal year 2016-17.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
Contributions to CalSTRS for Fiscal Years 2012-13 through 2016-17

Fiscal Year	Contribution
2012-13	$1,003,492
2013-14	1,063,782
2014-15	1,204,348
2015-16	1,513,951
2016-17[1]	2,895,578

(1) Figure is a projection based on second interim report for fiscal year 2016-17.
Source: Dixon Unified School District

The District's total employer contributions to CalSTRS for fiscal years 2012-13 through 2015-16 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

According to the CalPERS Schools Actuarial Valuation as of June 30, 2014, the CalPERS Schools plan had a funded ratio of 86.6% on a market value of assets basis. The funded ratio, on a market value basis, as of June 30, 2014, June 30, 2013, June 30, 2012, June 30, 2011 and June 30, 2010 was 86.6%, 80.5%, 75.5%, 78.7% and 69.5%. In April 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS employed a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which are delayed until fiscal year 2015-16 for the State, schools and all public agencies, are expected to increase contribution rates in the near term but lower contribution rates in the long term. In November 2015, the CalPERS Board of Administration approved a proposal pursuant to which the discount rate would be reduced by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the then-current discount rate of 7.5% by at least four percentage points. In December 2016, the CalPERS Board of Administration voted to lower the discount rate from 7.5% to 7.375% for fiscal year 2017-18, 7.25% for fiscal year 2018-19, and 7.00% beginning fiscal year 2019-20. The new discount rates will take effect beginning July 1, 2017 for the State and July 1, 2018 for school districts. The change in the assumed rate of return is expected to result in increases in the District's normal costs and unfunded actuarial liabilities.

In April 2016, CalPERS approved an increase to the contribution rate for school districts from 11.847% during fiscal year 2015-16 to 13.888% during fiscal year 2016-17. In February 2014, the CalPERS Board of Administration adopted actuarial demographic assumptions that take into account public employees living longer. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. These new assumptions will apply beginning with the June 30, 2015 valuation for the schools pool, setting employer contribution rates for fiscal year 2016-17. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2012-13 through 2015-16 and the projected contribution for fiscal year 2016-17.

DIXON UNIFIED SCHOOL DISTRICT
(Solano County, California)
Contributions to CalPERS for Fiscal Years 2012-13 through 2016-17

Fiscal Year	Contribution
2012-13	$409,768
2013-14	448,428
2014-15	501,277
2015-16	598,382
2016-17[1]	708,345

[1] Figure is a projection based on second interim report for fiscal year 2016-17.
Source: Dixon Unified School District

The District's total employer contributions to CalPERS for fiscal years 2012-13 through 2015-16 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "−Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 12 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 became effective beginning in fiscal year 2013-14, and Statement Number 68 became effective beginning in fiscal year 2014-15.

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in the North Bay Schools Insurance Authority ("NBSIA"), a joint venture under a joint powers agreement ("JPA") among 12 school districts, two community colleges and two county offices of education in the County. The District purchases comprehensive general liability, property damage, and workers compensation coverage from NBSIA, in coverage amounts comparable to other school districts participating in NBSIA. The relationship between the District and the JPA is such that the

JPA is not a component unit of the District for its financial reporting purposes. The JPA is governed by a board consisting of representatives from each member. Each member pays a premium commensurate with the level of coverage requested and shares of surpluses and deficits proportionate to their participation in the JPA. See Note 15 to the District's audited financial statements attached hereto as APPENDIX B—"FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016" for more information.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID ("Article XIIIC" and "Article XIIID," respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution.

The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 *in Santa Clara County Transportation Authority v. Guardino.* This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K-12 districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State Appropriations Limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Such transfer would be excluded from the Appropriations Limit for K-14 districts and the K-14 districts Appropriations Limits for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*

On February 1, 2012, pursuant to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency were transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposition 30 and Proposition 55

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see "–Proposition 98 and Proposition 111" above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the official results of the statewide general election on November 8, 2016 reflect that 63.3% of voters in the State voted in favor of the California Tax Extension to Fund Education and Healthcare Initiative ("Proposition 55"), which extends by twelve years the temporary personal income tax increases on incomes over $250,000 that was first enacted by Proposition 30. Revenues from the tax increase will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL MATTERS — State Funding of Education; State Budget Process."

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. The Series 2017 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 to adversely affect its ability to pay the principal of and interest on the Series 2017 Bonds as and when due.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 2, 30, 55, 62, 98, 111 and 218, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

[THIS PAGE INTENTIONALLY LEFT BLANK]

DIXON UNIFIED SCHOOL DISTRICT
COUNTY OF SOLANO
DIXON, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

FINANCIAL SECTION

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
CERTIFIED PUBLIC 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

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, 2016, 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, 2016, 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.

7801 Folsom Boulevard■Suite 301 ■ Sacramento, CA 95826 ■ (916) 387-7000 ■ FAX (916) 387-7001

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 11 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 Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 6, 2016, 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 6, 2016

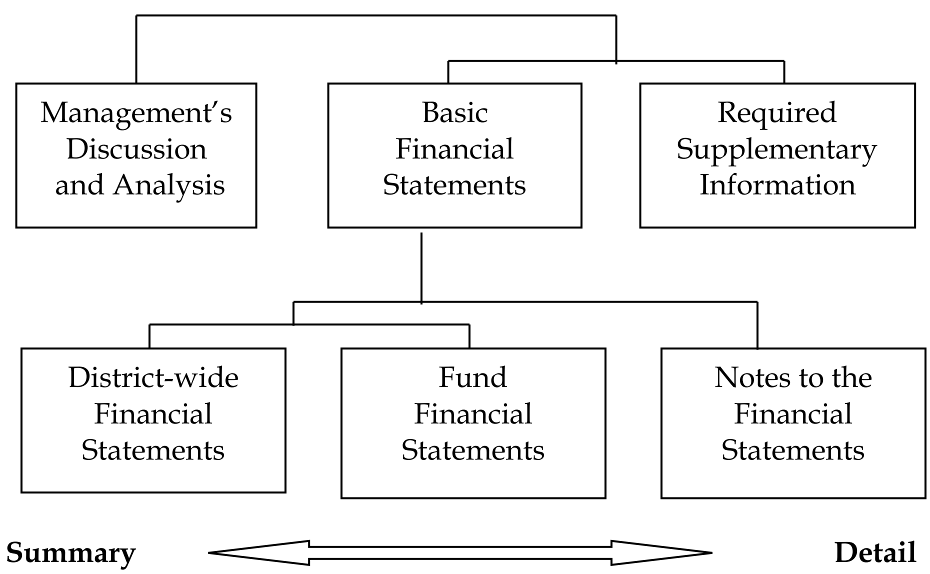
This section of the Dixon Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the transmittal letter at the front of the report and the District's 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.

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.

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 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.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net position was a deficit $11.5 million. Of this amount, a deficit $23.4 million was unrestricted. A comparative analysis of government-wide data is presented in Table 1.

Table 1
Comparative Statement of Net Position

	Governmental Activities	
	2016	2015
ASSETS		
Cash	$ 6,675,658	$ 5,186,867
Receivables	1,597,607	1,356,807
Stores inventory	12,318	12,145
Prepaid expenditures	24,538	
Capital assets	50,288,229	51,540,772
Total assets	58,598,350	58,096,591
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows on pensions	3,635,034	1,705,625
Deferred payments on debt refunding	477,803	58,483
Total deferred outflows of resources	4,112,837	1,764,108
LIABILITIES		
Accounts payable and other current liabilities	1,961,175	1,568,858
Unearned revenue	146,070	46,329
Unamortized bond premiums	1,008,881	840,949
Long-term liabilities	67,213,231	63,016,822
Total liabilities	70,329,357	65,472,958
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on pensions	3,916,932	5,581,297
NET POSITION		
Net investment in capital assets	8,943,817	14,839,047
Restricted	2,927,255	2,744,176
Unrestricted (deficit)	(23,406,174)	(28,776,779)
Total net position (deficit)	$ (11,535,102)	$ (11,193,556)

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

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

GOVERNMENTAL ACTIVITIES

The District's net position decreased $341 thousand during fiscal year 2015-2016. The District's expenses for instructional and pupil services represented 77% of total expenses. The purely administrative activities of the District accounted for just 6% of total costs. The remaining 17% was spent in the areas of plant services, interest, and other outgo (See Table 2).

Table 2
Comparative Statement of Change in Net Position

	Governmental Activities	
	2016	2015
REVENUES		
Program revenues	$ 5,627,550	$ 5,395,392
General revenues		
Taxes levied for general purposes	8,104,325	7,381,574
Taxes levied for debt service	1,395,375	1,522,069
Federal and State Aid not restricted to specific purposes	20,756,083	16,985,309
Interest and investment earnings	27,873	6,580
Miscellaneous	888,090	1,140,293
Total revenues	36,799,296	32,431,217
EXPENSES		
Instruction	21,685,767	20,529,963
Instruction related services	3,501,124	3,157,445
Pupil support services	3,317,698	3,227,592
General administration	2,313,538	2,414,755
Plant services	3,749,803	3,505,133
Other	2,572,912	2,439,164
Total expenses	37,140,842	35,274,052
Decrease in net position	$ (341,546)	$ (2,842,835)

Overall revenues increased $4.4 million (13.5%).

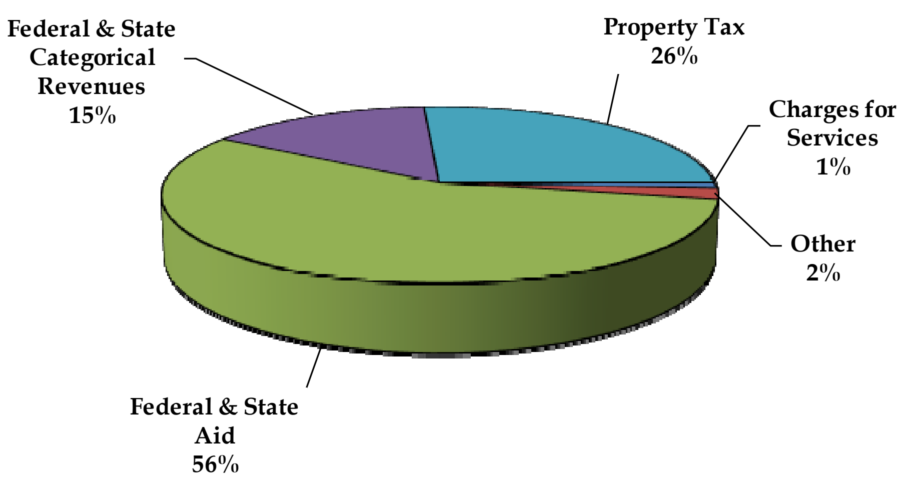
Total expenses increased $1.9 million (5%) during fiscal year 2015-2016. The District's expenses were predominantly related to educating and caring for students (77%).

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

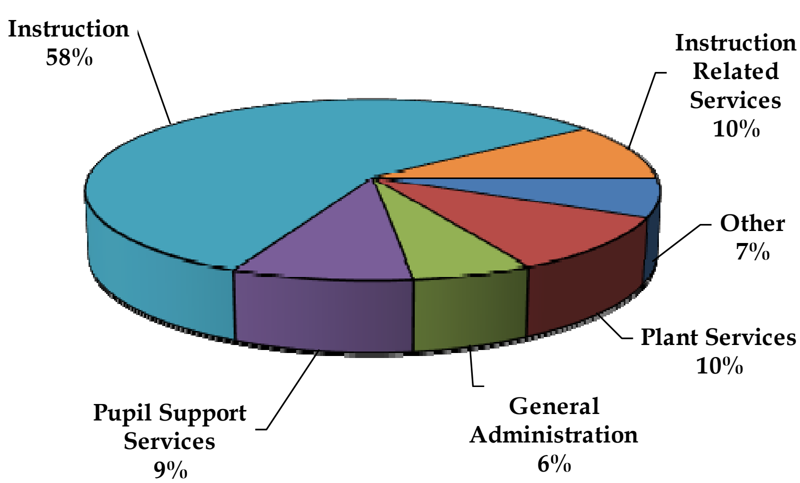
GOVERNMENTAL ACTIVITIES (CONCLUDED)

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was $37.1 million. The amount that our local taxpayers financed for these activities through property taxes was $9.5 million. Federal and State aid not restricted to specific purposes totaled $20.8 thousand. State and Federal Categorical revenue totaled $5.4 million or 15% of the revenue of the entire District. (See Figure 1).

Sources of Revenue for the 2015-2016 Fiscal Year
Figure 1



Expenses for the Fiscal Year 2015-2016
Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of $6.6 million, an increase of $1.3 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget periodically. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The District ended the year with $3.7 million in the General Fund ending balance, including $1.3 million available reserve. The State recommends a minimum ending available reserve of 3% of total expenditures and other outgo. The District's available reserve for 2015-2016 was 4.1%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2015-2016 fiscal year, the District invested $79.2 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles and equipment. The capital assets net of depreciation were $50.3 million at June 30, 2016, which is a decrease of $1.3 million from the previous year.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS (CONCLUDED)

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Table 3
Comparative Schedule of Capital Assets

	2016	2015
Land	$ 2,687,315	$ 2,687,315
Site Improvements	5,012,498	5,003,515
Building Improvements	69,575,129	69,343,144
Furniture and Equipment	1,950,220	1,818,269
Work in Process	6,504	2,750
Subtotals	79,231,666	78,854,993
Less: Accumulated Depreciation	28,943,437	27,314,221
Totals	$ 50,288,229	$ 51,540,772

The District completed the re-roofing project at the District Office and purchased several vehicles including a dump truck, food service van and two used pick-ups. The District recognized $1.6 million in depreciation expense during 2015-2016.

