

**ROSS VALLEY SCHOOL DISTRICT  
COUNTY OF MARIN  
SAN ANSELMO, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2011**



ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2011

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# ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2011

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## FINANCIAL SECTION



**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Ross Valley School District  
San Anselmo, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ross Valley School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the Ross Valley School District, which consists of all funds that comprise the District's legal entity. The financial statements do not include financial data of the Ross Valley Schools Foundation, Ross Valley School District's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Ross Valley School District, as of June 30, 2011, and the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Ross Valley School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2012 on our consideration of the Ross Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 13, the budgetary comparison information on page 47, and the Schedule of Funding Progress on page 50, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ross Valley School District's basic financial statements. The combining fund financial statements, supplementary schedules listed in the table of contents, and the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

January 25, 2012



**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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This section of Ross Valley 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, 2011. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, 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 Assets and Statement of Activities, presented on pages 14 and 15, 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, presented on pages 16 through 19, 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 statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

**FINANCIAL HIGHLIGHTS**

- The District's overall financial status improved during the year, as total net assets increased 2.4%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$151,741.
- Capital assets, net of depreciation, decreased \$428,195, due to the current year acquisition and/or construction of \$876,305 of new capital assets, and the current year recognition of \$1,304,500 of depreciation expense.
- Total long-term liabilities increased \$9,406,386, due primarily to the current year issuance of \$10,000,426 of general obligation bonds.
- On February 2, 2011, the District issued \$6,150,000 of general obligation refunding bonds at an original issue premium of \$289,209, for purposes of refunding \$6,120,000 of the outstanding Election of 1999, Series 2001, General Obligation Bonds. The refunding bonds were issued to lower the debt service requirements of the District and reduce the tax burden on those who own property within the District.
- The District's P-2 average daily attendance (ADA) increased from 1,908 ADA in fiscal year 2009-10, up to 1,992 ADA in fiscal year 2010-11, an increase of 4.4%.
- The District's General Fund produced an operating surplus of \$650,391 during fiscal year 2010-11, and recognized a \$453,597 increase in its available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2010-11, General Fund expenditures and other financing uses totaled \$16,989,037. At June 30, 2011, the District had available reserves of \$2,783,016 which represents a reserve of 16.4%.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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**THE FINANCIAL REPORT**

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and 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, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- 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 fund 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 funds 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 budget for the year is included.

**Reporting the District as a Whole**

The District as a whole is reported in the Government-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 Assets. 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 assets) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets 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.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(PREPARED BY DISTRICT MANAGEMENT)**

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**THE FINANCIAL REPORT (CONCLUDED)**

**Reporting the District as a Whole (Concluded)**

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

*Governmental Activities:*

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

*Business-type Activities:*

The District does not provide any services that should be included in this category.

**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 Ross Valley School District are the General Fund, Bond Interest and Redemption Fund, and Building Fund. 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.

*Proprietary Funds:*

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

*Fiduciary Funds:*

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

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

**GOVERNMENTAL ACTIVITIES**

The District's net assets increased from \$6,327,316 at June 30, 2010, up to \$6,479,057 at June 30, 2011, an increase of 2.4%.

<b><u>Comparative Statement of Net Assets</u></b>		
	Governmental Activities	
	2010	2011
<b><u>Assets</u></b>		
Deposits and Investments	\$ 3,315,494	\$ 12,906,977
Receivables	2,397,536	2,805,103
Prepaid Expenses	3,459	491,055
Capital Assets, net	21,948,165	21,519,970
<b>Total Assets</b>	<b>27,664,654</b>	<b>37,723,105</b>
<b><u>Liabilities</u></b>		
Current	2,656,455	3,285,801
Long-term	18,680,883	27,958,247
<b>Total Liabilities</b>	<b>21,337,338</b>	<b>31,244,048</b>
<b><u>Net Assets</u></b>		
Invested in Capital Assets		
- Net of Related Debt	6,601,646	6,511,049
Restricted for Capital Projects	176,306	127,443
Restricted for Debt Service	(2,872,954)	(3,337,227)
Restricted for Educational Programs	303,696	349,603
Restricted for Other Purposes	6,525	3,000
Unrestricted	2,112,097	2,825,189
<b>Total Net Assets</b>	<b>\$ 6,327,316</b>	<b>\$ 6,479,057</b>

*Table includes financial data of the combined governmental funds*

The deficit balance presented above for Restricted for Debt Service represents the difference between the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds and the amount available in the Bond Interest and Redemption Fund. This deficit will be eliminated by future property tax collections.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year revenues exceeded total current year expenses by \$151,741.

<b><u>Comparative Statement of Changes in Net Assets</u></b>		
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2011</u>
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 85,864	\$ 412,628
Operating Grants & Contributions	2,606,435	2,426,404
<b><u>General Revenues</u></b>		
Taxes Levied	6,721,666	6,802,910
Federal & State Aid	8,072,177	9,244,399
Interest & Investment Earnings	36,526	23,990
Miscellaneous	577,261	515,856
<b>Total Revenues</b>	<b><u>18,099,929</u></b>	<b><u>19,426,187</u></b>
<b><u>Expenses</u></b>		
Instruction	12,080,794	11,867,085
Instruction-Related Services	1,977,192	1,916,157
Pupil Services	934,576	1,263,959
General Administration	2,028,357	1,458,534
Plant Services	1,998,627	1,579,553
Ancillary Services	60,494	53,295
Interest on Long-Term Debt	954,153	918,097
Other Outgo	182,054	217,766
<b>Total Expenses</b>	<b><u>20,216,247</u></b>	<b><u>19,274,446</u></b>
<b>Changes in Net Assets</b>	<b><u>\$ (2,116,318)</u></b>	<b><u>\$ 151,741</u></b>

*Table includes financial data of the combined governmental funds*

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

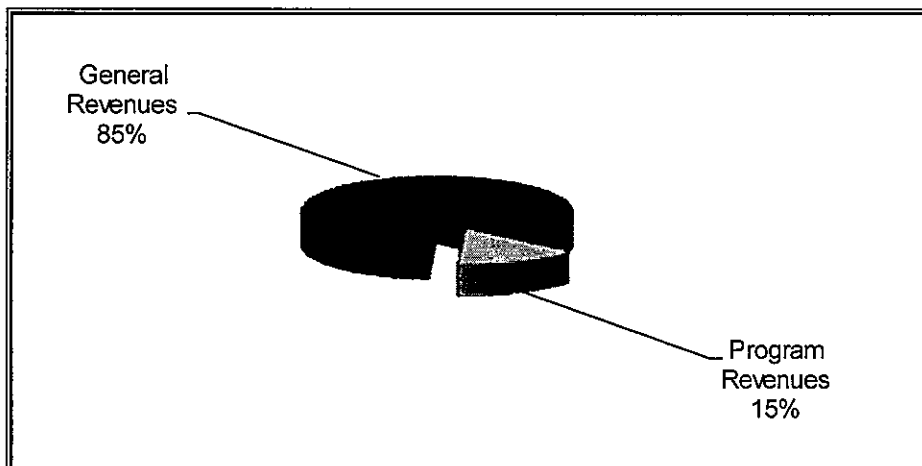
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2010	2011	2010	2011
Instruction	\$ 12,080,794	\$ 11,867,085	\$ 10,327,082	\$ 10,248,058
Instruction-Related Services	1,977,192	1,916,157	1,788,468	1,773,196
Pupil Services	934,576	1,263,959	552,334	514,971
General Administration	2,028,357	1,458,534	1,902,543	1,354,348
Plant Services	1,998,627	1,579,553	1,903,590	1,507,442
Ancillary Services	60,494	53,295	36,139	37,518
Interest on Long-Term Debt	954,153	918,097	954,153	918,097
Other Outgo	182,054	217,766	59,639	81,784
<b>Totals</b>	<b>\$ 20,216,247</b>	<b>\$ 19,274,446</b>	<b>\$ 17,523,948</b>	<b>\$ 16,435,414</b>

*Table includes financial data of the combined governmental funds*

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$16,435,414 cost represents the financial burden that was placed on the District's general revenues for providing the services listed. Further detail is available on page 15 of this report.