Table 4
Comparative Schedule of Outstanding Debt

	2016	2015
General Obligation Bonds	$ 31,712,000	$ 27,006,740
Accreted Interest	73,210	4,307,360
Other Post Employment Benefits	915,558	720,960
Certificates of Participation	9,537,362	9,537,362
Capital Lease Obligations	95,050	157,623
Compensated Absences	321,095	241,818
Net Pension Liability	24,558,956	21,044,959
Totals	$ 67,213,231	$ 63,016,822

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.

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 2016-2017 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 years remaining 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, Assistant Superintendent of Business Services and Operations, 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, 2016

	Governmental Activities
ASSETS	
Cash (Note 2)	$ 6,675,658
Accounts Receivable (Note 3)	1,597,607
Stores Inventory (Note 1H)	12,318
Prepaid Expenses (Note 1H)	24,538
Capital Assets, Net of Depreciation (Note 5)	50,288,229
Total Assets	58,598,350
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)	
Deferred Outflows on Pensions	3,635,034
Deferred Payments on Debt Refunding	477,803
Total Deferred Outflows of Resources	4,112,837
LIABILITIES	
Accounts Payable and Other Current Liabilities	1,961,175
Unearned Revenue (Note 1H)	146,070
Unamortized Bond Premiums (Note 6)	1,008,881
Long-term Liabilities (Note 7)	
Due Within One Year	1,009,302
Due After One Year	66,203,929
Total Liabilities	70,329,357
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)	
Deferred Inflows on Pensions	3,916,932
Total Deferred Inflows of Resources	3,916,932
NET POSITION	
Net Investment in Capital Assets	8,943,817
Restricted For:	
Capital Projects	705,915
Debt Service	1,126,461
Education Programs	887,758
Other Purposes (Expendable)	207,121
Unrestricted (Deficit)	(23,406,174)
Total Net Position (Deficit)	$ (11,535,102)

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Instruction	$ 21,685,767		$ 2,948,115	$ (18,737,652)
Instruction-Related Services:				
Supervision of Instruction	1,270,486		463,682	(806,804)
Instructional Library, Media and Technology	64,143			(64,143)
School Site Administration	2,166,495		117,494	(2,049,001)
Pupil Services:				
Home-To-School Transportation	240,024		5,794	(234,230)
Food Services	1,203,041	$ 178,787	938,732	(85,522)
All Other Pupil Services	1,874,633		529,275	(1,345,358)
General Administration:				
Data Processing	515,799		765	(515,034)
All Other General Administration	1,797,739	9,436	145,393	(1,642,910)
Plant Services	3,749,803	15,077	78,319	(3,656,407)
Ancillary Services	227,004		3,950	(223,054)
Interest on Long-Term Debt	1,984,347			(1,984,347)
Other Outgo	361,561		192,731	(168,830)
Total Governmental Activities	$ 37,140,842	$ 203,300	$ 5,424,250	(31,513,292)

General Revenues:	
Property Taxes Levied For:	
General Purposes	8,104,325
Debt Service	1,395,375
Federal and State Aid Not Restricted to Specific Purposes	20,756,083
Interest and Investment Earnings	27,873
Miscellaneous	888,090
Total General Revenues	31,171,746
Change (Decrease) in net position	(341,546)
Net Position (Deficit) Beginning	(11,193,556)
Net Position (Deficit) Ending	$ (11,535,102)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DIXON UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Bond Interest and Redemption Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash (Note 2)	$ 3,808,421	$ 1,126,056	$ 910,883	$ 830,298	$ 6,675,658
Accounts Receivable (Note 3)	1,442,483			155,124	1,597,607
Due From Other Funds (Note 4)	59,533			61,945	121,478
Stores Inventory (Note 1H)				12,318	12,318
Prepaid Expenditures (Note 1H)	24,538				24,538
Total Assets	$ 5,334,975	$ 1,126,056	$ 910,883	$ 1,059,685	$ 8,431,599
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 1,444,016			$ 86,711	$ 1,530,727
Unearned Revenue (Note 1H)	146,070				146,070
Due to Other Funds (Note 4)	61,945			59,533	121,478
Total Liabilities	1,652,031			146,244	1,798,275
Fund Balances (Note 1H):					
Nonspendable	40,538			12,318	52,856
Restricted	887,758	$ 1,126,056		901,123	2,914,937
Assigned	1,427,023		$ 910,883		2,337,906
Unassigned	1,327,625				1,327,625
Total Fund Balances	3,682,944	1,126,056	910,883	913,441	6,633,324
Total Liabilities and Fund Balances	$ 5,334,975	$ 1,126,056	$ 910,883	$ 1,059,685	$ 8,431,599

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

Total fund balance - governmental funds		$	6,633,324
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:	$ 79,231,666		
Accumulated depreciation:	(28,943,437)		
Net:			50,288,229
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 unmatured interest owing at the end of the period was:			(430,448)
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	$ 31,712,000		
Accreted interest	73,210		
Other post-employment benefits	915,558		
Net pension liability	24,558,956		
Certificates of participation	9,537,362		
Capital lease obligations	95,050		
Compensated absences	321,095		
Total			(67,213,231)
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:			(1,008,881)
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	$ 3,635,034		
Deferred outflows of resources relating to debt refunding	477,803		
Deferred inflows of resources relating to pensions	(3,916,932)		
Net			195,905
Total (deficit) net position - governmental activities		$	(11,535,102)

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, 2016

	General Fund	Bond Interest and Redemption Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula Sources					
State Apportionments	$ 19,326,261				$ 19,326,261
Local Sources	7,281,530				7,281,530
Total Local Control Funding Formula Sources	26,607,791				26,607,791
Federal Revenue	1,500,732			$ 944,927	2,445,659
Other State Revenue	3,809,019	$ 9,823		72,832	3,891,674
Other Local Revenue	1,651,290	1,389,406	$ 5,726	502,087	3,548,509
Total Revenues	33,568,832	1,399,229	5,726	1,519,846	36,493,633
EXPENDITURES					
Certificated Salaries	14,774,841				14,774,841
Classified Salaries	4,717,448			525,973	5,243,421
Employee Benefits	6,604,054			261,917	6,865,971
Books and Supplies	1,384,692			439,861	1,824,553
Services and Other Operating Expenditures	3,929,208		3,754	101,366	4,034,328
Capital Outlay	329,666			32,423	362,089
Debt Service:					
Principal Retirement	62,573	565,000			627,573
Interest and Fiscal Charges	1,434	1,007,853		273,722	1,283,009
Other Outgo	302,029	3,275		59,533	364,837
Total Expenditures	32,105,945	1,576,128	3,754	1,694,795	35,380,622
Excess of Revenues Over (Under) Expenditures	1,462,887	(176,899)	1,972	(174,949)	1,113,011
Other Financing Sources (Uses):					
Other Sources-Bond Refunding		12,982,549			12,982,549
Other Uses-Bond Escrow Agent		(12,810,696)			(12,810,696)
Total Other Financing Sources (Uses)	0	171,853	0	0	171,853
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	1,462,887	(5,046)	1,972	(174,949)	1,284,864
Fund Balances - July 1, 2015	2,220,057	1,131,102	908,911	1,088,390	5,348,460
Fund Balances - June 30, 2016	$ 3,682,944	$ 1,126,056	$ 910,883	$ 913,441	$ 6,633,324

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, 2016

Net change in fund balances - total governmental funds		$ 1,284,864
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:		
Expenditures for capital outlay:	$ 376,673	
Depreciation expense:	(1,629,216)	
Net:		(1,252,543)
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:		79,777
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:		12,994,548
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:		(12,982,550)
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:		(678,705)
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:		(79,277)
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:		(194,598)
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 debt issue premium for the period was:		67,618
Advance payments on debt refunding are categorized as deferred outflows of resources and are amortized ofver the life of the related debt. The deferred outflow on debt refunding net of the current year amortization was:		419,320
Total change (decrease) in net position - governmental activities		$ (341,546)

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, 2016

	Private Purpose Trust Fund	Agency Funds		
	Scholarship Fund	Student Body	Deferred Compensation	Total Agency Funds
ASSETS				
Cash (Note 2)	$ 113,117	$ 230,935		$ 230,935
Investments (Note 2)	173,609		$ 65,939	65,939
Total Assets	$ 286,726	$ 230,935	$ 65,939	$ 296,874
LIABILITIES				
Accounts Payable	$ 14,400			
Due to Student Groups		$ 230,935		$ 230,935
Other Accrued Expenses			$ 65,939	65,939
Total Liabilities	$ 14,400	$ 230,935	$ 65,939	$ 296,874
NET POSITION				
Held in Trust	$ 272,326			
Total Net Position	$ 272,326	$ 0	$ 0	$ 0

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, 2016

	Private Purpose Trust Fund
	Scholarship Fund
ADDITIONS	
Interest and Investment Earnings	$ 4,601
Net Increase (Decrease) in Fair Value of Investments	(1,309)
Other Revenue	15,874
Total Additions	19,166
DEDUCTIONS	
Scholarships	21,800
Other Operating Expense	40
Total Deductions	21,840
Change in Net Position	(2,674)
Total Net Position - July 1, 2015	275,000
Total Net Position - June 30, 2016	$ 272,326

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Concluded)

2. Accounting for Fiscal Matters (Concluded)

B. (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.

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.

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.

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, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

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.

Special Reserve Fund for Capital Outlay Projects is used to account for resources received from the sale of the District Farm and expenditures for the construction of the new Farm.

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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

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* and GASB Statement No. 72, *Fair Value Measurement and Application*, 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.

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).

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

2. Stores Inventory and Prepaid Expenditures (Concluded)

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 benefitted.

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 net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, as such, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position includes 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, as such, 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.

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:

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, 2016 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total
Nonspendable:					
Revolving Fund	$ 16,000				$ 16,000
Stores Inventory				$ 12,318	12,318
Prepaid Expenditures	24,538				24,538
Total Nonspendable Fund Balance	40,538			12,318	52,856
Restricted For:					
Legally Restricted Categorical Funding	887,758				887,758
Debt Service		$ 1,126,056		405	1,126,461
Child Nutrition Program				194,803	194,803
Purposes Specified in Government Code Sections 65970-65981				581,071	581,071
Capital Facilities Projects				124,844	124,844
Total Restricted Fund Balance	887,758	1,126,056		901,123	2,914,937
Assigned For:					
Certificates of Participation Reserve	400,000				400,000
Capital Projects			$ 910,883		910,883
Program Carryover	1,027,023				1,027,023
Total Assigned Fund Balance	1,427,023	0	910,883	0	2,337,906
Unassigned:					
Reserve for Economic Uncertainties	1,327,625				1,327,625
Total Unassigned Fund Balance	1,327,625	0	0	0	1,327,625
Total Fund Balances	$ 3,682,944	$ 1,126,056	$ 910,883	$ 913,441	$ 6,633,324

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.

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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

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

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 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.

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 2016-2017.

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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

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. 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 applies to the District's federal awards received in fiscal year 2015-2016.

NOTE 2 - CASH AND INVESTMENTS

A. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2016:

Governmental Activities	Fiduciary Funds	Total
$6,675,658	$ 583,600	$7,259,258

The District had the following cash and investments at June 30, 2016:

	Fair Value	Carrying Amount	Credit Quality Rating
Cash			
Cash in Commercial Banks	$ 231,735	$ 231,735	Not Rated
Cash in Revolving Fund	16,000	16,000	Not Rated
Cash in County Treasury	6,792,544	6,771,975	Not Rated
Total Cash	7,040,279	7,019,710	

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

A. Summary of Cash and Investments (Concluded)

	Fair Value	Carrying Amount
Investments		
Mutual Funds		
Securities America Mutual Funds	67,180	67,180
Nationwide Bank Liquid Savings	26,072	26,072
American Funds Invmt. Co. of America, 255.41 shares	9,054	9,054
Federated Kaufman K, Mid Cap Stock, 5,959.86 shares	30,813	30,813
Common Stock		
First Northern Bank Corp. Stock, 13,472 shares	106,429	106,429
Total Investments	239,548	239,548
Total Cash and Investments	$ 7,279,827	$ 7,259,258

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 statues, 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, 2016 the carrying amount of the District's accounts was $247,735, all of which was insured.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Policies and Practices (Concluded)

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 $780,604,747 as of June 30, 2016. The fair market value of this pool as of that date, as provided by the pool sponsor, was $782,975,736. 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.

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- Mutual funds – valued at the daily closing price as reported by the fund. Mutual funds held by the District are open-ended mutual funds that are registered with the Securities and Exchange Commission. The mutual funds held by the District are deemed to be actively traded (Level 1 input).
- Common stock – Valued at quoted market prices for identical assets in active markets (Level 1 input).

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.

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.

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

C. Risk Disclosures (Concluded)

At June 30, 2016 the District had the following investment maturities:

		Investment Maturities (In Years)		
Investment Type	Fair Value	Less than 1	1 to 4	More than 4
County Treasury	$6,792,544	$3,802,466	$2,911,284	$ 78,794
Mutual Funds	133,119	133,119		
Common Stock	106,429	106,429	0	0
Total	$7,032,092	$4,042,014	$2,911,284	$ 78,794

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.

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, 2016 consists of the following:

	General Fund	Other Governmental Funds	Total
Federal Government			
Categorical Aid Programs	$ 496,195	$ 80,875	$ 577,070
State Government			
Categorical Aid Programs	248,115	9,265	257,380
Lottery	349,563		349,563
Other	4,610		4,610
Total State Government	602,288	9,265	611,553
Local Government	288,964	62,369	351,333
Miscellaneous	55,036	2,615	57,651
Total Accounts Receivable	$ 1,442,483	$ 155,124	$ 1,597,607

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.

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2016 are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General Fund	$ 59,533	$ 61,945
Non-Major Governmental Funds:		
Cafeteria Fund		59,533
Capital Facilities Fund	61,945	
Total	$ 121,478	$ 121,478

NOTE 4 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. There were no interfund transfers for the 2015-2016 fiscal year.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2016, is shown below:

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	$ 2,687,315			$ 2,687,315
Work in progress	2,750	$ 3,754		6,504
Total capital assets, not being depreciated	2,690,065	3,754		2,693,819
Capital assets being depreciated:				
Buildings	69,343,144	231,985		69,575,129
Improvements of sites	5,003,515	8,983		5,012,498
Equipment	1,818,269	131,951		1,950,220
Total capital assets, being depreciated	76,164,928	372,919		76,537,847
Less accumulated depreciation for:				
Buildings	23,024,850	1,367,035		24,391,885
Improvements of sites	2,846,729	201,305		3,048,034
Equipment	1,442,642	60,876		1,503,518
Total accumulated depreciation	27,314,221	1,629,216		28,943,437
Total capital assets, being depreciated, net	48,850,707	(1,256,297)		47,594,410
Governmental activities capital assets, net	$ 51,540,772	$ (1,252,543)	$ 0	$ 50,288,229

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	$ 1,372,624
School Site Administration	2,690
Food Services	13,674
Pupil Services	808
All Other General Administration	1,061
Centralized Data Processing	4,837
Plant Services	233,522
Total	$ 1,629,216

NOTE 6 – UNAMORTIZED BOND PREMIUMS

The District sold its 2012 and 2016 Refunding General Obligation Bonds for a premium of $1,035,016 and $235,550, respectively. The premiums are being amortized using the straight-line method over the life of the related bond issues as a reduction in annual interest expense.

The annual amortization of the bond premiums is as follows:

June 30	Amortization
2017	$ 76,467
2018	76,466
2019	76,467
2020	76,466
2021	76,467
2022-2026	382,332
2027-2031	188,266
2032-2036	55,950
Totals	$ 1,008,881

NOTE 7 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2016 is shown below:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
General Obligation Bonds	$ 27,006,740	$ 12,747,000	$ 8,041,740	$ 31,712,000	$ 625,000
Accreted Interest	4,307,360	656,085	4,890,235	73,210	
Other Post Employment Benefits	720,960	533,299	338,701	915,558	
Certificates of Participation	9,537,362			9,537,362	
Capital Lease Obligations	157,623		62,573	95,050	63,207
Compensated Absences	241,818	79,277		321,095	321,095
Net Pension Liability	21,044,959	3,513,997		24,558,956	
Totals	$ 63,016,822	$ 17,529,658	$ 13,333,249	$ 67,213,231	$ 1,009,302

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. The rest of the obligations are expected to be paid by the General Fund.

NOTE 8 – 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.

On March 23, 2016, the District issued 2016 General Obligation Refunding Bonds in an aggregate amount of $12,747,000. The bonds were issued to refund a portion of the District's General Obligation Bonds Election of 2002, Series 2005 and 2006. The bonds were comprised of Current Interest Bonds, Capital Appreciation Bonds and Convertible Capital Appreciation Bonds. The Current Interest Bonds comprise $3,965,000 of the issuance with interest rates ranging between 2% and 5% and a scheduled maturity date of August 1, 2035. The Capital Appreciation Bonds comprise $1,440,282 of the issuance with an accretion rate of 3.26% and a scheduled maturity date of August 1, 2028. The Convertible Capital Appreciation Bonds comprise $7,341,718 of the issuance with accretion rates ranging from 3.44% to 3.91% and are scheduled to mature on August 1, 2034.

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, 2016 is:

General Obligation Bonds

Series	Maturity Date	Interest Rate	Original Issue	Outstanding July 01, 2015	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2016
2005	8/1/2043	2.7-11.9%	$ 9,560,686	$ 5,966,740		$ 5,966,740	$ 0
2006	8/1/2030	4.0-10.0%	3,019,000	1,845,000		1,845,000	0
2012	8/1/2044	2.0-5.0%	19,395,000	19,195,000		230,000	18,965,000
2016	8/1/2035	2.0-5.0%			$ 12,747,000		12,747,000
Total			$ 31,974,686	$ 27,006,740	$ 12,747,000	$ 8,041,740	$ 31,712,000

NOTE 8 – GENERAL OBLIGATION BONDS PAYABLE (CONCLUDED)

Accreted Interest

Series	Maturity Date	Interest Rate	Outstanding July 01, 2015	Accretion Current Year	Payments Current Year	Outstanding June 30, 2016
2005	8/1/2043	2.7-11.7%	$ 4,307,360	$ 582,875	$ 4,890,235	$ 0
2016	8/1/2035	2.0-5.0%	0	73,210		73,210
Total			$ 4,307,360	$ 656,085	$ 4,890,235	$ 73,210

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

Year Ended June 30	Principal	Interest	Total
2017	$ 625,000	$ 834,351	$ 1,459,351
2018	820,000	839,600	1,659,600
2019	905,000	813,850	1,718,850
2020	1,005,000	776,200	1,781,200
2021	1,120,000	728,350	1,848,350
2022-2026	7,610,000	2,733,250	10,343,250
2027-2031	7,551,271	4,417,167	11,968,438
2032-2036	6,735,729	5,429,196	12,164,925
2037-2041	995,000	1,048,100	2,043,100
2042-2045	4,345,000	302,200	4,647,200
Totals	$ 31,712,000	$ 17,922,264	$ 49,634,264

NOTE 9 – 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 2015 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.

NOTE 9 – 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, 2016 are as follows:

Date of Issue	Maturity Date	Amount of Original Issue	Outstanding July 1, 2015	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2016
2014	2042	$ 9,537,362	$ 9,537,362	$ 0	$ 0	$ 9,537,362

The certificates mature through 2043 as follows:

Year Ended June 30	Principal	Interest	Total
2017		$ 273,722	$ 273,722
2018		273,722	273,722
2019	$ 100,000	272,287	372,287
2020	100,000	352,520	452,520
2021	232,189	428,789	660,978
2022-2026	1,337,660	1,967,230	3,304,890
2027-2031	1,687,866	1,617,027	3,304,893
2032-2036	2,129,754	1,175,139	3,304,893
2037-2041	2,687,329	617,560	3,304,889
2042-2043	1,262,564	59,390	1,321,954
Totals	$ 9,537,362	$ 7,037,386	$ 16,574,748

NOTE 10 – 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:

Year Ended June 30	Lease Payment
2017	$ 64,008
2018	32,004
Total payments	96,012
Less amounts representing interest	(962)
Present value of net minimum lease payments	$ 95,050

NOTE 10 – CAPITAL LEASE OBLIGATIONS (CONCLUDED)

The District received $38,216 in sublease rental income. The subleases are for one year terms. The District expects to receive $40,392 in 2016-2017 for related subleases.

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 $1,021 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	$548,345
Interest on net OPEB obligation	32,443
Adjustment to annual required contribution	(47,489)
Annual OPEB cost (expense)	533,299
Contributions made	(338,701)
Increase in net OPEB obligation	194,598
Net OPEB obligation – beginning of year	720,960
Net OPEB obligation – end of year	$915,558

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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, 2016, 2015 and 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	$533,299	63.5%	$915,558
June 30, 2015	$474,285	60.2%	$720,960
June 30, 2014	$463,849	46.0%	$532,298

As of March 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $3.8 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.

In the March 1, 2016 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 24 year amortization period for any residual UAAL. The remaining amortization period for the initial UAAL at June 30, 2016 was nineteen (19) 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 State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

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.

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%, for fiscal year 2014-2015 was 8.88%, and for fiscal year 2015-2016 was 10.73% of annual payroll. The required State contribution rate for fiscal year 2014-2015 was 5.95% and for fiscal year 2015-2016 the rate was 7.39%. The Dixon Unified School District's contributions to STRS for the fiscal years ending June 30, 2016 and 2015 were $1,513,951 and $1,204,348, respectively, and equal 100% of the required contributions for each year.

Contribution by District	$1,513,951
Contribution by State	928,834
Total Contribution in 2015-2016	$2,442,785

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. At June 30, 2016, the District reported a liability of $18,889,880 for its proportionate share of the net pension liability for STRS. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014. 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, 2015, the District's proportion of contributions was 0.0281 percent.

The District's proportionate share of the net pension liability for the plan on the measurement dates of June 30, 2014 and 2015 was as follows:

Proportion – June 30, 2014	$16,946,730
Proportion – June 30, 2015	18,889,880
Change – Increase	$ 1,943,150

For the year ended June 30, 2016, the District recognized pension expense of $1,723,468 which included the State's required on-behalf contribution. At June 30, 2016, 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		$ 315,654
Changes in Assumptions		
Net difference between projected and actual earnings on pension plan investments		1,539,832
Changes in proportion and differences between District contributions and proportionate share of contributions		587,923
District contributions subsequent to measurement date of June 30, 2015	$ 1,513,951	
Totals	$ 1,513,951	$ 2,443,409

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). The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions and deferred inflows of resources related to pension will be recognized as increases or decreases respectively in pension expense as follows:

	Outflows	Inflows
June 30, 2017		$ 663,874
June 30, 2018		663,873
June 30, 2019		663,874
June 30, 2020		150,596
June 30, 2021		150,596
June 30, 2022		150,596
Total	$ 0	$2,443,409

Actuarial Assumptions. The total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, 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.

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.

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Actuarial Assumptions (Concluded). 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:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
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.

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%)	$ 54,589,308
2% Decrease (5.60%)	$ 40,281,631
1% Decrease (6.60%)	$ 28,564,774
Current Discount Rate (7.60%)	$ 18,889,880
1% Increase (8.60%)	$ 10,900,833
2% Increase (9.60%)	$ 4,180,999
3% Increase (10.60%)	$ (1,475,812)

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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 is 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 rates on annual payroll for the fiscal years listed were:

2013-2014	11.442%
2014-2015	11.771%
2015-2016	11.847%

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, 2016 and 2015 were $598,382 and $501,277, respectively and equal 100% of the required contributions for each year.

Benefits. PERS 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a liability of $5,669,076 for its proportionate share of the net pension liability for PERS. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014. 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, 2015, the District's proportion of contributions was 0.0385 percent. The District's proportionate share of the net pension liability for the plan on the measurement dates of June 30, 2014 and 2015 was as follows:

Proportion – June 30, 2014	$4,098,229
Proportion – June 30, 2015	5,669,076
Change – Increase	$1,570,847

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 (Concluded). For the year ended June 30, 2016, the District recognized pension expense of $614,749. At June 30, 2016, 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	$ 324,000	
Changes in Assumptions		$ 348,324
Net difference between projected and actual earnings on pension plan investments	931,000	1,125,199
Changes in proportion and differences between District contributions and proportionate share of contributions	267,701	
District contributions subsequent to measurement date of June 30, 2015	598,382	
Totals	$ 2,121,083	$ 1,473,523

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to PERS pensions and deferred inflows of resources related to PERS pensions will be recognized as increases or decreases respectively in pension expense as follows:

	Outflows	Inflows
June 30, 2017	$ 429,984	$ 491,174
June 30, 2018	429,984	491,174
June 30, 2019	429,983	491,175
June 30, 2020	232,750	0
Total	$1,522,701	$1,473,523

Actuarial Assumptions. For the year ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Actuarial Assumptions (Concluded).

Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment rate of return	7.65%
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

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

Change in Assumptions. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool.

The following presents the net pension liability of the Plan as of June 30, 2015, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

Discount Rate	Plan's Net Pension Liability
1% Decrease (6.65%)	$ 9,236,434
Current Discount Rate (7.65%)	$ 5,669,076
1% Increase (8.65%)	$ 2,713,316

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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

Discount Rate (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 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 1-10[1]	Years 11+[2]
Global Equity	51%	7.2%	5.71%
Global Fixed Income	20%	5.3%	2.43%
Inflation Sensitive	6%	0.0%	3.36%
Private Equity	10%	6.9%	6.95%
Real Estate	12%	8.7%	5.13%
Cash/Liquidity	1%	2.3%	(1.05)%

[1] An expected inflation of 2.5% used for this period
[2] An expected inflation of 3.0% used for this period

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

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.

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.

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, 2016.

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, 2016, 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 2016, 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.

NOTE 16 - SUBSEQUENT EVENTS

On July 1, 2016, the District borrowed $3,000,000 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 2017 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.

On November 8, 2016 voters in Solano County approved Measure Q, authorizing a total of $30,400,000 in general obligation bonds to repair, renovate and reopen Old Dixon High School as a middle school, repair and renovate Anderson Elementary School, and improve security/safety and Americans with Disabilities Act compliance at District schools.