Program revenues financed 15% of the total cost of providing the services listed above, while the remaining 85% was financed by the general revenues of the District.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

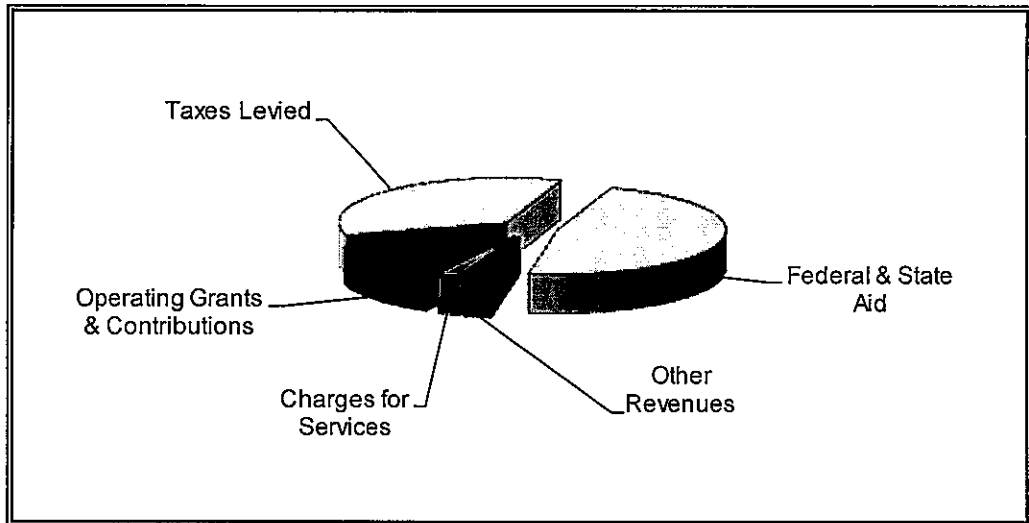
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Summary of Revenues For Governmental Functions</u></b>				
	FYE 2010 Amount	Percent of Total	FYE 2011 Amount	Percent of Total
<b><u>Program Revenues</u></b>				
Charges for Services	\$ 85,864	0.47%	\$ 412,628	2.12%
Operating Grants & Contributions	2,606,435	14.40%	2,426,404	12.49%
<b><u>General Revenues</u></b>				
Taxes Levied	6,721,666	37.14%	6,802,910	35.02%
Federal & State Aid	8,072,177	44.60%	9,244,399	47.59%
Other Revenues	613,787	3.39%	539,846	2.78%
<b>Total Revenues</b>	<b>\$ 18,099,929</b>	<b>100.00%</b>	<b>\$ 19,426,187</b>	<b>100.00%</b>

*Table includes financial data of the combined governmental funds*



**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

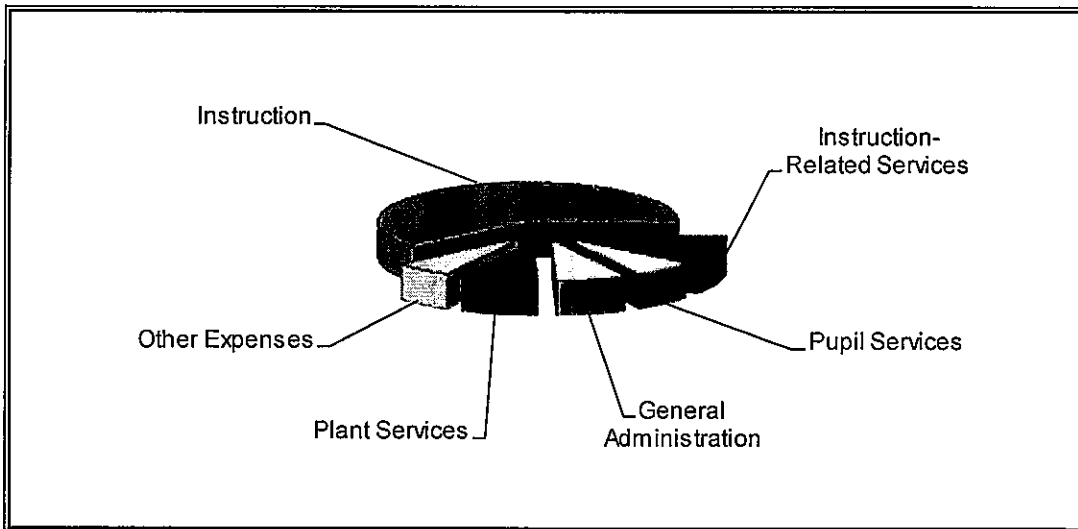
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Summary of Expenses For Governmental Functions</u></b>				
<u>Expenses</u>	<u>FYE 2010 Amount</u>	<u>Percent of Total</u>	<u>FYE 2011 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 12,080,794	59.76%	\$ 11,867,085	61.57%
Instruction-Related Services	1,977,192	9.78%	1,916,157	9.94%
Pupil Services	934,576	4.62%	1,263,959	6.56%
General Administration	2,028,357	10.03%	1,458,534	7.57%
Plant Services	1,998,627	9.89%	1,579,553	8.20%
Other Expenses	1,196,701	5.92%	1,189,158	6.17%
<b>Total Expenses</b>	<b><u>\$ 20,216,247</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 19,274,446</u></b>	<b><u>100.00%</u></b>

*Table includes financial data of the combined governmental funds*





**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Comparative Schedule of Capital Assets</u></b>		
	Governmental Activities	
	2010	2011
Land	\$ 992,328	\$ 992,328
Sites and Improvements	2,592,218	2,592,218
Buildings and Improvements	34,716,157	34,716,157
Furniture and Equipment	502,932	584,788
Work-in-Progress	0	794,449
Subtotals	38,803,635	39,679,940
Less: Accumulated Depreciation	(16,855,470)	(18,159,970)
Capital Assets, net	<u>\$ 21,948,165</u>	<u>\$ 21,519,970</u>

Capital assets, net of depreciation, decreased \$428,195, due to the current year acquisition and/or construction of \$876,305 of new capital assets, and the current year recognition of \$1,304,500 of depreciation expense.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2010	2011
Compensated Absences	\$ 115,370	\$ 48,737
General Obligation Bonds	18,227,272	27,791,354
Capital Leases	1,086,065	1,009,477
Other Post Employment Benefits	456,540	442,065
Totals	<u>\$ 19,885,247</u>	<u>\$ 29,291,633</u>

Total long-term liabilities increased \$9,406,386, due primarily to the current year issuance of \$10,000,426 of general obligation bonds.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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

**GOVERNMENTAL ACTIVITIES (CONCLUDED)**

The general obligation bonds are financed by local taxpayers and represent 95% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current debt issues.

The capital leases are financed by the General Fund and represent 3% of the District's total long-term liabilities.

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

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

The fund balance of the General Fund increased \$650,391 during fiscal year 2010-11, while the combined fund balances of other District governmental funds increased \$9,076,361, due primarily to the \$10,000,426 bond proceeds received during fiscal year 2010-11.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time. The original budget presented on page 47 includes only new revenues for fiscal year 2010-11.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

- Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. As of the P-1 attendance reporting period, the District expects an increase of 134 ADA (6.7%) during fiscal year 2011-12.
- On November 2, 2010, the voters within the District voted to authorize the issuance of up to \$41,000,000 of bonds. The net proceeds from the sale of the bonds will be used to upgrade and expand school facilities during fiscal year 2011-12 and future years.
- Due to the unprecedented nature of the current State and Federal fiscal crisis, the amount of funding that will be available to the District remains uncertain. As a result, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(PREPARED BY DISTRICT MANAGEMENT)**

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**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 the District Office, Ross Valley School District, 110 Shaw Drive, San Anselmo, CA 94960.

**ROSS VALLEY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 12,906,977
Receivables (Note 4)	2,805,103
Prepaid Expenses (Note 1J)	491,055
Capital Assets: (Note 6)	
Land	992,328
Sites and Improvements	2,592,218
Buildings and Improvements	34,716,157
Furniture and Equipment	584,788
Work-in-Progress	794,449
Less: Accumulated Depreciation	(18,159,970)
<b>Total Assets</b>	<b>37,723,105</b>
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	748,400
Current Loans	485,000
Deferred Revenue (Note 1J)	719,015
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1J)	48,737
General Obligation Bonds (Note 7)	
Current Interest	1,090,000
Capital Leases (Note 8)	95,649
Other Post Employment Benefits (Note 9)	99,000
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 7)	
Current Interest	15,290,000
Capital Appreciation	11,411,354
Capital Leases (Note 8)	913,828
Other Post Employment Benefits (Note 9)	343,065
<b>Total Liabilities</b>	<b>31,244,048</b>
<b><u>Net Assets</u></b>	
Investment in Capital Assets, Net of Related Debt	6,511,049
Restricted:	
For Capital Projects	127,443
For Debt Service	(3,337,227)
For Educational Programs	349,603
For Other Purposes	3,000
Unrestricted	2,825,189
<b>Total Net Assets</b>	<b>\$ 6,479,057</b>