Management has evaluated subsequent events through December 6, 2016, 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, 2016

	Budgeted Amounts			
	Original	Final	Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
REVENUES				
Local Control Funding Formula Sources:				
State Apportionments	$ 20,039,035	$ 19,332,759	$ 19,326,261	$ (6,498)
Local Sources	6,519,653	7,265,067	7,281,530	16,463
Total Local Control Funding Formula Sources	26,558,688	26,597,826	26,607,791	9,965
Federal Revenue	1,153,797	1,528,630	1,500,732	(27,898)
Other State Revenue	2,814,009	3,808,272	3,809,019	747
Other Local Revenue	1,117,075	1,457,312	1,651,290	193,978
Total Revenues	31,643,569	33,392,040	33,568,832	176,792
EXPENDITURES				
Certificated Salaries	14,064,646	14,566,661	14,774,841	(208,180)
Classified Salaries	4,196,137	4,604,400	4,717,448	(113,048)
Employee Benefits	5,493,010	6,545,684	6,604,054	(58,370)
Books and Supplies	1,060,414	1,669,733	1,384,692	285,041
Services and Other Operating Expenditures	4,408,238	4,370,342	3,929,208	441,134
Capital Outlay		329,683	329,666	17
Debt Service:				
Principal Retirement	62,000	62,573	62,573	
Interest and Fiscal Charges	2,051	1,434	1,434	
Other Outgo	374,993	342,184	302,029	40,155
Total Expenditures	29,661,489	32,492,694	32,105,945	386,749
Excess of Revenues Over Expenditures	1,982,080	899,346	1,462,887	563,541
Fund Balances - July 1, 2015	1,548,668	2,220,057	2,220,057	0
Fund Balances - June 30, 2016	$ 3,530,748	$ 3,119,403	$ 3,682,944	$ 563,541

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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
6/30/14	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%
6/30/16	March 1, 2016	$ -	$ 3,818,953	$ 3,818,953	0%	$ 19,152,866	20%

DIXON UNIFIED SCHOOL DISTRICT

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

California State Teachers' Retirement System (CalSTRS)

	2016	2015
District's proportion of the net pension liability	0.0281%	0.0290%
District's proportionate share of the net pension liability	$ 18,889,880	$ 16,946,730
District's covered-employee payroll	$ 13,562,477	$ 12,894,327
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139%	131%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%

Public Employee Retirement System (CalPERS)

	2016	2015
District's proportion of the net pension liability	0.0385%	0.0361%
District's proportionate share of the net pension liability	$ 5,669,076	$ 4,098,229
District's covered-employee payroll	$ 4,258,576	$ 3,919,140
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	133%	105%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

DIXON UNIFIED SCHOOL DISTRICT

SCHEDULES OF THE DISTRICT'S CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

California State Teachers' Retirement System (CalSTRS)

	2016	2015
Contractually required contribution	$ 1,204,348	$ 1,063,782
Contributions in relation to the contractually required contribution	1,156,452	1,063,782
Contribution deficiency (excess)	$ 47,896	$ 0
District's covered-employee payroll	$ 13,562,477	$ 12,894,327
Contributions as a percentage of covered-employee payroll	8.880%	8.250%

Public Employee Retirement System (CalPERS)

	2016	2015
Contractually required contribution	$ 501,277	$ 448,428
Contributions in relation to the contractually required contribution	501,199	448,428
Contribution deficiency (excess)	$ 78	$ 0
District's covered-employee payroll	$ 4,258,576	$ 3,919,140
Contributions as a percentage of covered-employee payroll	11.771%	11.442%

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, 2016 are as follows:

Fund	Excess Expenditures
Major Governmental Funds:	
General Fund	
Certificated Salaries	$ 208,180
Classified Salaries	113,048
Employee Benefits	58,370
Non-Major Governmental Funds:	
Cafeteria Fund	
Classified Salaries	12,688
Other Outgo	1,319

The District did not revise the Bond Interest and Redemption Fund budget for current year debt refunding.

The District incurred unanticipated expenditures for which the budgets were not revised.

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.

NOTE 1 - PURPOSE OF SCHEDULES (CONCLUDED)

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. 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. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

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

Name	Office	Term expires
John Gabby	President	December 2018
Caitlin O'Halloran	Vice President	December 2018
Guy Garcia	Clerk	December 2018
Melissa Maseda	Member	December 2016
Joe DiPaola	Member	December 2016

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, 2016

	Second Period Report	Annual Report
Regular ADA		
Transitional Kindergarten through Third	818	823
Fourth through Sixth	698	698
Seventh and Eighth	504	505
Ninth through Twelfth	1,127	1,119
Special Education - Nonpublic, Nonsectarian Schools		
Seventh and Eighth	1	1
Ninth through Twelfth	3	3
Community Day School		
Ninth through Twelfth	8	7
ADA Totals	3,159	3,156

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.

SCHEDULE OF INSTRUCTIONAL TIME OFFERED

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Grade Level	Minutes Requirement	2015-2016 Actual Minutes	Number of Days Traditional Calendar	Status
TK/Kindergarten	36,000	45,180	180	In Compliance
Grade 1	50,400	53,380	180	In Compliance
Grade 2	50,400	53,380	180	In Compliance
Grade 3	50,400	53,380	180	In Compliance
Grade 4	54,000	54,280	180	In Compliance
Grade 5	54,000	54,280	180	In Compliance
Grade 6	54,000	54,280	180	In Compliance
Grade 7	54,000	56,196	180	In Compliance
Grade 8	54,000	56,196	180	In Compliance
Grade 9	64,800	65,887	180	In Compliance
Grade 10	64,800	65,887	180	In Compliance
Grade 11	64,800	65,887	180	In Compliance
Grade 12	64,800	65,887	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.

DIXON UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 (48-70532-012267). The Charter renewal term is July 1, 2014 to June 30, 2019. The Dixon Montessori Charter School's financial activities are reported separately and are not included in the District's audit report.

DIXON UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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	$ 620,725
School Breakfast Basic	10.553*	13525	10,978
School Breakfast Needy	10.553*	13526	229,665
Meal Supplements	10.556*	13528	8,225
Summer Food Program	10.559*	13004	13,275
Subtotal Child Nutrition Cluster			882,868
Child Nutrition: Child and Adult Care Food Program	10.558	13666	62,059
Total U.S. Department of Agriculture			944,927
US. Department of Education:			
Passed through CDE:			
English Language Acquisition Cluster:			
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	113,153
NCLB (ESEA): Title III, Immigrant Education Program	84.365	15146	1,462
Subtotal English Language Acquisition Cluster			114,615
Passed through Solano County Office of Education:			
Special Education Cluster:			
IDEA: Basic Local Assistance, Part B, Section 611	84.027	13379	554,722
IDEA: Preschool Local Entitlements Part B, Section 611	84.027A	13682	50,121
IDEA: Preschool Grants	84.173	13430	27,626
Subtotal Special Education Cluster			632,469
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	492,121
NCLB: Title II, Part A, Teacher Quality	84.367	14341	140,121
Vocational Programs: Adult Sec 131 (Carl Perkins Act)	84.048	14894	20,991
Total U.S. Department of Education			1,400,317
U.S. Department of Health and Human Services:			
Passed through California Department of Health Care Services:			
Title XIX Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	100,415
Total U.S. Department of Health and Human Services			100,415
Total Federal Programs			$ 2,445,659

* Denotes a Major Program
** Does not include the fair value of commodities received, which totaled $17,554.

SEE NOTES TO SUPPLEMENTARY INFORMATION

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, 2016.

DIXON UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

General Fund	Budget 2016-2017	2015-2016	2014-2015	2013-2014
Revenues and Other Financial Sources	$ 33,235,981	$ 33,568,832	$ 28,265,509	$ 26,074,369
Expenditures	32,900,962	32,105,945	29,212,983	27,526,458
Other Uses and Transfers Out	0	0	280,000	645,386
Total Outgo	32,900,962	32,105,945	29,492,983	28,171,844
Change in Fund Balance (Decrease)	335,019	1,462,887	(1,227,474)	(2,097,475)
Ending Fund Balance	$ 3,190,385	$ 3,682,944	$ 2,220,057	$ 3,447,531
Available Reserves	$ 2,959,414	$ 1,327,625	$ 1,429,373	$ 2,481,370
Reserve for Economic Uncertainties	$ 989,000	$ 1,327,625	$ 1,429,373	$ 825,794
Unassigned Fund Balance	$ 1,970,414	$ 0	$ 0	$ 1,655,576
Available Reserves as a Percentage of Total Outgo	9.0%	4.1%	4.8%	8.8%
Total Long-Term Debt	$ 66,525,024	$ 67,213,231	$ 63,016,822	$ 68,132,366
Average Daily Attendance at P-2	3,123	3,159	3,209	3,241

The General Fund Balance decreased 1,862,062 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 $919,135 over the past two years. Total average daily attendance has decreased 82 over the past two years.

The amounts presented as Budget 2016-2017 are provided for additional analysis and have not been audited.

DIXON UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
JUNE 30, 2016

	Cafeteria Fund	Debt Service Fund for Blended Component Units	Mello-Roos Community Facilities District #1	Capital Facilities Fund	Total Non-Major Governmental Funds
ASSETS					
Cash	$ 156,613	$ 405	$ 124,844	$ 548,436	$ 830,298
Accounts Receivable	107,149			47,975	155,124
Due From Other Funds				61,945	61,945
Stores Inventory	12,318				12,318
Total Assets	$ 276,080	$ 405	$ 124,844	$ 658,356	$ 1,059,685
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 9,426			$ 77,285	$ 86,711
Due to Other Funds	59,533				59,533
Total Liabilities	68,959			77,285	146,244
Fund Balances:					
Nonspendable	12,318				12,318
Restricted	194,803	$ 405	$ 124,844	581,071	901,123
Total Fund Balances	207,121	405	124,844	581,071	913,441
Total Liabilities and Fund Balances	$ 276,080	$ 405	$ 124,844	$ 658,356	$ 1,059,685

DIXON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Cafeteria Fund	Debt Service Fund for Blended Component Units	Mello-Roos Community Facilities District #1	Capital Facilities Fund	Total Non-Major Governmental Funds
REVENUES					
Federal Revenue	$ 944,927				$ 944,927
Other State Revenue	72,832				72,832
Other Local Revenue	244,155	$ 3	$ 802	$ 257,127	502,087
Total Revenues	1,261,914	3	802	257,127	1,519,846
EXPENDITURES					
Classified Salaries	525,973				525,973
Employee Benefits	261,917				261,917
Books and Supplies	439,861				439,861
Services and Other					
Operating Expenditures	24,963		7,054	69,349	101,366
Capital Outlay	32,423				32,423
Debt Service:					
Interest and Fiscal Charges				273,722	273,722
Other Outgo	59,533				59,533
Total Expenditures	1,344,670	0	7,054	343,071	1,694,795
Excess of Revenues Over (Under) Expenditures	(82,756)	3	(6,252)	(85,944)	(174,949)
Fund Balances - July 1, 2015	289,877	402	131,096	667,015	1,088,390
Fund Balances - June 30,	$ 207,121	$ 405	$ 124,844	$ 581,071	$ 913,441

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, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
Deferred Compensation Account				
ASSETS				
Cash	$ 70,667	$ 0	$ 4,728	$ 65,939
LIABILITIES				
Other Liabilities	$ 70,667	$ 0	$ 4,728	$ 65,939
Dixon High School				
ASSETS				
Cash	$ 122,927	$ 369,588	$ 351,186	$ 141,329
LIABILITIES				
Due to Student Groups	$ 122,927	$ 369,588	$ 351,186	$ 141,329
CA Jacobs Middle School				
ASSETS				
Cash	$ 41,882	$ 55,288	$ 51,745	$ 45,425
LIABILITIES				
Due to Student Groups	$ 41,882	$ 55,288	$ 51,745	$ 45,425
Tremont Elementary School				
ASSETS				
Cash	$ 29,020	$ 28,858	$ 30,448	$ 27,430
LIABILITIES				
Due to Student Groups	$ 29,020	$ 28,858	$ 30,448	$ 27,430
Anderson Elementary School				
ASSETS				
Cash	$ 3,426	$ 17,246	$ 15,279	$ 5,393
LIABILITIES				
Due to Student Groups	$ 3,426	$ 17,246	$ 15,279	$ 5,393
Gretchen Higgins School				
ASSETS				
Cash	$ 7,147	$ 20,491	$ 16,280	$ 11,358
LIABILITIES				
Due to Student Groups	$ 7,147	$ 20,491	$ 16,280	$ 11,358
Total - All Agency Funds				
ASSETS				
Cash and Investments	$ 275,069	$ 491,471	$ 469,666	$ 296,874
LIABILITIES				
Due to Student Groups	$ 204,402	$ 491,471	$ 464,938	$ 230,935
Other Liabilities	70,667	0	4,728	65,939
Total Liabilities	$ 275,069	$ 491,471	$ 469,666	$ 296,874

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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The District has not used the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
CERTIFIED PUBLIC 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

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, business-type activities, each major fund, and the aggregate remaining fund information of Dixon Unified School District, as of and for the year ended June 30, 2016, 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 6, 2016.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance.

7801 Folsom Boulevard■Suite 301 ■ Sacramento, CA 95826 ■ (916) 387-7000 ■ FAX (916) 387-7001

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

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 6, 2016

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
CERTIFIED PUBLIC 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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and terms and conditions of federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

7801 Folsom Boulevard■Suite 301 ■ Sacramento, CA 95826 ■ (916) 387-7000 ■ FAX (916) 387-7001

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Goodell, Porter, Sanchez & Bright, LLP

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

December 6, 2016

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
CERTIFIED PUBLIC 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

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

Board of Education
Dixon Unified School District
Dixon Unified, California

We have audited Dixon Unified School District's compliance with the types of compliance requirements described in the *2015-2016 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, 2016.

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 *2015-2016 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:

Description	Procedures Performed
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	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes

7801 Folsom Boulevard ■ Suite 301 ■ Sacramento, CA 95826 ■ (916) 387-7000 ■ FAX (916) 387-7001

Description	Procedures Performed
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort (MOE)	Yes
School Districts, County Office of Education and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Charter Schools:	
Attendance (Charter Schools)	Not Applicable
Mode of Instruction	Not Applicable
Non Classroom-Based Instruction/Independent Study for Charter Schools	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.

Partial procedures were performed for California Clean Energy Jobs Act because the District is in the preliminary phase and has only incurred planning expenditures.

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, 2016.