**ROSS VALLEY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b><u>Governmental Activities</u></b>					
Instruction	\$ 11,867,085	\$ 21,071	\$ 1,597,956		\$ (10,248,058)
Instruction-Related Services:					
Supervision of Instruction	278,240	19	113,685		(164,536)
Instructional Library and Technology	407,830	1,124	26,982		(379,724)
School Site Administration	1,230,087		1,151		(1,228,936)
Pupil Services:					
Home-to-School Transportation	233,548	1,457	137,075		(95,016)
Food Services	552,491	374,697	110,963		(66,831)
Other Pupil Services	477,920		124,796		(353,124)
General Administration:					
Data Processing Services	169,248				(169,248)
Other General Administration	1,289,286	1,006	103,180		(1,185,100)
Plant Services	1,579,553	4,269	67,842		(1,507,442)
Ancillary Services	53,295	934	14,843		(37,518)
Interest on Long-Term Debt	918,097				(918,097)
Other Outgo	217,766	8,051	127,931		(81,784)
Total Governmental Activities	<u>\$ 19,274,446</u>	<u>\$ 412,628</u>	<u>\$ 2,426,404</u>	<u>\$ 0</u>	<u>(16,435,414)</u>
<b><u>General Revenues</u></b>					
Taxes Levied for General Purposes					3,024,504
Taxes Levied for Debt Service					1,445,053
Taxes Levied for Specific Purposes					2,333,353
Federal and State Aid - Unrestricted					9,244,399
Interest and Investment Earnings					23,990
Miscellaneous					515,856
Total General Revenues					<u>16,587,155</u>
Change in Net Assets					151,741
Net Assets - July 1, 2010					6,327,316
Net Assets - June 30, 2011					<u>\$ 6,479,057</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Deposits and Investments (Note 2)	\$ 2,420,376	\$ 1,304,487	\$ 9,054,765	\$ 127,349	\$ 12,906,977
Receivables (Note 4)	2,785,979			19,124	2,805,103
Due from Other Funds (Note 5)	3,676		37,685	9,625	50,986
<b>Total Assets</b>	<b>\$ 5,210,031</b>	<b>\$ 1,304,487</b>	<b>\$ 9,092,450</b>	<b>\$ 156,098</b>	<b>\$ 15,763,066</b>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable	\$ 590,611		\$ 34,529	\$ 1,004	\$ 626,144
Due to Other Funds (Note 5)	47,310			3,676	50,986
Current Loans	485,000				485,000
Deferred Revenue (Note 1J)	442,491				442,491
<b>Total Liabilities</b>	<b>1,565,412</b>		<b>34,529</b>	<b>4,680</b>	<b>1,604,621</b>
Fund Balances: (Note 11)					
Nonspendable	3,000				3,000
Restricted	349,603	\$ 1,304,487	9,057,921	127,443	10,839,454
Assigned				23,975	23,975
Unassigned	3,292,016				3,292,016
<b>Total Fund Balances</b>	<b>3,644,619</b>	<b>1,304,487</b>	<b>9,057,921</b>	<b>151,418</b>	<b>14,158,445</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,210,031</b>	<b>\$ 1,304,487</b>	<b>\$ 9,092,450</b>	<b>\$ 156,098</b>	<b>\$ 15,763,066</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

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**Total Fund Balances - Governmental Funds** **\$ 14,158,445**

Amounts reported for governmental activities in the statement of net assets are different from amounts reported in governmental funds due to the following:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:

Capital Assets	\$ 39,679,940	
Accumulated Depreciation	(18,159,970)	
Net		21,519,970

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs, reported as prepaid expenses at year-end consist of:

Costs of Issuance	186,621	
Bond Refunding	304,434	
Total		491,055

Unamortized premiums: In governmental funds, bond premiums are recognized as revenues in the period they are received. In the government-wide statements, premiums are amortized over the life of the debt. Unamortized premiums, reported as deferred revenue on the statement of net assets are:

(276,524)

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 statements of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owed at the end of the period was:

(122,256)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are:

Compensated Absences	48,737	
General Obligation Bonds:		
Current Interest	16,380,000	
Capital Appreciation	11,411,354	
Capital Leases	1,009,477	
Other Post Employment Benefits	442,065	
Total		(29,291,633)

**Total Net Assets - Governmental Activities** **\$ 6,479,057**

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**ROSS VALLEY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund		Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
	District	Component Unit				
<b><u>Revenues</u></b>						
Revenue Limit Sources:						
State Apportionment	\$ 7,429,653					\$ 7,429,653
Local Taxes	3,061,513					3,061,513
Total Revenue Limit Sources	10,491,166					10,491,166
Federal Revenue	572,001				\$ 105,762	677,763
State Revenue	1,992,148		\$ 13,407		7,336	2,012,891
Local Revenue	3,777,161	\$ 586,737	1,434,453	\$ 3,581	429,570	6,231,502
Total Revenues	16,832,476	586,737	1,447,860	3,581	542,668	19,413,322
<b><u>Expenditures</u></b>						
Instruction	11,025,583					11,025,583
Supervision of Instruction	258,170					258,170
Instructional Library and Technology	378,413					378,413
School Site Administration	1,141,360					1,141,360
Home-To-School Transportation	216,702					216,702
Food Services					512,640	512,640
Other Pupil Services	443,447					443,447
Data Processing Services	157,040					157,040
Other General Administration	1,192,613				3,676	1,196,289
Plant Services	1,631,426				20,323	1,651,749
Facilities Acquisition and Construction	95,035			569,919	91,854	756,808
Ancillary Services	53,295					53,295
Debt Service:						
Principal Retirement	91,017		7,120,000			7,211,017
Interest and Issuance Costs	50,193		697,686	187,156		935,035
Other Outgo	203,266					203,266
Total Expenditures	16,937,560	0	7,817,686	757,075	628,493	26,140,814
Excess of Revenues Over (Under) Expenditures	(105,084)	586,737	(6,369,826)	(753,494)	(85,825)	(6,727,492)
<b><u>Other Financing Sources (Uses)</u></b>						
Operating Transfers In	792,523				61,099	853,622
Operating Transfers Out	(51,477)	(586,737)		(215,246)	(162)	(853,622)
Other Sources	14,429		6,439,209	10,000,606		16,454,244
Total Other Financing Sources (Uses)	755,475	(586,737)	6,439,209	9,785,360	60,937	16,454,244
Net Change in Fund Balances	650,391	0	69,383	9,031,866	(24,888)	9,726,752
Fund Balances - (As restated - Note 19) July 1, 2010	2,994,228	0	1,235,104	26,055	176,306	4,431,693
Fund Balances - June 30, 2011	\$ 3,644,619	\$ 0	\$ 1,304,487	\$ 9,057,921	\$ 151,418	\$ 14,158,445

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



**ROSS VALLEY SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Net Change in Fund Balances - Governmental Funds** **\$ 9,726,752**

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

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

Capital Outlays	\$ 876,305	
Depreciation Expense	(1,304,500)	
Net		(428,195)

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

66,633

Post employment 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 employer contributions was:

14,475

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

Cost of Issuance	187,156	
Bond Refunding	318,399	
Cost of Issuance Amortized	(535)	
Bond Refunding Amortized	(13,965)	491,055

Amortization of debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing sources in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is:

Bond Premium	(289,209)	
Bond Premium Amortized	12,685	(276,524)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

General Obligation Bonds - Current Interest	7,120,000	
Capital Leases	91,017	7,211,017

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

(16,164,855)

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, interest expense is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was:

45,039

Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was:

(533,656)

**Change in Net Assets of Governmental Activities** **\$ 151,741**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

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	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<b><u>Assets</u></b>		
Deposits and Investments (Note 2)	\$ 8,815	\$ 8,815
Total Assets	<u>8,815</u>	<u>8,815</u>
<b><u>Liabilities</u></b>		
Due to Student Groups	8,815	8,815
Total Liabilities	<u>8,815</u>	<u>8,815</u>
<b><u>Net Assets</u></b>		
Restricted	<u>0</u>	<u>0</u>
Total Net Assets	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

ROSS VALLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The Ross Valley School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Education elected by registered voters of the District, which comprises an area in Marin County. The District serves students in kindergarten through grade eight.

The District prepares its financial statements in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

The District is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements.

B. Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship. The District has determined that there are no entities, with financial activities that benefited the District, during fiscal year 2010-11, which should be included within its financial reporting entity under GASB 14.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of the component units' relationship with the District. The District has determined that the Ross Valley Schools Foundation meets the criteria set forth in GASB 39. However, audited financial statements were not available for inclusion in the District's financial statements. Accordingly, only the financial activities of the Ross Valley Schools Foundation that flow through the District are presented on page 18 under the caption "Component Unit".

The District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

C. Implementation of New Accounting Pronouncements

In March of 2009, the GASB issued GASB Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definition*, with required implementation for the District during the year ended June 30, 2011. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Implementation of New Accounting Pronouncements (Concluded)**

GASB 54 provides for fund balance classifications such as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The effect of implementing GASB 54 resulted in a reclassification of the beginning fund balances as of July 1, 2010, due to the Deferred Maintenance Fund no longer meeting the fund definition of a special revenue fund. Further detail on the reclassification is described in Note 19.

**D. Basis of Presentation**

**Government-wide Financial Statements:**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity, within the governmental and business type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and 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.

**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.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Basis of Presentation (Concluded)**

**Fund Financial Statements (Concluded):**

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. With this measurement focus, only current assets 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.

**E. 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. Under the 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 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

ROSS VALLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting (Concluded)

Deferred Revenue:

Deferred 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 deferred 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 deferred revenue.

Expenses/Expenditures:

On an 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.

F. 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 or retained earnings, 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. The District maintains the following governmental fund types:

*General Fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

*Special Revenue Funds* - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

*Debt Service Funds* - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*Capital Projects Funds* - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

ROSS VALLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Accounting (Concluded)

The District's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. The financial activities of the General Fund have been divided into two separate columns on the Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances. The first column reflects revenues received from *District* sources along with all expenditures of the General Fund. The second column reflects revenues received for General Fund purposes that are provided by the District's *Component Unit*. This presentation has been included to illustrate the District's heavy reliance on Ross Valley Schools Foundation's support for providing its educational programs.

The *Bond Interest and Redemption Fund* is used to account for the accumulation of resources for the repayment of District bonds, interest, and related costs.

The *Building Fund* is used to account for the acquisition and/or construction of major capital facilities and buildings financed from the sale of general obligation bonds.

Non-major Governmental Funds:

The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provision of the California Environmental Quality Act (CEQA).

The *Capital Projects - Special Reserve Fund* is used to account for insurance reimbursements and expenditures.

Fiduciary Funds:

*Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund for the student body activities at White Hill Middle School. The District maintains student body funds to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America 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 Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Budgets and Budgetary Accounting (Concluded)**

The original and final revised budget is presented for the General Fund as required supplementary information on page 47.

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 (See Note 3).

**H. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**I. 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.

**J. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).

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 the FDIC or are collateralized.

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

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.



ROSS VALLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

2. Prepaid Expenses

Prepaid expenses include the costs of issuance associated with the bonds issued since the implementation of GASB Statement No. 34. The costs will be amortized over the life of the bonds.

Prepaid expenses are equally offset by a net assets reserve, which indicates that this amount is not "available for appropriation and expenditure" even though it is a component of net current assets.

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.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	10-36
Buildings and Improvements	30-35
Furniture and Equipment	6-15

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Deferred revenue includes the premiums associated with the bonds issued, when applicable, which are amortized over the life of the bond obligation.

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

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.

6. Long-term Liabilities

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

ROSS VALLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

6. Long-term Liabilities (Concluded)

Premiums and discounts, as well as issuance costs, related to long-term debt issued after the implementation of GASB Statement 34, are deferred and amortized over the life of the debt. Long-term debt is reported net of applicable premiums or discounts. In the fund financial statements, governmental funds recognize premiums and discounts as well as bond issuance costs, during the period the debt is issued. The face amount of the debt issued, premiums, or discounts are reported as other financing sources or uses.

7. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

*Nonspendable Fund Balance* consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

*Restricted Fund Balance* consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

*Committed Fund Balance* consists of funds that are set aside for a specific purpose by the District's highest level of decision making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

*Assigned Fund Balance* consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. The Governing Board delegated authority to the Superintendent and/or their designee to identify intended uses of assigned funds.

*Unassigned Fund Balance* consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**J. Assets, Liabilities and Equity (Concluded)**

**8. Revenue Limit/Property Tax**

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

The County of Marin 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 alternative 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 revenue limit sources by the District.

The District's Base Revenue Limit 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 applicable attendance period ADA to derive the District's total entitlement.

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2011, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks	\$ 4,884	\$ 8,815
Cash in Revolving Fund	3,000	
County Pool Investments	<u>12,899,093</u>	<u>          </u>
<b>Total Deposits and Investments</b>	<b><u>\$ 12,906,977</u></b>	<b><u>\$ 8,815</u></b>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Cash on Hand and in Banks**

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

**Cash in Revolving Fund**

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

**County Pool Investments**

County pool investments consist of District cash held by the Marin County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio).

**General Authorization**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

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

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases 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.

**Segmented Time Distribution**

Information about the sensitivity of the fair value of the District's investment to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 12,899,093	\$ 12,908,541	\$ 9,886,782	\$ 3,012,311

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 12,899,093	\$ 12,908,541			\$ 12,899,093

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. However, the District does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the District.

**Custodial Credit Risk - Investments**

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2011, the District does not have any investments that are held by counterparties.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)**

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

**Derivative Investments**

The District does not directly invest in any derivative investments. Information relating to the use of derivative investments by the Marin County Treasury was not available.

**NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess of expenditures over appropriations in individual funds were as follows:

<u>General Fund:</u>	<u>Excess Expenditures</u>
Capital Outlay	\$ 59,935
Debt Service - Principal Retirement	5,870
Other Expenditures	2,312

The District incurred expenditures in the above classifications for which the budget was not revised.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2011 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 84,407	\$ 16,271	\$ 100,678
State Government	2,290,197	914	2,291,111
Local Governments	298,033		298,033
Miscellaneous	113,342	1,939	115,281
Totals	<u>\$ 2,785,979</u>	<u>\$ 19,124</u>	<u>\$ 2,805,103</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 5 - INTERFUND ACTIVITIES**

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. 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.

**A. Due From/Due To Other Funds**

Individual fund interfund receivable and payable balances at June 30, 2011 were as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 3,676	\$ 47,310
Building	37,685	
Cafeteria	3	3,676
Capital Facilities	<u>9,622</u>	<u>          </u>
Totals	<u>\$ 50,986</u>	<u>\$ 50,986</u>

All interfund receivables and payables are scheduled to be paid within one year.

**B. Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2010-11 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General - District	\$ 792,523	\$ 51,477
General - Component Unit		586,737
Building		215,246
Cafeteria	51,477	
Capital Facilities	9,622	
Capital Projects - Special Reserve	<u>          </u>	<u>162</u>
Totals	<u>\$ 853,622</u>	<u>\$ 853,622</u>

Transfer of \$51,477 from the General Fund to the Cafeteria Fund to support the program.

Transfer of \$586,737 of contributions from the General Fund - Component Unit to the General Fund - District to support educational programs.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)**

**B. Interfund Transfers (Concluded)**

Transfer of \$215,246 from the Building Fund to the General Fund to reimburse for bond related expenditures incurred in prior fiscal year.

Transfer of \$162 from the Capital Projects - Special Reserve Fund to the General Fund to close the fund.

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2011, is presented below:

	Balances <u>July 1, 2010</u>	Additions	Deletions	Balances <u>June 30, 2011</u>
Land	\$ 992,328			\$ 992,328
Sites and Improvements	2,592,218			2,592,218
Buildings and Improvements	34,716,157			34,716,157
Furniture and Equipment	502,932	\$ 81,856		584,788
Work-in-Progress	0	794,449		794,449
<b>Totals at Historical Cost</b>	<b>38,803,635</b>	<b>876,305</b>	<b>\$ 0</b>	<b>39,679,940</b>
Less Accumulated Depreciation for:				
Sites and Improvements	2,510,832	10,600		2,521,432
Buildings and Improvements	13,981,303	1,261,184		15,242,487
Furniture and Equipment	363,335	32,716		396,051
<b>Total Accumulated Depreciation</b>	<b>16,855,470</b>	<b>1,304,500</b>	<b>0</b>	<b>18,159,970</b>
Governmental Activities				
Capital Assets, net	<u>\$ 21,948,165</u>	<u>\$ (428,195)</u>	<u>\$ 0</u>	<u>\$ 21,519,970</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 855,977
Supervision of Instruction	20,070
Instructional Library and Technology	29,417
School Site Administration	88,727
Home-To-School Transportation	16,846
Food Services	39,851
Other Pupil Services	34,473
Data Processing Services	12,208
Other General Administration	92,997
Plant Services	<u>113,934</u>
<b>Total</b>	<b><u>\$ 1,304,500</u></b>



**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 7 - GENERAL OBLIGATION BONDS**

On February 2, 2011, the District issued \$6,150,000 of general obligation refunding bonds for purposes of advance refunding the District's outstanding Election of 1999, General Obligation Bonds, Series 2001, and to pay costs of issuance related to the refunding bonds. The refunding bonds were issued to lower the District's debt service requirements and reduce the tax burden on those who own property within the District. The advance refunding resulted in an economic gain of \$331,986.

On the November 2, 2010, general election, the registered voters of the District approved Measure A, which authorizes the District to issue up to \$41,000,000 in general obligation bonds to maintain quality local public education, relieve overcrowding, maintain low class size ratios, restore art, music, multipurpose rooms, build science labs, upgrade computer/classroom technology and energy efficiency, and replace portables with permanent classrooms. On May 25, 2011, the District issued general obligation bonds in the amount of \$10,000,426.