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 *2015-2016 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 6, 2016

FINDINGS AND QUESTIONED COSTS SECTION

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weakness?	_x_ Yes	____ None reported
Noncompliance material to financial statements noted?	____ Yes	_x_ No

Federal Awards

Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weakness?	____ Yes	_x_ None reported
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	____ Yes	_x_ No

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	_x_ Yes	___ No

State Awards

Internal control over state programs:		
Material weakness(es) identified?	___ Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weakness?	___ Yes	_x_ None reported
Type of auditor's report issued on compliance for state programs:	Unmodified	

Section II - Financial Statements Findings

2016 – 001 - CASH RECEIPTS - TIMELINESS OF DEPOSITS - 30000

Criteria: Sound accounting practices require timely deposits to ensure adequate control over District assets, as well as to ensure the District earns the maximum possible return on its assets.

Statement of Condition: During our testing of the internal controls over cash receipts we noted that two of four deposits tested included checks that were not deposited in a timely manner.

Cause: The delay in making the deposits was result of the sites not submitting timely receipts to the District office.

Effect or Potential Effect: The retention of cash receipts at the sites limits management's control over cash received and facilitates an environment where misappropriation of assets may occur and go undetected. Additionally the risk of funds not being available when presented to the bank increases the longer the check is held resulting in the returned check expense and chance the transaction will become uncollectible.

Questioned Costs: The conditions referred to above were the result of our tests of an attribute of the control system. We considered defining the dollar amount by extending the error rate to the total population, but determined this type of analysis would likely result in an incorrect conclusion.

Recommendation: To ensure District assets are protected, checks should be submitted to the District office more frequently than the current practice. We recommend checks be brought to the District office from the various sites at least weekly or more frequently if a large number of checks are received.

View of Responsible Official: We agree with the finding and had staffing issues for the first half of the fiscal year which I believe is the reason for the untimely deposits. We have built in weekly reminders and will train backup support so there are no delays in our deposits. We will also remind site staff to send in deposits asap.

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV - State Award Findings and Questioned Costs

No matters are reported.

2015 – 001: The District adopted a General Fund budget for 2015-2016 which projects a $2 million surplus. The District should 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.

Current Status:

Accepted
Implemented

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2017 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2017 Bonds in substantially the following form:

[Date of Delivery]

Dixon Unified School District
Dixon, California

Dixon Unified School District
(Solano County, California)
General Obligation Bonds, Election of 2016, Series 2017
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Dixon Unified School District (the "District"), which is located in the County of Solano (the "County"), in connection with the issuance by the District of $19,230,000 aggregate principal amount of bonds designated as "Dixon Unified School District (Solano County, California) General Obligation Bonds, Election of 2016, Series 2017" (the "Series 2017 Bonds"), representing part of an issue in the aggregate principal amount of $30,400,000 authorized at an election held in the District on November 8, 2016. The Series 2017 Bonds are issued under and pursuant to a resolution of the Board of Education of the District adopted on February 16, 2017 (the "Resolution").

In such connection, we have reviewed the Resolution, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2017 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series 2017 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2017 Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated March 23, 2017, or other offering material relating to the Series 2017 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2017 Bonds constitute valid and binding obligations of the District.

2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series 2017 Bonds and the interest thereon.

4. Interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Dixon Unified School District (the "District") in connection with the issuance of $19,230,000 aggregate principal amount of Dixon Unified School District (Solano County, California) General Obligation Bonds, Election of 2016, Series 2017 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on February 16, 2017 (the "District Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the District Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean Cooperative Strategies, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement, dated March 23, 2017 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months following the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2016-2017 Fiscal Year (which is due not later than April 1, 2018), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send, in a timely manner, a notice to the MSRB, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

(ii) (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then current fiscal year, or a summary thereof.

(ii) The District's average daily attendance for the last completed fiscal year.

(iii) The District's outstanding debt.

(iv) Information regarding total assessed valuation (secured, unsecured and total) of taxable properties within the District for the then current fiscal year, if and to the extent made available by the County of Solano (the "County"). If and to the extent such information is not made available by the County, a statement to that effect shall be included in the Annual Report.

(v) Information regarding twenty taxpayers with the greatest combined ownership of taxable property in the District for the then current fiscal year, if and to the extent made available by the County. If and to the extent such information is not made available by the County, a statement to that effect shall be included in the Annual Report.

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b), the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of the credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person.

For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the District shall determine if such event would be material under applicable federal securities laws.

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the District Resolution.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be KNN Public Finance, LLC.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the District Resolution for amendments to the District Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e) hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Solano or in U.S. District Court in or nearest to the County of Solano. A default under this Disclosure Certificate shall not be deemed an event of default under the District Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: April 6, 2017

DIXON UNIFIED SCHOOL DISTRICT

By: ___________________________________

ACCEPTED AND AGREED TO:

COOPERATIVE STRATEGIES, LLC,
as Dissemination Agent

By: ___________________________________
Authorized Signatory

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	DIXON UNIFIED SCHOOL DISTRICT
Name of Issue:	Dixon Unified School District (Solano County, California), General Obligation Bonds, Election of 2016, Series 2017
Date of Issuance:	April 6, 2017

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated April 6, 2017. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

DIXON UNIFIED SCHOOL DISTRICT

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

SOLANO COUNTY INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL

The following information has been furnished by the Office of the Treasurer/Tax Collector/County Clerk, County of Solano. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer/Tax Collector/County Clerk, 675 Texas Street, Suite 1900, Fairfield, CA 94533.

Neither the District nor the Underwriter has made an independent investigation of the investments in the Pools and has made no assessment of the current Investment Policy. The value of the various investments in the Pools will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described herein.

.

[THIS PAGE INTENTIONALLY LEFT BLANK]

2017

SOLANO COUNTY TREASURER

INVESTMENT POLICY

Table of Contents

Purpose

This policy provides guidance, control, and direction for the management of surplus funds entrusted to the care of the Solano County Treasurer. These funds are invested collectively and referred to as the Treasury Pool. In addition, the Treasurer is entrusted with segregated investments related to debt issuance and other sources. These funds are invested within the scope of all applicable bond issuance documents, government codes, trust agreements, or other restrictions in affect at the time of the deposit and during the holding period. Any funds entrusted and invested outside the Treasury Pool are accounted for separately.

Scope

This policy applies to all funds over which the Treasurer has been granted fiduciary responsibility and direct control for their management.

Implementation

The guidelines and restrictions found herein shall be applied to all actions taken after its adoption by the Board of Supervisors and shall remain in effect until replaced.

Participants

This investment policy generally restricts deposits to those funds mandated by law or contractual agreement to be held in care of the County Treasurer.
On the consent of the Treasurer, exemptions may be granted pursuant to Government Code §53684 for non-mandatory depositing agencies or non-mandated funds, if it is determined that the additional deposit provides a benefit to the Treasury Pool as a whole while not creating an unmanageable liquidity risk.

Non-mandated depositors or funds may be subject to specific transactional limitations that mitigate the non-mandated deposit liquidity risk. These restrictions may include but are not limited to restrictions on the number of transactions per month, on the size of individual transactions, and on the amount of notification time required before processing a transaction. Non-mandated depositors must agree to the terms and conditions of deposit prior to the Treasurer's acceptance of any non-mandated funds. As a default, these restrictions shall be not more than five transactions per month, not more than the lesser of five million dollars or one percent of the portfolio in aggregate transaction totals per month, and a minimum of thirty days' prior notification for any transaction.

General Policy Statement

It shall be the policy of the Solano County Treasurer to manage the Treasury Pool in accordance with applicable State codes and for the benefit of the pool participants. The Treasurer will make every reasonable effort to maintain the composition of the Treasury Pool within an acceptable risk – return profile. To achieve and maintain this profile, the Treasurer may direct investment purchases or sales to adjust the credit risk, interest rate risk, liquidity risk, or other risks inherent in investment pools.

Objectives

It is the objective of the Solano County Treasurer to invest public funds in a manner that provides security of principal, sufficient liquidity to ensure that the specific portfolio is able to meet its cash flow needs, and generates returns consummate with the inherent risks being managed. This practice is generally referred to as the “SLY” principal; which is Safety, Liquidity, and Yield.

Safety: Safety of principal seeks to insure the preservation of capital. The objective will be to manage credit risk and liquidity risk

Credit risk, also known as default risk, is the risk that the issuer of a fixed income security may be unable to make timely principal and interest payments. This risk is mitigated through diversification, a process whereby funds are invested in multiple issuers as opposed to a single name.

Liquidity risk, is the risk that an investment will be difficult or impossible to sell at a reasonable price relative to its potential return. Marketability risk increases or decreases based on a number of factors including the notoriety of the debt issuer and the frequency at which they issue debt. The size, structure, and complexity of the particular deal, and the size of the market it is issued in are also factors that impact marketability of the security. Market risk is mitigated in the portfolio through the purchase and holding of securities issued by larger, more well-known, and higher rated issuers, such as the United States Treasury and Federal Agencies.

Liquidity: The investment pool shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by purchasing securities from large, well known, and highly rated issuers. As well as maintaining a ladder of investment whose maturities are timed to match the historical needs of depositors. This includes structuring the ladder to provide additional maturities in summer months when cash demands exceed deposits. The Treasury Pool also maintains cash balances in several Money Market and Money Market-like instruments including the Local Agency Investment Fund.

Yield: The Treasury Pool shall be managed with the objective of maintaining a rate of return commensurate with the risk through various budgetary and economic cycles. Taking into account prevailing interest rates, liquidity needs as described above, and the limits on the types of securities the Treasury Pool is authorized to purchase.
A prudent balancing of liquidity needs results in an investment return for Treasury pool participants that is higher, under most conditions, than that which would be available to them in an overnight investment. However, as a consequence of purchasing longer maturity investments with higher yields, the yield on the Treasury Pool can be expected to lag changes in market interest rates. The result is a buffered Treasury Pool yield that moves slowly and steadily in the direction of market rates, while providing higher long term rates of return, and an increased ability to forecast depositor yields for budgetary purposes.

Standard of Care

The following policies are designed in accordance with Government Code §53600 et al and the recommended best practices of the Government Finance Officers Association (GFOA) to provide transparency to Treasury operations while enhancing portfolio controls.

a) Mark to Market: The portfolio will be marked to market on a monthly or more frequent basis.

b) Wires, ACH's, and other electronic transfers: Electronic transfers will require either dual control in the establishment of a repetitive transaction or dual control in the release of a non-repetitive transaction.

c) Prudent Investor: Treasury staff will at all times be held to the "Prudent Investor Standard" when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds. The County Treasurer and his/her deputies shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of investing funds of a like character and with like aims to safeguard the principal and maintain the liquidity needs of the County and other depositors.

d) Indemnification: The Treasurer and his or her staff, when acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes. Investments shall be made with judgment and care under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs. Investments will not be made for speculation but for investment consistent with the stated objectives.

e) Ethics and Conflicts of Interest: County officers, employees, agents and any others who may be directly involved in the investment decision making process shall adhere to all applicable laws regarding conflicts of interest and refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Individuals making or advising on investment decisions shall refrain from conducting personal investment transactions with the same individual firm with whom business is conducted on behalf of the County. The receipt of gifts is subject to the disclosure requirements and limitations set forth in sections §87200 and §89503 of the Government Code. In addition, the receipt of honoraria is prohibited.

f) Delegation of Authority – Government Code §53607: California Government Code §53607 authorizes the County Board of Supervisors the authority to delegate the investment function to the County Treasurer for a one-year period. The Treasurer shall thereafter assume full responsibility for those transactions until the authority is revoked or expires.

g) Transactions Records: All Treasury records will be maintained in accordance with the County's adopted records retention policy.

Banking

Banking services are utilized to facilitate the financial transactions required by the pool participants. The bank or banks providing these services will be selected in accordance with Government Code §53635.2. Where possible the Treasurer will strive to consolidate banking services in order to achieve the most cost effective means of meeting the needs of the pool participants.

In addition, the Treasurer works with the County Auditor, the Department of Information Technology, and representatives from School and other districts depositing funds into the Treasury. The objective is to as far as possible automate the transfer of financial information between the disparate groups. These efforts are intended to provide enhanced internal controls, reduce staff workloads, and generate cost savings to the pool participants.

Safekeeping and Custody

Delivery vs. Payment: Purchased, or otherwise acquired, investment securities will be delivered by Fed Book Entry, DTC, or physical deliver, and to the extent feasible, held in third party safekeeping with a designated custodian. To the greatest extent possible, all transactions will be conducted on a Delivery Versus Payment (DVP) methodology where funds for payment are released simultaneously with the arrival of the investment.

Third-party Safekeeping: The trust department of a bank or other qualified provider will be designated as custodian for safekeeping specific securities. The custodian shall provide reporting and as needed real time access to financial records that show the specific instrument, selling broker/dealer, issuer, coupon, maturity, CUSIP number, purchase or sale price, transaction date, and other pertinent information.

Reporting

In accordance with the recommendations of Government Code §53646 the Treasurer will publish on the County public website, or make available through other electronic means, a detailed report of the investment transactions on a monthly basis. The report will also disclose the amount of liquidity available to meet cash flow demands for the subsequent six month period.

In addition, it is the practice of the Treasurer to provide additional and more frequent information to provide transparency in Treasury operations. These reports include:

a) A monthly summary report showing the ending assets, monthly average assets, summary income, and net asset value of the Treasury Pool portfolio.
b) Detailed supporting documentation for asset balances, income, and net asset values.

Transaction records, bank statements, account reconciliations, and associated accounting materials are filed and maintained in accordance with Government Code §27000 - §27013 inclusive; and the County's adopted records retention policy.