The outstanding general obligation debt of the District as of June 30, 2011 is as follows:

**A. Current Interest Bonds**

<u>Date Of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2011</u>
6/1/99	4.30-4.60	8/1/12	\$ 5,895,000	\$ 2,015,000		\$ 625,000	\$ 1,390,000
7/1/01	4.25-5.00	8/1/20	8,295,000	6,495,000		6,495,000	0
2/2/11	2.00-4.00	8/1/20	6,150,000	0	\$ 6,150,000		6,150,000
5/25/11	2.00-4.50	8/1/41	8,840,000	0	8,840,000		8,840,000
<b>Totals</b>			<b>\$ 29,180,000</b>	<b>\$ 8,510,000</b>	<b>\$ 14,990,000</b>	<b>\$ 7,120,000</b>	<b>\$ 16,380,000</b>

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 1,090,000	\$ 564,478	\$ 1,654,478
2013	1,975,000	649,510	2,624,510
2014	505,000	607,950	1,112,950
2015	545,000	586,950	1,131,950
2016	585,000	564,350	1,149,350
2017-2021	3,885,000	2,420,937	6,305,937
2022-2026	1,070,000	1,917,613	2,987,613
2027-2031	1,330,000	1,675,900	3,005,900
2032-2036	595,000	1,334,875	1,929,875
2037-2041	3,430,000	1,040,050	4,470,050
2042-2046	1,370,000	37,675	1,407,675
<b>Totals</b>	<b>\$ 16,380,000</b>	<b>\$ 11,400,288</b>	<b>\$ 27,780,288</b>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)**

**B. Capital Appreciation Bonds**

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2010	Issued Current Year	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2011
6/1/99	5.00-5.38	6/1/24	\$ 3,904,790	\$ 6,919,776		\$ 367,386		\$ 7,287,162
7/1/01	5.61	7/1/26	1,704,424	2,797,496		159,127		2,956,623
5/25/11	6.60-12.00	8/1/38	1,160,426	0	\$ 1,160,426	7,143		1,167,569
Totals			<u>\$ 6,769,640</u>	<u>\$ 9,717,272</u>	<u>\$ 1,160,426</u>	<u>\$ 533,656</u>	<u>\$ 0</u>	<u>\$ 11,411,354</u>

The outstanding obligation for the Series 1999 capital appreciation bonds at June 30, 2011, was as follows:

Year Ended June 30	Rate %	Amount of Original Issue (Principal)	Accreted Interest	Totals
2012		\$ 0	\$ 0	\$ 0
2013		0	0	0
2014	5.00	385,415	313,839	699,254
2015	5.10	370,796	309,888	680,684
2016	5.15	358,616	303,603	662,219
2017-2021	5.20-5.30	1,640,903	1,428,062	3,068,965
2022-2026	5.35-5.38	1,149,060	1,026,980	2,176,040
Totals		<u>\$ 3,904,790</u>	<u>\$ 3,382,372</u>	<u>\$ 7,287,162</u>

The annual requirements to amortize the Series 1999 capital appreciation bonds at June 30, 2011, are as follows:

Year Ended June 30	Principal	Interest	Totals
2012	\$ 0	\$ 0	\$ 0
2013	0	0	0
2014	385,415	389,585	775,000
2015	370,796	424,204	795,000
2016	358,616	456,384	815,000
2017-2021	1,640,903	2,794,097	4,435,000
2022-2026	1,149,060	2,860,940	4,010,000
Totals	<u>\$ 3,904,790</u>	<u>\$ 6,925,210</u>	<u>\$ 10,830,000</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)**

**B. Capital Appreciation Bonds (Continued)**

The outstanding obligation for the Series 2001 capital appreciation bonds at June 30, 2011, was as follows:

Year Ended June 30	Rate %	Amount of Original Issue (Principal)	Accreted Interest	Totals
2012-2016		\$ 0	\$ 0	\$ 0
2017-2021		0	0	0
2022-2026		0	0	0
2027-2031	5.61	1,704,424	1,252,199	2,956,623
<b>Totals</b>		<b>\$ 1,704,424</b>	<b>\$ 1,252,199</b>	<b>\$ 2,956,623</b>

The annual requirements to amortize the Series 2001 capital appreciation bonds at June 30, 2011, are as follows:

Year Ended June 30	Principal	Interest	Totals
2012-2016	\$ 0	\$ 0	\$ 0
2017-2021	0	0	0
2022-2026	0	0	0
2027-2031	1,704,424	5,075,576	6,780,000
<b>Totals</b>	<b>\$ 1,704,424</b>	<b>\$ 5,075,576</b>	<b>\$ 6,780,000</b>

The outstanding obligation for the Series 2011 capital appreciation bonds at June 30, 2011, was as follows:

Year Ended June 30	Rate %	Amount of Original Issue (Principal)	Accreted Interest	Totals
2012-2016	12.00	\$ 3,071	\$ 30	\$ 3,101
2017-2021	12.00	32,823	328	33,151
2022-2026		0	0	0
2027-2031	6.60-12.00	263,205	1,517	264,722
2032-2036	7.16-7.40	593,771	3,604	597,375
2037-2041	7.45-7.48	267,556	1,664	269,220
<b>Totals</b>		<b>\$ 1,160,426</b>	<b>\$ 7,143</b>	<b>\$ 1,167,569</b>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)**

**B. Capital Appreciation Bonds (Concluded)**

The annual requirements to amortize the Series 2011 capital appreciation bonds at June 30, 2011, are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012-2016	\$ 3,071	\$ 1929	\$ 5,000
2017-2021	32,823	32,177	65,000
2022-2026	0	0	0
2027-2031	263,205	571,795	835,000
2032-2036	593,771	2,426,229	3,020,000
2037-2041	<u>267,556</u>	<u>1,487,444</u>	<u>1,755,000</u>
 Totals	 <u>\$ 1,160,426</u>	 <u>\$ 4,519,574</u>	 <u>\$ 5,680,000</u>

**NOTE 8 - CAPITAL LEASES**

The District leases solar equipment valued at \$1,385,000 and copiers valued at \$35,931 under lease agreements that provide for title to pass upon expiration of the lease periods. Future minimum lease payments under these agreements are as follows:

Year Ended <u>June 30</u>	<u>Lease Payments</u>
2012	\$ 141,003
2013	141,004
2014	141,004
2015	134,242
2016	123,451
2017-2021	<u>564,432</u>
 Total	 1,245,136
 Less amounts representing interest	 <u>(235,659)</u>
 Present value of net minimum lease payments	 <u>\$ 1,009,477</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for these assets.

ROSS VALLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

From an accrual accounting perspective, the cost of other post employment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when the benefits are paid or provided. Governmental Accounting Standards Board Statement No. 45 requires an accrual basis measurement and recognition of OPEB cost over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan.

Plan Descriptions: The District provides medical coverage to certificated and classified employees who retire at a minimum age of 55 with at least 40 years of service in the District and are eligible for pension benefits from either California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS).

The District sponsors health care coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. The District contributes the required statutory PEMHCA contribution (currently \$102.60 per month) for all eligible retirees for life. Under the "Unequal Contribution Provision" the District's retiree medical contribution began at \$1 per month and must increase over 20 years to equal the District's active employee required contribution of \$634.07 per month for certificated employees and \$618.60 per month for classified employees. This capped amount is a collectively bargained result that is not expected to change in the near future. The retiree is responsible for self-paying 100% of all premiums for spouses or dependents of any age.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

The District had 205 active employees and 65 retired employees as of June 30, 2010, the effective date of the biennial OPEB valuation.

Funding Policy: The District currently pays for post employment health care benefits on a pay-as-you-go basis. Although the District is studying the establishment of a trust to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2011, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$442,065 for the year ended June 30, 2011:

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)**

Normal cost with interest to end of year	\$	38,000
Amortization of UAAL with interest to end of year		61,000
Annual required contribution (ARC)		99,000
Interest on net OPEB obligation		16,000
Adjustment to ARC		(39,600)
Annual OPEB cost (expense)		75,400
Contributions for the fiscal year		(89,875)
Decrease in net OPEB obligation		(14,475)
Net OPEB obligation - June 30, 2010		456,540
Net OPEB obligation - June 30, 2011	\$	442,065

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years are presented in the following table:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 75,400	119.2%	\$ 442,065
June 30, 2010	297,400	21.5%	456,540
June 30, 2009	296,000	24.6%	223,098

**Actuarial Methods and Assumptions:** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010, actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization over a 30 year open basis. The actuarial assumptions utilized a 3.50% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial health care cost trend rate of 10%, which grades down to an ultimate rate of 5% by the 6<sup>th</sup> year.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 10 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2011, is shown below:

	Balances July 1, 2010	Additions	Deductions	Balances June 30, 2011	Due within One Year
Compensated Absences	\$ 115,370	\$ 48,737	\$ 115,370	\$ 48,737	\$ 48,737
General Obligation Bonds					
Current Interest	8,510,000	14,990,000	7,120,000	16,380,000	1,090,000
Capital Appreciation	9,717,272	1,694,082		11,411,354	
Capital Leases	1,086,065	14,429	91,017	1,009,477	95,649
Other Post Employment Benefits	456,540	75,400	89,875	442,065	99,000
Totals	<u>\$ 19,885,247</u>	<u>\$ 16,822,648</u>	<u>\$ 7,416,262</u>	<u>\$ 29,291,633</u>	<u>\$ 1,333,386</u>

**NOTE 11 - FUND BALANCES**

The District's fund balances at June 30, 2011 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 3,000				\$ 3,000
Restricted	349,603	\$ 1,304,487	\$ 9,057,921	\$ 127,443	10,839,454
Assigned				23,975	23,975
Unassigned:					
Economic Uncertainties	509,000				509,000
Other	2,783,016				2,783,016
Totals	<u>\$ 3,644,619</u>	<u>\$ 1,304,487</u>	<u>\$ 9,057,921</u>	<u>\$ 151,418</u>	<u>\$ 14,158,445</u>

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under 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 Public Employees' Retirement System (PERS).

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

**Plan Description**

The 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 plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 100 Waterfront Place, West Sacramento, California 95605.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)**

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

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$715,303, \$700,663, and \$703,061, respectively, and equal 100% of the required contributions for each year.

**B. California Public Employees' Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement 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, Sacramento, CA 95811.

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-11 was 10.707%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$298,911, \$256,157, and \$251,437, respectively, and equal 100% of the required contributions for each year.

**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 as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, each employee was required to contribute 6.2% of his or her gross earnings for the period July 2010 to December 2010 and 4.2% for the period January 2011 to June 2011.



**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 13 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA**

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS) for K-12 education. These payments consist of state general fund contributions of \$369,952 to STRS (4.267% of salaries subject to STRS).

**NOTE 14 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010-11, the District participated in two joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years.

**NOTE 15 - JOINT VENTURES**

**A. Marin Pupil Transportation Agency (MPTA)**

The District participates in a joint venture under a joint powers agreement with MPTA for pupil transportation services for special education children. The relationship between the District and MPTA is such that MPTA is not a component unit of the District for financial reporting purposes.

MPTA arranges for and/or provides special education transportation services for its members. MPTA is governed by a board consisting of a representative from each member district. MPTA's board controls the operations of MPTA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the Board. Each member district pays a fee commensurate with the level of service requested, and shares surpluses and deficits proportionately to their participation in MPTA. MPTA is audited on an annual basis. Audited financial statements can be obtained by contacting MPTA's management.

**B. Marin Schools Insurance Authority (MSIA)**

The District participates in a joint venture under a joint powers agreement with MSIA for workers' compensation and property and liability insurance. The relationship between the District and MSIA is such that MSIA is not a component unit of the District for financial reporting purposes.

MSIA arranges for and/or provides coverage for its members. MSIA is governed by a board consisting of a representative from each member district. MSIA's governing board controls the operations of MSIA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in MSIA.

MSIA is audited on an annual basis. Audited financial statements can be obtained by contacting MSIA's management.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 15 - JOINT VENTURES (CONCLUDED)**

**C. Schools Excess Liability Fund (SELF)**

The District participates in a joint venture under a joint powers agreement with SELF which provides workers' compensation and property and liability insurance for its members in excess of their standard liability insurance coverage. The relationship between the District and SELF is such that SELF is not a component unit of the District for financial reporting purposes.

SELF is governed by a board consisting of an elected representative for each of six California divisions; the District is a member of one of these divisions. SELF's governing board controls the operations of SELF, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board.

Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in SELF. SELF is audited on an annual basis. Audited financial statements can be obtained by contacting SELF's management.

**NOTE 16 - DEFEASED DEBT**

Certain general obligation bonds of the District have been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts held and managed by bank trustees, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow amount and the defeased bonds are not included in the District's financial statements. The defeased bonds outstanding at June 30, 2011 considered extinguished are as follows:

<u>Bond Series</u>	<u>Maturities Refunded</u>	<u>Principal Refunded</u>
Election of 1999, Series 2001	2012-2021	\$ 6,120,000

**NOTE 17 - COMMITMENTS AND CONTINGENCIES**

**A. State and Federal Allowances, Awards and Grants**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

**B. Litigation**

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 18 - ECONOMIC DEPENDENCY**

During the year, the District received \$2,296,343 of parcel tax revenue that is subject to voter approval, and \$586,737 from the Ross Valley Schools Foundation, a non-profit charitable organization, that is subject to voluntary public contributions to the organization.

**NOTE 19 - RECLASSIFICATION OF FUND BALANCES**

The beginning fund balances of the General Fund and the Deferred Maintenance Fund have been combined for financial reporting purposes in accordance with GASB 54 (see note 1C):

	General Fund	Deferred Maintenance Fund
Fund Balances - July 1, 2010 (as originally stated)	\$ 2,994,162	\$ 66
Reclassification of Fund Balances	66	(66)
Fund Balances - July 1, 2010 (as restated)	\$ 2,994,228	\$ 0



SUPPLEMENTARY INFORMATION SECTION



**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b><u>Revenues</u></b>				
Revenue Limit Sources:				
State Apportionment	\$ 6,765,411	\$ 7,424,449	\$ 7,429,653	\$ 5,204
Local Sources	3,051,594	3,006,365	3,061,513	55,148
Total Revenue Limit Sources	9,817,005	10,430,814	10,491,166	60,352
Federal Revenue	635,029	755,009	572,001	(183,008)
Other State Revenue	1,907,287	1,989,392	1,992,148	2,756
Other Local Revenue	4,314,766	4,465,936	4,363,898	(102,038)
Total Revenues	16,674,087	17,641,151	17,419,213	(221,938)
<b><u>Expenditures</u></b>				
Certificated Salaries	8,781,787	8,861,020	8,822,656	38,364
Classified Salaries	2,779,315	2,806,870	2,718,677	88,193
Employee Benefits	2,869,946	2,914,700	2,776,186	138,514
Books and Supplies	775,834	829,802	469,628	360,174
Services and Other				
Operating Expenditures	2,086,165	2,262,522	1,740,025	522,497
Capital Outlay		9,653	69,588	(59,935)
Debt Service:				
Principal Retirement	54,800	85,147	91,017	(5,870)
Interest and Fiscal Charges	90,752	64,351	50,193	14,158
Other Expenditures	198,228	197,278	199,590	(2,312)
Total Expenditures	17,636,827	18,031,343	16,937,560	1,093,783
Excess of Revenues Over (Under) Expenditures	(962,740)	(390,192)	481,653	871,845
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In			205,786	205,786
Operating Transfers Out	(15,814)	(36,952)	(51,477)	(14,525)
Other Sources			14,429	14,429
Total Other Financing Sources (Uses)	(15,814)	(36,952)	168,738	205,690
Net Change in Fund Balances	(978,554)	(427,144)	650,391	\$ 1,077,535
Fund Balances - (As restated - Note 19) July 1, 2010	2,994,228	2,994,228	2,994,228	
Fund Balances - June 30, 2011	\$ 2,015,674	\$ 2,567,084	\$ 3,644,619	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS VALLEY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Cafeteria	Capital Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
<b><u>Assets</u></b>				
Deposits and Investments	\$ 8,718	\$ 118,631		\$ 127,349
Receivables	19,124			19,124
Due from Other Funds	3	9,622		9,625
Total Assets	<u>\$ 27,845</u>	<u>\$ 128,253</u>	<u>\$ 0</u>	<u>\$ 156,098</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts Payable	\$ 194	\$ 810		\$ 1,004
Due to Other Funds	3,676			3,676
Total Liabilities	<u>3,870</u>	<u>810</u>		<u>4,680</u>
Fund Balances:				
Restricted		127,443		127,443
Assigned	23,975			23,975
Total Fund Balances	<u>23,975</u>	<u>127,443</u>		<u>151,418</u>
Total Liabilities and Fund Balances	<u>\$ 27,845</u>	<u>\$ 128,253</u>	<u>\$ 0</u>	<u>\$ 156,098</u>



**ROSS VALLEY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Cafeteria</u>	<u>Capital Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Revenues</u></b>				
Federal Revenue	\$ 105,762			\$ 105,762
State Revenue	7,336			7,336
Local Revenue	375,716	\$ 53,744	\$ 110	429,570
Total Revenues	<u>488,814</u>	<u>53,744</u>	<u>110</u>	<u>542,668</u>
<b><u>Expenditures</u></b>				
Food Services	512,640			512,640
Other General Administration	3,676			3,676
Plant Services		20,323		20,323
Facilities Acquisition and Construction		91,854		91,854
Total Expenditures	<u>516,316</u>	<u>112,177</u>	<u>0</u>	<u>628,493</u>
Excess of Revenues Over (Under) Expenditures	<u>(27,502)</u>	<u>(58,433)</u>	<u>110</u>	<u>(85,825)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In	51,477	9,622		61,099
Operating Transfers Out			(162)	(162)
Total Other Financing Sources (Uses)	<u>51,477</u>	<u>9,622</u>	<u>(162)</u>	<u>60,937</u>
Net Change in Fund Balances	23,975	(48,811)	(52)	(24,888)
Fund Balances - July 1, 2010	<u>0</u>	<u>176,254</u>	<u>52</u>	<u>176,306</u>
Fund Balances - June 30, 2011	<u>\$ 23,975</u>	<u>\$ 127,443</u>	<u>\$ 0</u>	<u>\$ 151,418</u>

ROSS VALLEY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
6/30/10	\$ 0	\$ 1,838,000	\$ 1,838,000	0%	\$ 11,242,011	16.3%
6/30/08	\$ 0	\$ 4,744,000	\$ 4,744,000	0%	\$ 8,031,900	59.1%

ROSS VALLEY SCHOOL DISTRICT  
ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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ORGANIZATION

The Ross Valley School District operates four elementary schools and one middle school, and serves the San Anselmo and Fairfax communities in Marin County, California. There were no changes in District boundaries during the year.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Chris Carlucci, M.D.	President	December 2013
Heidi Kritscher Weller	Clerk	December 2013
Annelise Bauer	Member	December 2011
Conn Hickey	Member	December 2011
Sharon Sagar	Member	December 2011