Compensation

In accordance with Government Code §§ 27013 and 53684, the Treasurer will charge all pool participants for administrative and overhead costs. Costs include, but are not limited to, employee salaries and benefits, portfolio management, bank and custodial fees, software maintenance fees, and other direct and indirect costs incurred from handling or managing funds Costs will be deducted from interest earnings on the pool prior to apportioning and payment of interest. The Treasurer shall annually prepare a proposed budget providing a detailed itemization of all estimated costs which comprises the administrative fee charged in accordance with California Government Code § 27013. The administrative fee will be subject to change annually. At the end of each fiscal year the amount of the administrative fee is adjusted to reflect the actual Treasury costs for the year.

Financial Dealers and Institutions

As a trustee of public funds held on behalf of other governing bodies it is the Treasurer's policy to use those financial institutions and financial service providers who provide the greatest investment benefit to the pool participants.

a) Issues of public social concern and benefit will be evaluated on a case by case basis using the minimum criteria that to be eligible to receive County funds, all banks, savings associations or federally insured industrial loan companies must have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record meeting the credit needs of California's communities, including low, moderate income neighborhoods pursuant to Section 2906 of Title 12 of the United States Code.

b) Any decision to conduct financial transactions with an entity shall be made exercising the care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs.

c) Authorization of Broker/Dealers to conduct business with the County is in the sole discretion of the Treasurer. In order to assist in the determination process, Broker/Dealers must provide reasonable proof of qualifications. The criteria for authorization of Broker/Dealers are as follows:

   i. Any individual Broker/Dealer or Broker/Dealer firm that has made any political contribution to any agency, individual, or campaign within the potential scope of this policy, at any time during the prior 48 months that exceeds the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board shall be barred from consideration.
   ii. Individual Broker/Dealers and Broker/Dealer firms must be in good standing with the NASD.
   iii. Individual Broker/Dealer and Broker/Dealer firms must be licensed to conduct business in the State of California.

Constitutionally Mandated Temporary Transfers

Pursuant to Article XVI, section 6 of the California Constitution, the County Treasurer, upon resolution of the Board of Supervisors, has the power and the duty to make temporary transfers of Treasury Pool funds to districts whose funds are in the custody of and paid out solely through the Treasurer's Office. In accordance with statute, these temporary transfers will be limited to 85% of all anticipated revenues accruing to the district that are mandated for deposit with the Treasury.

Calculating and Apportioning Pool Earnings

The Solano County Investment Pool is comprised of monies from multiple units of the county, schools, agencies and districts. Each entity has unique cash flow demands, which dictate the type of investments the Treasurer must purchase. To ensure parity among the pool participants when apportioning interest, the following procedures have been developed.

a) Interest is apportioned on an at least quarterly basis in accordance with the California Government Code.

b) Interest is apportioned to pool participants based on the participants' average daily fund balance as determined by the Auditor-Controller.

c) Interest is calculated on an accrual basis for all investments in the Treasurer's Pool by the Treasurer and reported to the Auditor-Controller for distribution into the funds of the participants.

d) The Auditor-Controller deducts accounting fees and makes any adjustments from the interest earning and apportions the remaining earnings to all participants based on the positive average daily balance.

e) Negative average daily fund balance will be charged interest at the rate of interest that is being apportioned.

Deposit and Withdrawal Requests

Solano County operates a Pooled Investment Portfolio that allows optimal liquidity and diversification for depositing agencies. Unless otherwise specified, monies from all units of government, schools, agencies and districts deposited into the Treasury are combined into the Treasury Pool. The purpose of the combined portfolio is to increase participant's liquidity and not limit them to specific investments. This portfolio is managed as a unit based on a calculated combined cash flow of all the participants. See "Participants" section for additional information and restrictions on deposits.

Per Government Code §27136, the Treasurer will approve all material withdrawals from the investment pool that are made for the purpose of investing or depositing those funds outside the County Treasury Pool. Transactions by non-mandatory depositors will be at a minimum subject to the limitations as described in Treasurer's pool participants section of this policy.

Exceptions to the combined pool are allowed for bond proceeds and other funds that must be segregated by applicable bond documents, trust agreements, statutes, or other restrictions in place at or during the time the funds are entrusted to the Solano County

Treasurer. Investment and reporting of these funds will be segregated from the Treasury Pool. For additional information see “Bond Proceeds Portfolios.”

Authorized Investments and Restrictions

The Solano County Treasurer’s Pool shall be governed by the tenets of Government Code § 53600 et seq. In addition to these tenets the portfolio is further restricted to the following percentages based on book value at the time of purchase.

a) Bonds issued by Solano County as the local agency
   i. Not more than 20% of the portfolio
   ii. Maximum maturity of 30 years in accordance with Resolution 2008-96

b) Treasury Bills, Notes, Bonds, and other Certificates of Indebtedness backed by the full faith and credit of the United States Government
   i. No restrictions above those mandated by §53601

c) Registered state warrants or treasury notes or bonds of the State of California
   i. Not more than 20% of the portfolio
   ii. Maximum maturity of 30 years in accordance with Resolution 2008-96

d) Registered treasury notes or bonds issued by any of the other 49 states in accordance with §53601 (d)
   i. Not more than 20% of the portfolio.
   ii. Maximum maturity of 30 years in accordance with Resolution 2008-96

e) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California not including Solano County
   i. Not more than 20% of the portfolio
   ii. Maximum maturity of 30 years in accordance with Resolution 2008-96

f) Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments
   i. Not more than 80% of the portfolio
   ii. Not more than 50% of the portfolio in any single agency

g) Bankers Acceptances
   i. No restrictions above those mandated by §53601

h) Commercial Paper
   i. Must be credit rated the equivalent of “A-1” or higher by at least two nationally recognized statistical rating organizations.

i) Negotiable Certificates of Deposit
   i. Not more than 20% of the portfolio

j) Repurchase Agreement or Reverse Repurchase Agreements Collateral
   i. No restrictions above those mandated by §53601

k) Corporate Bonds, Notes, or other Certificates of Indebtedness
   i. No restrictions above those mandated by §53601

l) Shares of Beneficial Interest
   i. No restrictions above those mandated by §53601

m) Bond Proceeds
   i. No restrictions above those mandated by §53601

n) Security Interests
   i. No restrictions above those mandated by §53601

o) Any mortgage or other asset backed pass-through security or collateralization
   i. No restrictions above those mandated be §53601

p) JPA Participations
   i. No restrictions above those mandated by §53601

q) International Bank for Reconstruction and Development, International Finance Corporation, Inter-American Development Bank
   i. Dollar denominated senior unsecured unsubordinated rated AA or better.

r) Other Restrictions
   i. Currently callable securities restricted to not more than 60% of the portfolio. Restriction does not apply to make whole calls.
   ii. Securities downgraded to below investment grade shall be reviewed and sold at market prices if the determination is made that they present a material risk to the portfolio liquidity.

s) Commercial Bank, Savings Bank, Savings and Loan Association, or Credit Union Certificate distribution mechanisms.
   i. No Restrictions above those mandated by §53601

Any investment currently held in the portfolio that does not meet the guidelines established in this policy is exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

In accordance with California Government Code Section §53601 the Treasurer retains the right to petition the Solano County Board of Supervisors for approval to invest in securities with a final maturity in excess of five years. The Solano County Board of Supervisors adoption of any resolution allowing maturities beyond five years shall be considered an allowed modification to this policy and any investments made in accordance with the modification shall be allowable under this policy.

The Board's previously granted exception in the form of Resolution 2009-65 on April 07, 2009 shall remain in effect regarding the purchase of extended maturity securities, pursuant to Government Code §53601.

Other Policy Considerations

Disaster Recovery: The County Treasury maintains disaster recovery policies, procedures, and practices that are tested and updated on a regular basis as technologies and conditions change. These items are intended first and foremost to provide the maximum protection to Treasury assets in the event of a natural or manmade disaster.

The Treasury also maintains contingency operating procedures to provide business continuity in the event that key County facilities or equipment are unavailable for extended periods of time.

Auditing: Pursuant to Government Code § 26920 the Treasury undergoes a quarterly review of the Treasurer's statement of assets conducted by the Internal Audit division of the Auditor-Controller's office. The Auditor's review shall be accomplished in accordance with the appropriate professional standards, as determined by the County Auditor. The Treasurer shall prepare a statement showing the amount and type of assets in the County Treasury as of the date of the review. The review shall include:

a) Counting cash in the Treasury.

b) Verifying that the records of the Treasurer and Auditor are reconciled pursuant to California Government Code § 26905.

c) Issuing a report to the Board of Supervisors in accordance with the Statements on Standards of Accounting and Review Services issued by the American Institute of Certified Public Accountants.

d) On an annual basis, the Internal Audit Division of the Auditor-Controller's Office shall perform or cause to be performed an audit of the assets in the County Treasury and express an opinion whether the Treasurer's statement of assets is presented fairly and in accordance with generally accepted accounting principles.

e) The report shall be addressed to the Board of Supervisors. The quarterly review referenced above need not be performed for the period when an audit is conducted.

Investment of Segregated Funds

As needed, the Treasurer may be entrusted to manage the proceeds of specific bond issuances or other deposited funds as separate investments from the Treasury Pool.

These include, but are not limited to General Obligations of the County, County TRANs, Pension Trust Fund, School General Obligations, School TRANs, and State or other entity provided loans or deposits to local agencies including School Districts.

Participation: Participation in a "segregated funds" portfolio is restricted to the terms of the specific issues trust agreement or as directed by the appropriate legal counsel. Establishment of a segregated investment will be by mutual agreement of the requesting agency and the Treasurer

Portfolio Restrictions: Funds in any segregated portfolio will be governed by the tenets of the trust agreement, and any other agreed upon governance. Segregated investment will be held to the prudent investor standard.

a) Investments in this portfolio are not subject to the limitations of §53601 - §53609 inclusive.
b) For tax purposes portfolio investments may be restricted to tax exempt or other specific tax treatment securities.
c) As a result of spending restrictions, portfolio funds may be invested in securities with durations of up to forty years or as otherwise proscribed in the trust agreement

Withdrawing funds from the Portfolio: Withdrawals are subject to the limitations and restrictions as described in the trust agreement. Any gains or losses realized as a result of changes in the anticipated withdrawal schedule will be apportioned to the depositor's fund.

Special Investments: Special investments are subject to the restrictions of the individual bond issuance as described in the trust agreement or as directed by the appropriate legal counsel.

Roles and Responsibilities: The Treasurer manages these funds on behalf of the depositor and relies on the depositor to provide accurate information with regard to liquidity and other specific investment needs. It shall be the responsibility of the depositor to notify the Treasurer of any changes in the investment requirements. Balances are validated against records maintained by the Auditor – Controller's office.

California Government Code Sections Referenced:

§26900-26922
§27000-27137
§53600-53610
§53630-53692

Agenda Submittal

Agenda #:	11	**Status:**	Received and Filed
Type:	Report	**Department:**	Treasurer-Tax Collector-County Clerk
File #:	17-86	**Contact:**	Charles Lomeli, 784-3419
Agenda date:	2/7/2017	**Final action:**	2/7/2017
Title:	Accept the Solano County Treasurer's Quarterly Report for the period of October 1, 2016 through December 31, 2016		
Governing body:	Board of Supervisors		
District:	All		
Attachments:	1. A - Executive Letter, 2. B - Statement of Compliance, 3. C - PARS Report, 4. D - Maturities Report, 5. Minute Order		

Date	Ver.	Action By	Action	Result
2/7/2017	1	Board of Supervisors		

Published Notice Required? Yes ____ No _X_
Public Hearing Required? Yes ____ No _X_

DEPARTMENTAL RECOMMENDATION:

It is recommended that the Board accept the County Treasurer's Quarterly Report for the period of October 1, 2016 through December 31, 2016.

SUMMARY:

Submitted herein is the Treasurer's FY2016/17 Second Quarter Report, which contains the Treasurer's Statement of Compliance.

This report is provided for informational purposes only. All information contained in this report pertains to all county, district, agency and school district funds. This report is also available on the Treasurer's web site at www.solanocounty.com.

FINANCIAL IMPACT:

There is no financial impact in accepting this report; all costs associated with producing the report are realized in the Treasurer's budget.

ALTERNATIVES:

The Board could elect not to accept this report at this time or request a change in content or format.

OTHER AGENCY INVOLVEMENT:

This report will be promulgated to the distribution list on the Statement of Compliance and published on the Treasurer's website.

CAO RECOMMENDATION:

APPROVE DEPARTMENTAL RECOMMENDATION

Solano County

675 Texas Street
Fairfield, California 94533
www.solanocounty.com

Meeting Minutes - Action Only

Board of Supervisors

John M. Vasquez (Dist. 4), Chair
(707) 784-6129
Erin Hannigan (Dist. 1), Vice-Chair
(707) 553-5363
Monica Brown (Dist. 2)
(707) 784-3031
James P. Spering (Dist. 3)
(707) 784-6136
Skip Thomson (Dist. 5)
(707) 784-6130

Tuesday, February 7, 2017 **9:00 AM** **Board of Supervisors Chambers**

11 **17-86** Accept the Solano County Treasurer's Quarterly Report for the period of October 1, 2016 through December 31, 2016

Accepted

CHARLES LOMELI
Treasurer-Tax Collector-County Clerk
calomeli@solanocounty.com
MICHAEL COOPER
Assistant Treasurer-Tax Collector-County Clerk
mrcooper@solanocounty.com

ttccc@solanocounty.com
www.solanocounty.com

TREASURER-TAX COLLECTOR-COUNTY CLERK

SOLANO COUNTY

LORI BUTLER-SLAPPY
Tax Collections Manager
leslappy@solanocounty.com
DENISE TOLSON
County Clerk Manager
dmtolson@solanocounty.com

675 Texas Street, Suite 1900
Fairfield, CA 94533-6342
(707) 784-7485
Treasurer (707) 784-6295
Fax (707) 784-6311

January 17, 2017

The Honorable Members of the Board of Supervisors
County of Solano County
675 Texas Street, Suite 6500
Fairfield CA 94533

Honorable Members of the Board:

It is my pleasure to present the quarterly report for the second quarter of FY2016/17.