ADMINISTRATION

Eileen Rohan  
Superintendent

Kathleen Clow  
Business Manager

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>District Reported</u>	<u>Audited</u>	<u>District Reported</u>	<u>Audited</u>
<u>Elementary</u>				
Kindergarten	238.55	238.55	239.39	239.39
First through Third	749.52	749.52	749.11	749.11
Fourth through Sixth	627.41	627.41	628.08	628.08
Seventh and Eighth	363.68	363.68	362.40	362.40
Special Education - SDC	5.75	5.75	5.74	5.74
Special Education - Nonpublic	4.56	4.56	5.47	4.77
Extended Year Special Education - SDC	1.42	1.42	1.42	1.42
Extended Year Program - Nonpublic	3.74	0.81	3.74	0.81
Totals	<u>1,994.63</u>	<u>1,991.70</u>	<u>1,995.35</u>	<u>1,991.72</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Adjusted 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Required</u>	<u>Adjusted 1986-87 Minutes Required</u>	<u>2010-11 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	32,400	31,500	36,000	35,000	42,550	180	N/A	In Compliance
Grade 1	45,900	44,625	50,400	49,000	54,350	180	N/A	In Compliance
Grade 2	45,900	44,625	50,400	49,000	54,350	180	N/A	In Compliance
Grade 3	45,900	44,625	50,400	49,000	54,350	180	N/A	In Compliance
Grade 4	54,480	52,967	54,000	52,500	54,830	180	N/A	In Compliance
Grade 5	54,480	52,967	54,000	52,500	54,830	180	N/A	In Compliance
Grade 6	54,480	52,967	54,000	52,500	65,954	180	N/A	In Compliance
Grade 7	56,625	55,052	54,000	52,500	65,954	180	N/A	In Compliance
Grade 8	56,625	55,052	54,000	52,500	65,954	180	N/A	In Compliance

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Agriculture: Passed through California Department of Education (CDE): National School Lunch	10.555	13524	\$ 105,762
U.S. Department of Education: Passed through CDE:			
NCLB: Title I Basic Grants Low-Income & Neglected	84.010	14329	83,362
NCLB: Title II - Improving Teacher Quality	84.367	14341	68,042
NCLB: Title III - Immigrant Education Program	84.365	14346	3,164
NCLB: ARRA Title II, Part D - EETT	84.386	15019	839
NCLB: Title III - Limited English Proficient	84.365	10084	7,667
ARRA State Fiscal Stabilization Fund	84.394	25008	122,724
Passed through Marin County SELPA: <i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	251,201
ARRA IDEA Part B Local Assistance	84.391	15003	69,689
ARRA IDEA Part B Local Assistance Private School	84.391	10123	1,359
Total			<u>\$ 713,809</u>

**ROSS VALLEY SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund
June 30, 2011 Annual Financial and Budget Report Fund Balances	\$ 3,525,629	\$ 66	\$ 9,020,236	\$ 117,821
Reclassifications and Adjustments Increasing (Decreasing) Fund Balances:				
Understatement of Due from Other Funds			37,685	9,622
Understatement of Due to Other Funds	(47,307)			
Reclassification of Fund Balances	66	(66)		
Overstatement of Classified Salaries Expenditures	18			
Overstatement of Books and Supplies Expenditures	1,211			
Overstatement of Services and Other Operating Expenditures	25,610			
Understatement of State Apportionment	55,756			
Understatement of Other State Revenues	66,006			
Understatement of Local Sources (Taxes)	37,010			
Overstatement of Other Local Revenues	(19,380)			
Total Reclassifications and Adjustments Increasing (Decreasing) Fund Balances	118,990	(66)	37,685	9,622
June 30, 2011 Audited Financial Statements Fund Balances	\$ 3,644,619	\$ 0	\$ 9,057,921	\$ 127,443

**Auditor's Comments**

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2011.

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	GENERAL FUND			
	(Budget) * 2011-12 **	2010-11	2009-10	2008-09
Revenues and Other Financial Sources	\$ 18,152,692	\$ 17,639,428	\$ 16,808,204	\$ 17,888,370
Expenditures	17,632,550	16,937,560	17,682,799	17,076,220
Other Uses and Transfers Out	39,200	51,477	34,213	84,500
Total Outgo	17,671,750	16,989,037	17,717,012	17,160,720
Change in Fund Balance	480,942	650,391	(908,808)	727,650
Ending Fund Balance	\$ 4,125,561	\$ 3,644,619	\$ 2,994,228 <sup>(1)</sup>	\$ 3,902,970
Available Reserves	\$ 3,685,723	\$ 2,783,016	\$ 2,329,419	\$ 2,389,112
Reserve for Economic Uncertainties ***	\$ 530,153	\$ 509,000	\$ 531,882	\$ 858,036
Available Reserves as a Percentage of Total Outgo	20.9%	16.4%	13.1%	13.9%
Average Daily Attendance at P-2	2,061	1,992	1,908	1,869
Total Long-Term Liabilities	\$ 27,958,247	\$ 29,291,633	\$ 19,885,247	\$ 20,122,292

\* Amounts reported for the 2011-12 budget are presented for analytical purposes only and have not been audited.

\*\* Amounts have been adjusted to ensure comparability with the current year GASB 54 financial statement presentation.

\*\*\* Reported balances are a component of available reserves.

(1) The amount presented for fiscal year 2009-10 has been adjusted to reflect the reclassification discussed in Note 19 of these financial statements.

The fund balance of the General Fund decreased \$258,351 (6.6%) over the past two years. The fiscal year 2011-12 budget projects an increase of \$480,942. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The General Fund produced operating surpluses of \$650,391 and \$727,650 during fiscal years 2010-11 and 2008-09, respectively, and incurred an operating deficit of \$908,808, during fiscal year 2009-10.

Average daily attendance (ADA) increased 123 ADA over the past two years. The District projects an increase of 69 ADA during fiscal year 2011-12.

Total long-term liabilities increased \$9,169,341 over the past two years, due primarily to the issuance of \$10,000,426 of general obligation bonds during fiscal year 2010-11.



**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES**

**A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

**B. Combining Statements**

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

**C. Schedule of Funding Progress**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the District is required to present a Schedule of Funding Progress which shows the funding progress of the District's OPEB plan for the most recent valuation and the two preceding valuations. The information required to be disclosed includes the valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll and the ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll.

**D. 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.

**E. Schedule of Instructional Time**

The District receives incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

**F. Schedule of Expenditures of Federal Awards**

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

ROSS VALLEY SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

G. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds, as reported in the Annual Financial and Budget Report to the audited financial statements.

H. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

**OTHER INDEPENDENT AUDITOR'S REPORTS SECTION**



**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Education  
Ross Valley School District  
San Anselmo, California

We have audited Ross Valley School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11* to the state laws and regulations listed below for the year ended June 30, 2011. Compliance with the requirements of state laws and regulations is the responsibility of the District's management. Our responsibility is to express an opinion on Ross Valley School District's compliance based on our audit.

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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, prescribed in the California Code of Regulations, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Ross Valley 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. Our audit does not provide a legal determination of Ross Valley School District's compliance with those requirements.

<u>Description</u>	<u>Procedures in Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Material:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes

<u>Description</u>	<u>Procedures In Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Class Size Reduction Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Contemporaneous Records of Attendance For Charter Schools	1	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	3	Not Applicable

We did not perform tests for the independent study program because the ADA claimed by the District does not exceed the threshold that requires testing.

In our opinion, Ross Valley School District complied with the state laws and regulations referred to above for the year ended June 30, 2011, except as described in the accompanying Schedule of Findings and Questioned Costs. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Ross Valley School District had not complied with the state laws and regulations.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the District's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
 Certified Public Accountants

January 25, 2012

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

**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  
Ross Valley School District  
San Anselmo, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 25, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses, as noted in **Findings 11-1 and 11-2**.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies, as noted in **Finding 11-3**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the District's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

January 25, 2012



**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Ross Valley School District  
San Anselmo, California

Compliance

We have audited Ross Valley School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ross Valley School District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on Ross Valley School District's compliance based on our audit.

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

In our opinion, Ross Valley School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Ross Valley School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 internal control over compliance* is a deficiency, or 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the District's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

January 25, 2012

FINDINGS AND QUESTIONED COSTS SECTION



**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	X	Yes	_____	No
Significant deficiencies identified not considered to be material weaknesses?	X	Yes	_____	None reported
Noncompliance material to financial statements noted?	_____	Yes	X	No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified?	_____	Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	X	None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

	_____	Yes	X	No
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Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>
84.394	ARRA State Fiscal Stabilization Fund
84.027 & 84.391	Special Education Cluster

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

Auditee qualified as low-risk auditee?