State of the Treasury

The $1.1 billion Treasury Pool is invested in a manner consistent with the balancing of credit, liquidity, and interest rate risks. Standard and Poor's continues to rate the investment pool AA+. Credit and liquidity risk are managed through diversification and a preference for more widely traded issuers. Liquidity risk is managed through the maintenance of cash and cash equivalents in the form of Money Market instruments, LAIF, securities maturing in six months or less, and other similarly liquid holdings. The current liquidity balance of the Treasury Pool is $491 million which provides additional liquidity to make tax collection apportionment payments to the taxing agencies throughout the county later in the year.

Current Market Conditions Impacting the Treasury Pool

On December 14, 2016, the Federal Reserve (FOMC) voted unanimously to increase the Federal Funds Target Rate (Fed Funds) for the second time since 2008. The target is currently set at ½ to ¾ % and is expected to move higher in 2017, with the next likely one slated for the February 1, 2017 meeting. Reasons cited by them for the action included a tightening labor market and growing expectations of inflation.

The meeting minutes of the FOMC indicate the possibility of the need to accelerate the pace of rate normalization meaning interest rates rising more rapidly. However, they also cite heightened uncertainty of the fiscal agenda of the new administration. The minutes also reflect that most participants viewed labor market conditions as having been brought to or close to the committee's maximum employment objective.

Increases in the Fed Funds rate are expected to slow economic expansion as the higher rates increase borrowing costs for consumers. The contra to this is that increases in market rates will slowly be reflected in the earnings rate of the Treasury Pool as older lower yielding investments are replaced at maturity with new higher yielding one. Each .25% increase in total pool yield results in an approximately $2 million increase in annual pool earnings.

While the FOMC has acted to increase the Fed Funds overnight borrowing rate, they have also continued to hold longer maturity Federal Agency and Federal Agency backed mortgage-backed securities to help control mortgage borrowing costs.

Expectations going forward

The Treasury Pool primarily purchases securities at short end of the yield curve, defined as investments with maturities of five years or less, and as a result maintains a duration of 0.5 – 1.5. Duration can be considered in many ways but is primarily used as a gauge of the Treasury Pool's sensitivity to changes in market interest rates. The higher the duration number, the longer delay the pool will experience in reflecting changes in market rates. A lower number will react more quickly, but a shorter duration tends to yield less income to the pool participants over the long run. The Treasury Pool is optimally invested in a way that balances the higher rates typically associated with longer maturity investments against the risk of changes in interest rates. Achieving this balance has the added benefit of providing earnings stability during the budgeting process.

Respectfully Submitted,
CHARLES LOMELI
Treasurer – Tax Collector – County Clerk

CHARLES LOMELI
Treasurer-Tax Collector-County Clerk
calomeli@solanocounty.com

MICHAEL COOPER
Assistant Treasurer-Tax Collector-County Clerk
mrcooper@solanocounty.com

ttccc@solanocounty.com
www.solanocounty.com

TREASURER-TAX COLLECTOR-COUNTY CLERK

SOLANO COUNTY

LORI BUTLER-SLAPPY
Tax Collections Manager
leslappy@solanocounty.com

DENISE TOLSON
County Clerk Manager
dmtolson@solanocounty.com

675 Texas Street, Suite 1900
Fairfield, CA 94533-6342
(707) 784-7485
Treasurer (707) 784-6295
Fax (707) 784-6311

STATEMENT OF COMPLIANCE

December 31, 2016

Liquidity:

The Treasury has a cash and cash equivalent position (securities maturing within 6 months) of $491 million dollars as of December 31, 2016. Based on historical trend analysis and projections by the various school districts, it is estimated that this cash position is adequate to meet projected liquidity requirements of the pool participants for the next six months.

Should the treasury experience unusual demands on cash, the liquidity position will be adjusted accordingly.

Investments:

The investment portfolio has been reviewed by the Treasurer-Tax Collector-County Clerk on December 31, 2016 and found to be in compliance with the Investment Policy.

Reporting and Distribution:

In accordance with Government code section 53607, a monthly report is submitted to the Clerk of the Board electronically.

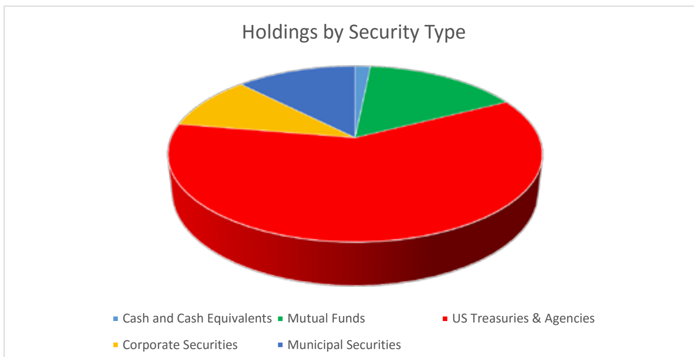
In accordance with the Government Code section 53646 this non-mandated quarterly report is submitted to provide full disclosure to the Board and public.

This report is also made available to the Superintendent of Schools, the business managers of each district, many pool participants and the public at large via the Internet.

Respectfully Submitted,
CHARLES LOMELI
Treasurer-Tax Collector-County Clerk

Solano County
PARS 115 Trust
Account Summary Report
December 31, 2016

Holdings by Security Type	Book Value	Market Value
Cash and Cash Equivalents	316,132.18	316,132.18
Mutual Funds	3,220,000.00	3,188,000.00
US Treasuries & Agencies	12,109,619.56	12,028,015.00
Corporate Securities	2,000,000.00	2,000,620.00
Municipal Securities	2,540,800.00	2,481,925.00
Total Security Holdings	**20,186,551.74**	**20,014,692.18**
Accrued Income	**33,689.33**	**33,689.33**
Grand Total	**20,220,241.07**	**20,048,381.51**
Estimated Annual Income		272,722.29
Yield on Total Assets		1.47%



Portfolio Holdings					
Description	**Cusip**	**Security Classification**	**Security Type**	**Book Value**	**Market Value**
CASH		Cash & Cash Eq	Cash & Cash Equivalents	6,814.73	6,814.73
FIRST AMER PRIME OBLIG FD CL Z	31846V625	Cash & Cash Eq	Cash & Cash Equivalents	309,317.45	309,317.45
F F C B DEB 0.680% 7/03/17	3133EFBS5	Fixed Income	US AGENCIES	2,994,708.00	2,999,190.00
F N M A DEB 0.920% 06/26/18	3136G15Q8	Fixed Income	US AGENCIES	4,007,480.00	3,980,920.00
FNMA 1.750% 06/20/19	3135G0ZE6	Fixed Income	US AGENCIES	3,582,705.00	3,536,715.00
US Treasury NT 1.625% 06/30/19	912828WS5	Fixed Income	US GOVERNMENT	1,524,726.56	1,511,190.00
Wells Fargo CD 1.200% 06/30/17	94988EXZ6	Fixed Income	CORPORATE	2,000,000.00	2,000,620.00
State of California 1.800% 04/01/20	13063CSQ4	Fixed Income	GOVERNMENT	2,040,800.00	1,993,860.00
Univ of California 1.420% 05/15/20	913366HU7	Fixed Income	GOVERNMENT	500,000.00	488,065.00
DOUBLELINE TOTAL RET BD I	258620103	Mutual Funds	MUTUAL FUNDS-FIXED TAXABLE	1,092,000.00	1,062,000.00
VANGUARD SHORT TERM INVT GRADE #539	922031836	Mutual Funds	MUTUAL FUNDS-FIXED TAXABLE	2,128,000.00	2,126,000.00
				20,186,551.74	20,014,692.18

All values at Market Value unless otherwise noted

Attachment C

Solano County Treasury

Detailed Treasury Pool Investment Holdings

Row Labels	Values Sum of Par	Sum of Book	Sum of Market
2017			
Jan	**246,242,308**	**246,242,308**	**246,199,345**
CASH	20,018,876	20,018,876	20,018,876
Bank of America	**2,000,447**	**2,000,447**	**2,000,447**
CASH	2,000,447	2,000,447	2,000,447
Cash on Hand	**11,689,143**	**11,689,143**	**11,689,143**
CASH	11,689,143	11,689,143	11,689,143
Wells Fargo	**6,041,389**	**6,041,389**	**6,041,389**
CASH	6,041,389	6,041,389	6,041,389
Bank of Rio Vista	**23,527**	**23,527**	**23,527**
CASH	23,527	23,527	23,527
First Northern Bank	**264,370**	**264,370**	**264,370**
CASH	264,370	264,370	264,370
JPA	20,108,843	20,108,843	20,065,880
Caltrust Medium	**10,072,311**	**10,072,311**	**10,028,490**
CALTMED	10,072,311	10,072,311	10,028,490
Caltrust Short	**10,036,532**	**10,036,532**	**10,037,390**
CALTSHORT	10,036,532	10,036,532	10,037,390
LAIF	54,307,119	54,307,119	54,307,119
Local Agency Investment Fund	**54,307,119**	**54,307,119**	**54,307,119**
LAIF	54,307,119	54,307,119	54,307,119
MMY	151,807,471	151,807,471	151,807,471
Bank of America Money Market	**1,048,424**	**1,048,424**	**1,048,424**
BANK AMERICA MMY	1,048,424	1,048,424	1,048,424
Union Bank Money Market	**133,076**	**133,076**	**133,076**
UNION BANK MMY	133,076	133,076	133,076
Wells Fargo Bank Money Market	**0**	**0**	**0**
WELLS MMY	0	0	0
Camp Money Market	**54,598,502**	**54,598,502**	**54,598,502**
CAMP MMY	54,598,502	54,598,502	54,598,502
Cal Trust Govt MMKT	**51,024,721**	**51,024,721**	**51,024,721**
CAL TRUST MMY	51,024,721	51,024,721	51,024,721
Gov Partners Ultra Prime Fund	**45,002,748**	**45,002,748**	**45,002,748**
CAL TRUST GOVT MMY	45,002,748	45,002,748	45,002,748
Feb	**5,000,000**	**5,000,001**	**5,000,315**
MEDTERM	5,000,000	5,000,001	5,000,315
BANK OF AMERICA NA	**5,000,000**	**5,000,001**	**5,000,315**
06050TLT7	5,000,000	5,000,001	5,000,315
Mar	**50,000,000**	**49,941,144**	**49,959,160**
COMPAP	10,000,000	9,975,525	10,000,000
MITSUBISHI UFJ T&B SG	**10,000,000**	**9,975,525**	**10,000,000**
60682YQX5	10,000,000	9,975,525	10,000,000
FEDCOUP	5,000,000	5,001,114	5,000,880
FHLB	**5,000,000**	**5,001,114**	**5,000,880**
3130A4KD3	5,000,000	5,001,114	5,000,880
TREASURY	35,000,000	34,964,505	34,958,280
U S TREASURY	**35,000,000**	**34,964,505**	**34,958,280**
912796JJ9	35,000,000	34,964,505	34,958,280
Apr	**136,000,000**	**136,278,961**	**136,328,790**
COMPAP	20,000,000	19,947,017	20,000,000
BANK TOKYO-MIT UFJ NY	**10,000,000**	**9,972,617**	**10,000,000**
06538BRH8	10,000,000	9,972,617	10,000,000
AUST & NZ BANKING GROUP	**10,000,000**	**9,974,400**	**10,000,000**
05253AR77	10,000,000	9,974,400	10,000,000
FEDCOUP	61,000,000	61,395,868	61,395,485
FHLB	**11,000,000**	**11,003,662**	**11,002,475**
3130A4M41	11,000,000	11,003,662	11,002,475
FHLMC	**30,000,000**	**30,383,747**	**30,385,230**
3137EAAS8	30,000,000	30,383,747	30,385,230