	_____	Yes	X	No
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**State Awards**

Internal control over state programs:

Material weaknesses identified?	_____	Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?	X	Yes	_____	None reported

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

ROSS VALLEY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

11 - 1 / 30000

**MATERIAL WEAKNESS**

**FINANCIAL REPORTING - UNAUDITED ACTUALS**

<u>Criteria:</u>	Each year, school districts are responsible for preparing complete and accurate financial information, which is reported to the California Department of Education in the form of the "Unaudited Actuals" Financial Report. Accordingly, districts should have an effective system of internal control over financial reporting that will ensure that the information contained in the report is free of material misstatement.
<u>Condition:</u>	The District's "Unaudited Actuals" included misstatements that we consider to be material to the District's annual financial statements. Accordingly, it appears that internal control over financial reporting was inadequate in the areas where the audit adjustments were required.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The adjustments that were made to ensure that the financial statements were fairly stated are presented on page 55 of this report.
<u>Effect:</u>	When an effective system of internal control over financial reporting is not in place, there is a reasonable possibility that material misstatements of the District's financial statements will not be prevented, or detected and corrected on a timely basis.
<u>Cause:</u>	The District did not appear to perform a formal comprehensive financial reporting review of the information that is presented in the "Unaudited Actuals".
<u>Recommendation:</u>	The District should develop a comprehensive financial reporting checklist, which can be used by staff during the year-end closing process, to prevent material misstatements from occurring in the future.
<u>District Response:</u>	The District will utilize a comprehensive financial reporting checklist during the year-end closing process to prevent misstatements from occurring.

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

11 - 2 / 30000

**MATERIAL WEAKNESS**

**ACCOUNTS RECEIVABLE / PAYABLE RECONCILIATION**

Criteria: An effective system of internal control over financial reporting requires all accounts receivable and accounts payable accruals established in the prior fiscal year to be reconciled to amounts actually received and paid. In addition, any differences noted between the amounts accrued and the amounts actually received and paid should be investigated and cleared in a timely manner.

Condition: The accounts receivable and accounts payable accruals that were established in the prior fiscal year were not reconciled to the amounts actually received and paid during the current year. As a result, several uncleared accrual balances from the prior year were carried over into the current year.

Questioned Costs: None.

Context: The uncleared accounts receivable and accounts payable balances resulted in adjustments that were made to ensure that the financial statements were fairly stated are presented on page 55 of this report.

Effect: Accounts receivable and accounts payable accruals were not reconciled and cleared in a timely manner, and the uncleared accrual balances resulted in materially misstated financial statements.

Cause: The District has not adequately established procedures to ensure that only legitimate accounts receivable and accounts payable balances are included on the general ledger at June 30 of each fiscal year.

Recommendation: The District should establish procedures that require all accounts receivable and accounts payable accruals, established in the prior fiscal year, to be reconciled to the amounts received and paid. Any differences noted between the amounts accrued and the amounts actually received and paid should be investigated and cleared in a timely manner.

District Response: The District will establish procedures to reconcile all accounts receivable and accounts payable accruals recorded in the prior year to amounts received or paid in the current year. Any unreconciled differences will be investigated and cleared before the books are closed for the current year.

ROSS VALLEY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

11 - 3 / 30000

**SIGNIFICANT DEFICIENCY**

BOARD MINUTES

Criteria: Per Education Code Section 35163, every official action taken by the governing board of every school district shall be affirmed by a formal vote of the members of the board, and the governing board of every school district shall keep minutes of its meetings, and shall maintain a journal of its proceedings in which shall be recorded every official act taken. In addition, board minutes should be reviewed and approved by the governing board in a subsequent board meeting, at which time they are considered the official board minutes.

Condition: Board minutes were not recorded for three board meetings held during the 2010-11 fiscal year. In addition, we noted no board approval for thirteen (13) board meeting minutes.

Questioned Cost: None.

Context: Board meetings held during the 2010-11 fiscal year.

Effect: The District did not comply with the requirements of Education Code Section 35163. In addition, when minutes of board meetings are not recorded, information on board discussions and actions is not made available to the public.

Cause: The District was not aware of the specific requirements of Education Code Section 35163.

Recommendation: The District should implement procedures to ensure that board minutes are recorded and maintained for each board meeting, and that these board minutes are reviewed and approved by the governing board in a subsequent board meeting.

District Response: The District has implemented procedures to record minutes at all board meetings and review and approve the minutes at a subsequent school board meeting.



ROSS VALLEY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no matters to report for the fiscal year ended June 30, 2011.

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**11 - 4 / 10000**

**SIGNIFICANT DEFICIENCY**

**NON-PUBLIC SCHOOL ATTENDANCE**

**Criteria:** A worksheet should be used by the District to accumulate the days of attendance for each student at the various nonpublic, nonsectarian schools in-order to calculate the average daily attendance (ADA) that should be claimed on the attendance reports.

**Condition:** The District incorrectly calculated the ADA generated by pupils attending special education - non-public schools on the P-2 and Annual attendance reports.

**Questioned Costs:** The ADA reported on the P-2 and Annual attendance reports was overstated by the following amounts. The questioned costs was calculated by multiplying the overstated Annual ADA by the deficated base revenue limit of \$5,197.67, estimated at \$18,868 (3.63 ADA x \$5,197.67) for the Annual attendance report.

**P-2**

<u>Line</u>	<u>Program</u>	<u>Elementary</u>
A-15	Extended Year Program - NPS	2.93

**Annual**

<u>Line</u>	<u>Program</u>	<u>Elementary</u>
A-10	Special Education - NPS	.70
A-15	Extended Year Program - NPS	2.93

**Context:** The overstated ADA amounts were identified during the review of all manual calculations involved in the preparation of the P-2 and Annual attendance reports.

**Effect:** The District reported more ADA for Special Education - NPS and Extended Year Program - NPS than it earned for the P-2 and Annual attendance periods.

**Cause:** The ADA reported on the P-2 and the Annual attendance reports was based on the estimated number of District students attending special education - nonpublic, nonsectarian schools. A worksheet that tracked the days of attendance for each student at the various nonpublic, nonsectarian schools was not used to calculate the actual ADA that should have been claimed on the P-2 and the Annual attendance reports.

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**NON-PUBLIC SCHOOL ATTENDANCE (CONCLUDED)**

**Recommendation:**

A worksheet should be used by the District to accumulate the days of attendance for each student at the various nonpublic, nonsectarian schools. The District should request and use the various nonpublic, nonsectarian schools school calendars to calculate the ADA that should be claimed on the P-2 and the Annual attendance reports. In addition, the District's P-2 and Annual attendance reports should be revised to reflect the Audited ADA presented on the Schedule of Average Daily Attendance on page 52 of this report.

**District Response:**

The District is currently utilizing a worksheet to accumulate the attendance for each student at the various non-public, non-sectarian schools during fiscal year 2011-12. The District will also use the various school calendars utilized by these schools to calculate ADA for fiscal year 2011-12. The District will revise the 2010-11 P-2 and Annual attendance reports to reflect the amounts included in the audit report.

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)**

**11 - 5 / 72000**

**SIGNIFICANT DEFICIENCY**

**SCHOOL ACCOUNTABILITY REPORT CARD - FACILITIES**

<b><u>Criteria:</u></b>	In accordance with guidance provided by the California Department of Education (CDE), the disclosures regarding safety, cleanliness, and adequacy of school facilities, which are required by Education Code Section 33126 (b)(9) to be presented in the school accountability report card prepared for each school, are to be based on the most recent available data collected by the District. In addition, the disclosures should identify the month and year the data was collected.
<b><u>Condition:</u></b>	The disclosures regarding safety, cleanliness, and adequacy of school facilities, which were presented in the school accountability report card during the 2010-11 school year, were not consistent with the most recent available data collected by the District.
<b><u>Questioned Cost:</u></b>	None.
<b><u>Context:</u></b>	The disclosures regarding safety, cleanliness, and adequacy of school facilities, which were presented in the school accountability report card during the 2010-11 school year, were not consistent with the most recent available data collected by the District.
<b><u>Effect:</u></b>	The disclosures regarding safety, cleanliness, and adequacy of school facilities, which were presented in the school accountability report card during the 2010-11 school year, were not presented in accordance with state guidelines.
<b><u>Cause:</u></b>	The District was unaware that the disclosures regarding safety, cleanliness, and adequacy of school facilities, were to be based on and consistent with the most recent available data collected by the District.
<b><u>Recommendation:</u></b>	Future school accountability report card disclosures regarding safety, cleanliness, and adequacy of school facilities, should be based on and consistent with the most recent available data collected by the District.
<b><u>District Response:</u></b>	The District will utilize the most current safety, cleanliness and adequacy of school facility data when preparing future SARC reports.

**ROSS VALLEY SCHOOL DISTRICT  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<b><u>FINANCIAL STATEMENTS</u></b>		
<b>10 - 1 / 30000</b>		
<b>SIGNIFICANT DEFICIENCY</b>		
<b><u>STUDENT BODY - CASH RECEIPTS</u></b>		
The District should actively enforce student body procedures that require cash deposit summary sheets to be completed and signed by the individual(s) who submit cash to the student body account clerk for deposit.	Implemented	
<b><u>STATE AWARDS</u></b>		
<b>10 - 2 / 72000</b>		
<b>SIGNIFICANT DEFICIENCY</b>		
<b><u>SCHOOL ACCOUNTABILITY REPORT CARD</u></b>		
The District should establish procedures to ensure that all future School Accountability Report Cards are properly completed and disseminated to parents and the public, in accordance with state law.	Implemented	