FNMA	**20,000,000**	**20,008,459**	**20,007,780**
3135G0ZB2	20,000,000	20,008,459	20,007,780
TREASURY	50,000,000	49,935,334	49,931,950
U. S. TREASURY	**50,000,000**	**49,935,334**	**49,931,950**
912796KQ1	50,000,000	49,935,334	49,931,950
SUPRA	5,000,000	5,000,741	5,001,355
IBRD	**5,000,000**	**5,000,741**	**5,001,355**
459058CG6	5,000,000	5,000,741	5,001,355
May	**48,620,000**	**48,785,686**	**48,788,896**
FEDCOUP	10,000,000	10,150,474	10,152,600
FNMA	**10,000,000**	**10,150,474**	**10,152,600**
31359M7X5	10,000,000	10,150,474	10,152,600
MEDTERM	25,000,000	25,013,752	25,010,585
WALT DISNEY CO	**10,000,000**	**9,996,336**	**9,994,240**
25468PCZ7	10,000,000	9,996,336	9,994,240
APPLE INC	**10,000,000**	**10,001,403**	**10,007,020**
037833AM2	10,000,000	10,001,403	10,007,020
BERKSHIRE HATHAWAY	**5,000,000**	**5,016,013**	**5,009,325**
084664BS9	5,000,000	5,016,013	5,009,325
TREASURY	3,000,000	2,999,477	3,000,234
U S TREASURY	**3,000,000**	**2,999,477**	**3,000,234**
912828SY7	3,000,000	2,999,477	3,000,234
CALSTATE	620,000	620,000	619,752
REGENTS OF UNIV OF CA GOB 2015 SER AP	**620,000**	**620,000**	**619,752**
91412GWT8	620,000	620,000	619,752
NATMUNI	5,000,000	5,001,983	5,002,800
MASSACHUSETTS ST TXBL SER B	**5,000,000**	**5,001,983**	**5,002,800**
57582P2Q2	5,000,000	5,001,983	5,002,800
SUPRA	5,000,000	5,000,000	5,002,925
IBRD	**5,000,000**	**5,000,000**	**5,002,925**
45905URX4	5,000,000	5,000,000	5,002,925
Jun	**50,000,000**	**50,005,535**	**50,040,560**
FEDCOUP	30,000,000	30,006,298	30,038,320
FHLB	**5,000,000**	**4,998,511**	**4,999,895**
3130A5HF9	5,000,000	4,998,511	4,999,895
FHLMC	**25,000,000**	**25,007,787**	**25,038,425**
3137EADH9	25,000,000	25,007,787	25,038,425
MEDTERM	5,000,000	5,000,452	4,995,610
3M COMPANY	**5,000,000**	**5,000,452**	**4,995,610**
88579YAE1	5,000,000	5,000,452	4,995,610
TREASURY	10,000,000	9,998,784	10,005,080
U S TREASURY	**10,000,000**	**9,998,784**	**10,005,080**
912828TB6	10,000,000	9,998,784	10,005,080
CD	5,000,000	5,000,000	5,001,550
WELLS FARGO BANK NA	**5,000,000**	**5,000,000**	**5,001,550**
94988EXZ6	5,000,000	5,000,000	5,001,550
Jul	**49,700,000**	**49,842,962**	**49,856,841**
FEDCOUP	49,700,000	49,842,962	49,856,841
FHLB	**4,200,000**	**4,203,805**	**4,196,779**
3130A5ZU6	4,200,000	4,203,805	4,196,779
FHLMC	**40,500,000**	**40,515,801**	**40,530,793**
3137EADJ5	15,000,000	15,024,385	15,023,310
3137EADV8	20,500,000	20,488,019	20,503,383
3134G6AC7	5,000,000	5,003,398	5,004,100
TENNESEE VALLEY AUTHORITY	**5,000,000**	**5,123,356**	**5,129,270**
880591EA6	5,000,000	5,123,356	5,129,270
Aug	**72,500,000**	**72,468,723**	**72,461,130**
FEDCOUP	20,000,000	19,993,335	19,989,920
FHLB	**20,000,000**	**19,993,335**	**19,989,920**
3130A53Y3	10,000,000	9,998,052	9,991,810
3130A62S5	10,000,000	9,995,283	9,998,110
MEDTERM	5,000,000	5,004,251	5,001,905
PEPSICO INC	**5,000,000**	**5,004,251**	**5,001,905**
713448CB2	5,000,000	5,004,251	5,001,905
TREASURY	45,000,000	44,964,152	44,964,855

U S TREASURY	**45,000,000**	**44,964,152**	**44,964,855**
912828TM2	45,000,000	44,964,152	44,964,855
NATMUNI	2,500,000	2,506,984	2,504,450
STATE OF HAWAII	**2,500,000**	**2,506,984**	**2,504,450**
4197915F1	2,500,000	2,506,984	2,504,450
Sep	**55,000,000**	**55,278,798**	**55,293,695**
FEDCOUP	50,000,000	50,108,854	50,139,970
FFCB	**10,000,000**	**10,015,895**	**10,012,440**
3133EEQX1	10,000,000	10,015,895	10,012,440
FHLB	**10,000,000**	**10,094,638**	**10,099,350**
313370SZ2	10,000,000	10,094,638	10,099,350
FHLMC	**20,000,000**	**19,995,802**	**20,019,380**
3137EADL0	20,000,000	19,995,802	20,019,380
FNMA	**10,000,000**	**10,002,519**	**10,008,800**
3135G0PP2	10,000,000	10,002,519	10,008,800
MEDTERM	5,000,000	5,169,944	5,153,725
GENERAL ELECTRIC CO	**5,000,000**	**5,169,944**	**5,153,725**
36962G3H5	5,000,000	5,169,944	5,153,725
Oct	**6,000,000**	**6,097,081**	**6,090,060**
CALSTATE	6,000,000	6,097,081	6,090,060
RIVERSIDE COUNTY CA TEETER OBLG	**6,000,000**	**6,097,081**	**6,090,060**
76914AA41	6,000,000	6,097,081	6,090,060
Nov	**25,330,000**	**25,349,628**	**25,353,790**
MEDTERM	10,000,000	9,999,909	9,982,240
GENERAL DYNAMICS CORP	**10,000,000**	**9,999,909**	**9,982,240**
369550AV0	10,000,000	9,999,909	9,982,240
SOL	330,000	330,000	330,000
SOLANO CTY 2013 COPS	**330,000**	**330,000**	**330,000**
834SCFCP7E	330,000	330,000	330,000
CALSTATE	15,000,000	15,019,719	15,041,550
CA STATE GENERAL PURPOSE	**5,000,000**	**5,022,683**	**5,026,650**
13063CFC9	5,000,000	5,022,683	5,026,650
CA STATE TXBL	**10,000,000**	**9,997,036**	**10,014,900**
13063CPN4	10,000,000	9,997,036	10,014,900
Dec	**80,000,000**	**80,075,976**	**80,084,400**
TREASURY	80,000,000	80,075,976	80,084,400
U. S. TREASURY	**80,000,000**	**80,075,976**	**80,084,400**
912828G79	80,000,000	80,075,976	80,084,400
2018			
Jan	**1,445,000**	**1,490,886**	**1,490,691**
SOL	1,445,000	1,490,886	1,490,691
SOLANO COUNTY CA	**1,445,000**	**1,490,886**	**1,490,691**
83413QAL3	1,445,000	1,490,886	1,490,691
May	**26,883,000**	**26,867,007**	**26,796,230**
FEDCOUP	21,883,000	21,877,269	21,814,980
FHLMC	**16,883,000**	**16,876,705**	**16,828,970**
3134G74Z1	2,500,000	2,493,705	2,487,998
3134G9EG8	14,383,000	14,383,000	14,340,973
FNMA	**5,000,000**	**5,000,563**	**4,986,010**
3135G0WJ8	5,000,000	5,000,563	4,986,010
MEDTERM	5,000,000	4,989,738	4,981,250
APPLE INC	**5,000,000**	**4,989,738**	**4,981,250**
037833AJ9	5,000,000	4,989,738	4,981,250
Jun	**34,290,000**	**34,492,321**	**34,391,213**
MEDTERM	16,490,000	16,554,901	16,516,161
PFIZER INC	**4,235,000**	**4,243,474**	**4,223,904**
717081DW0	4,235,000	4,243,474	4,223,904
CHEVRON CORPORATION	**6,305,000**	**6,317,331**	**6,324,306**
166764AE0	6,305,000	6,317,331	6,324,306
CISCO SYSTEMS INC	**5,950,000**	**5,994,095**	**5,967,951**
17275RAU6	5,950,000	5,994,095	5,967,951
TREASURY	15,000,000	15,129,235	15,070,320
U S TREASURY	**15,000,000**	**15,129,235**	**15,070,320**
912828VK3	15,000,000	15,129,235	15,070,320
CALSTATE	2,800,000	2,808,186	2,804,732

SAN MATEO COUNTY TRANSIT	**2,800,000**	**2,808,186**	**2,804,732**
799054GP0	2,800,000	2,808,186	2,804,732
Jul	**39,500,000**	**39,625,446**	**39,438,707**
FEDCOUP	29,500,000	29,533,957	29,394,177
FHLB	**14,000,000**	**14,031,668**	**13,959,330**
3130A5WY1	14,000,000	14,031,668	13,959,330
FHLMC	**10,000,000**	**9,995,999**	**9,951,000**
3134G92H9	10,000,000	9,995,999	9,951,000
FNMA	**5,500,000**	**5,506,289**	**5,483,847**
3136G02Y6	5,500,000	5,506,289	5,483,847
TREASURY	10,000,000	10,091,490	10,044,530
U S TREASURY	**10,000,000**	**10,091,490**	**10,044,530**
912828VQ0	10,000,000	10,091,490	10,044,530
Aug	**35,000,000**	**34,832,700**	**34,769,585**
FEDCOUP	15,000,000	14,938,387	14,893,025
FHLB	**10,000,000**	**9,938,387**	**9,920,520**
3130A8PK3	10,000,000	9,938,387	9,920,520
FHLMC	**5,000,000**	**5,000,000**	**4,972,505**
3134G9HJ9	5,000,000	5,000,000	4,972,505
TREASURY	20,000,000	19,894,312	19,876,560
U S TREASURY	**20,000,000**	**19,894,312**	**19,876,560**
9128282C3	20,000,000	19,894,312	19,876,560
Sep	**28,630,000**	**28,813,461**	**28,675,745**
FEDCOUP	28,630,000	28,813,461	28,675,745
FFCB	**8,630,000**	**8,770,908**	**8,736,995**
3133ED2C5	8,630,000	8,770,908	8,736,995
FHLB	**20,000,000**	**20,042,553**	**19,938,750**
3130A9LV1	10,000,000	10,002,281	9,944,600
3130A6AE7	10,000,000	10,040,272	9,994,150
Oct	**10,000,000**	**9,949,331**	**9,945,650**
FEDCOUP	10,000,000	9,949,331	9,945,650
FHLMC	**10,000,000**	**9,949,331**	**9,945,650**
3137EAED7	10,000,000	9,949,331	9,945,650
Nov	**5,870,000**	**5,870,000**	**5,855,580**
SOL	345,000	345,000	345,000
SOLANO CTY 2013 COPS	**345,000**	**345,000**	**345,000**
834SCFCP7F	345,000	345,000	345,000
CALSTATE	5,525,000	5,525,000	5,510,580
SAN FRANCISCO CITY & CTY PUBLIC UTIL	**5,525,000**	**5,525,000**	**5,510,580**
79765RM97	5,525,000	5,525,000	5,510,580
2019			
Mar	**10,000,000**	**10,026,675**	**9,919,740**
MEDTERM	10,000,000	10,026,675	9,919,740
JOHNSON & JOHNSON	**10,000,000**	**10,026,675**	**9,919,740**
478160BR4	10,000,000	10,026,675	9,919,740
Apr	**10,000,000**	**10,012,794**	**9,959,530**
FEDCOUP	10,000,000	10,012,794	9,959,530
FHLMC	**10,000,000**	**10,012,794**	**9,959,530**
3137EADZ9	10,000,000	10,012,794	9,959,530
Jul	**15,000,000**	**15,019,217**	**15,042,600**
CALSTATE	15,000,000	15,019,217	15,042,600
UNIV OF CA -AH	**15,000,000**	**15,019,217**	**15,042,600**
91412GSB2	15,000,000	15,019,217	15,042,600
Aug	**7,000,000**	**7,000,000**	**7,087,710**
CALSTATE	7,000,000	7,000,000	7,087,710
FRESNO CTY CA PENSN OBLG	**7,000,000**	**7,000,000**	**7,087,710**
358266CQ5	7,000,000	7,000,000	7,087,710
Sep	**1,750,000**	**1,776,135**	**1,967,088**
CALSTATE	1,750,000	1,776,135	1,967,088
SAN LUIS OBISPO COUNTY	**1,750,000**	**1,776,135**	**1,967,088**
798703BD5	1,750,000	1,776,135	1,967,088
Nov	**5,355,000**	**5,350,164**	**5,295,105**
FEDCOUP	5,000,000	4,995,164	4,940,105
FNMA	**5,000,000**	**4,995,164**	**4,940,105**
3135G0R70	5,000,000	4,995,164	4,940,105

SOL	355,000	355,000	355,000
SOLANO CTY 2013 COPS	**355,000**	**355,000**	**355,000**
834SCFCP7G	355,000	355,000	355,000
2020			
Jan	**2,000,000**	**2,000,000**	**1,982,378**
FEDCOUP	2,000,000	2,000,000	1,982,378
FFCB	**2,000,000**	**2,000,000**	**1,982,378**
3133EGNE1	2,000,000	2,000,000	1,982,378
Aug	**5,460,000**	**5,608,982**	**5,632,973**
CALSTATE	5,460,000	5,608,982	5,632,973
SOLANO CNTY CA CMNTY CLG DIST	**5,460,000**	**5,608,982**	**5,632,973**
83412PDY5	5,460,000	5,608,982	5,632,973
Nov	**365,000**	**365,000**	**365,000**
SOL	365,000	365,000	365,000
SOLANO CTY 2013 COPS	**365,000**	**365,000**	**365,000**
834SCFCP7H	365,000	365,000	365,000
2021			
Apr	**1,350,000**	**1,400,404**	**1,364,202**
NATMUNI	1,350,000	1,400,404	1,364,202
OREGON ST LOTTERY REVENUE	**1,350,000**	**1,400,404**	**1,364,202**
68607VJ97	1,350,000	1,400,404	1,364,202
Nov	**380,000**	**380,000**	**380,000**
SOL	380,000	380,000	380,000
SOLANO CTY 2013 COPS	**380,000**	**380,000**	**380,000**
834SCFCP7I	380,000	380,000	380,000
2022			
Nov	**390,000**	**390,000**	**390,000**
SOL	390,000	390,000	390,000
SOLANO CTY 2013 COPS	**390,000**	**390,000**	**390,000**

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2017 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2017 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2017 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

DIXON UNIFIED SCHOOL DISTRICT (Solano County, California) General Obligation Bonds, Election of 2016, Series 2017

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: Royce Printing
www.ro振printing.com