

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

AUDIT REPORT

JUNE 30, 2012

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Net Assets - Fiduciary Funds	20
Notes to the Basic Financial Statements	21
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	47
Combining Statements:	
Combining Balance Sheet - Non-Major Governmental Funds	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	49

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2012

TABLE OF CONTENTS (CONCLUDED)

	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION (CONCLUDED)</u>	
Schedule of Funding Progress	50
Organization/Board of Education/Administration	51
Schedule of Average Daily Attendance	52
Schedule of Instructional Time	53
Schedule of Expenditures of Federal Awards	54
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	55
Schedule of Financial Trends and Analysis	56
Notes to Supplementary Information	57
<u>OTHER INDEPENDENT AUDITOR'S REPORTS SECTION</u>	
Independent Auditor's Report on State Compliance	59
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 <i>Government Auditing Standards</i>	61
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	63
<u>FINDINGS AND QUESTIONED COSTS SECTION</u>	
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	65
Section II - Financial Statement Findings	66
Section III - Federal Award Findings and Questioned Costs	67
Section IV - State Award Findings and Questioned Costs	68
Status of Prior Year Recommendations	71

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, 2012, 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 do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. The assets, liabilities, net assets, fund balance, revenues, expenses (expenditures) of the discretely presented component unit were not available.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of the District, as of June 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of omitting the discretely presented component unit as discussed above, 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, 2012, 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 December 7, 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.

Accounting principles generally accepted in the United States of America require that the 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ross Valley School District's financial statements as a whole. The accompanying combining fund financial statements and supplementary schedules listed in the table of contents, including 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2012

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

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, 2012. 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 14.0%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$910,071.
- Capital assets, net of depreciation, increased \$1,967,394, due to the current year acquisition and/or construction of \$3,264,238 of new capital assets, and the current year recognition of \$1,296,844 of depreciation expense.
- Total long-term liabilities decreased \$567,628, due primarily to the current year reduction of the District's obligation for general obligation bonds.
- The District's P-2 average daily attendance (ADA) increased from 1,992 ADA in fiscal year 2010-11, up to 2,124 ADA in fiscal year 2011-12, an increase of 132 ADA or 6.6%.
- The District's General Fund produced an operating surplus of \$689,299 during fiscal year 2011-12, and recognized a \$122,575 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 total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2011-12, General Fund expenditures and other financing uses totaled \$17,940,220. At June 30, 2012, the District had available reserves of \$2,905,591 which represents a reserve of 16.2%.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

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, 2012
(PREPARED BY DISTRICT MANAGEMENT)**

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 a separate fiduciary statement. 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, 2012
(PREPARED BY DISTRICT MANAGEMENT)**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net assets increased from \$6,479,057 at June 30, 2011, up to \$7,389,128 at June 30, 2012, an increase of 14.0%.

	Governmental Activities	
	2011	2012
<u>Assets</u>		
Deposits and Investments	\$ 12,906,977	\$ 11,396,668
Receivables	2,805,103	3,049,928
Prepaid Expenses	491,055	501,122
Capital Assets, net	21,519,970	23,487,364
Total Assets	37,723,105	38,435,082
<u>Liabilities</u>		
Current	3,285,801	4,533,503
Long-term	27,958,247	26,512,451
Total Liabilities	31,244,048	31,045,954
<u>Net Assets</u>		
Invested in Capital Assets		
- Net of Related Debt	6,511,049	6,533,977
Restricted for Capital Projects	127,443	150,464
Restricted for Debt Service	(3,337,227)	(3,188,923)
Restricted for Educational Programs	349,603	452,259
Restricted for Other Purposes	3,000	76,975
Unrestricted	2,825,189	3,364,376
Total Net Assets	\$ 6,479,057	\$ 7,389,128
<i>Table includes financial data of the combined governmental funds</i>		

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 accrued interest on the District's long-term liabilities, 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, 2012**

(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 \$910,071.

<u>Comparative Statement of Changes in Net Assets</u>		
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2012</u>
<u>Program Revenues</u>		
Charges for Services	\$ 412,628	\$ 538,035
Operating Grants & Contributions	2,426,404	3,153,490
<u>General Revenues</u>		
Taxes Levied	6,802,910	8,921,624
Federal & State Aid	9,244,399	8,986,947
Interest & Investment Earnings	23,990	27,566
Miscellaneous	515,856	462,026
Total Revenues	19,426,187	22,089,688
<u>Expenses</u>		
Instruction	11,867,085	12,678,641
Instruction-Related Services	1,916,157	1,909,474
Pupil Services	1,263,959	1,474,176
General Administration	1,458,534	1,504,866
Plant Services	1,579,553	1,892,459
Ancillary Services	53,295	20,599
Interest on Long-Term Debt	918,097	1,415,409
Other Outgo	217,766	283,993
Total Expenses	19,274,446	21,179,617
Changes in Net Assets	\$ 151,741	\$ 910,071

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, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

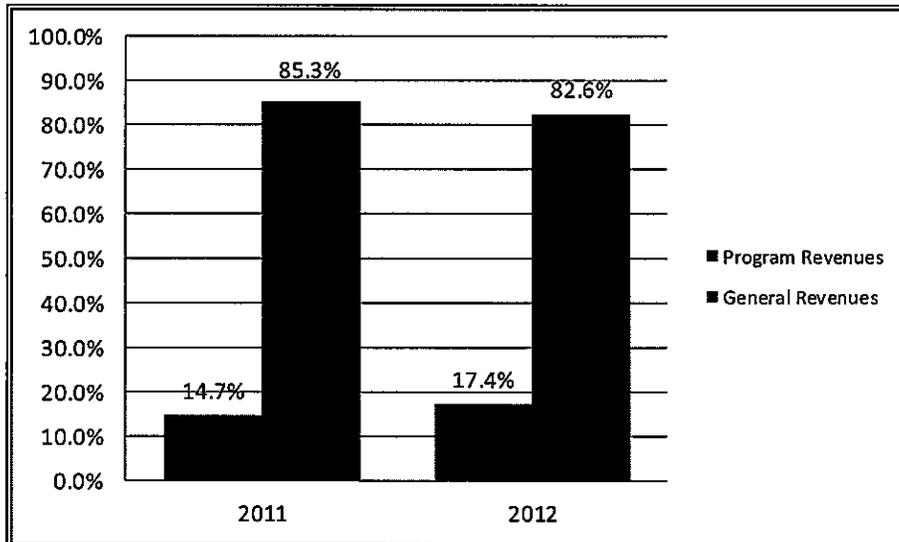
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

	Total Cost of Services		Net Cost of Services	
	2011	2012	2011	2012
Instruction	\$ 11,867,085	\$ 12,678,641	\$ 10,248,058	\$ 10,473,490
Instruction-Related Services	1,916,157	1,909,474	1,773,196	1,703,556
Pupil Services	1,263,959	1,474,176	514,971	614,850
General Administration	1,458,534	1,504,866	1,354,348	1,333,033
Plant Services	1,579,553	1,892,459	1,507,442	1,805,662
Ancillary Services	53,295	20,599	37,518	7,951
Interest on Long-Term Debt	918,097	1,415,409	918,097	1,415,409
Other Outgo	217,766	283,993	81,784	134,141
Totals	\$ 19,274,446	\$ 21,179,617	\$ 16,435,414	\$ 17,488,092

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 \$17,488,092 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2011-12, program revenues financed 17.4% of the total cost of providing the services listed above, while the remaining 82.6% 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, 2012**

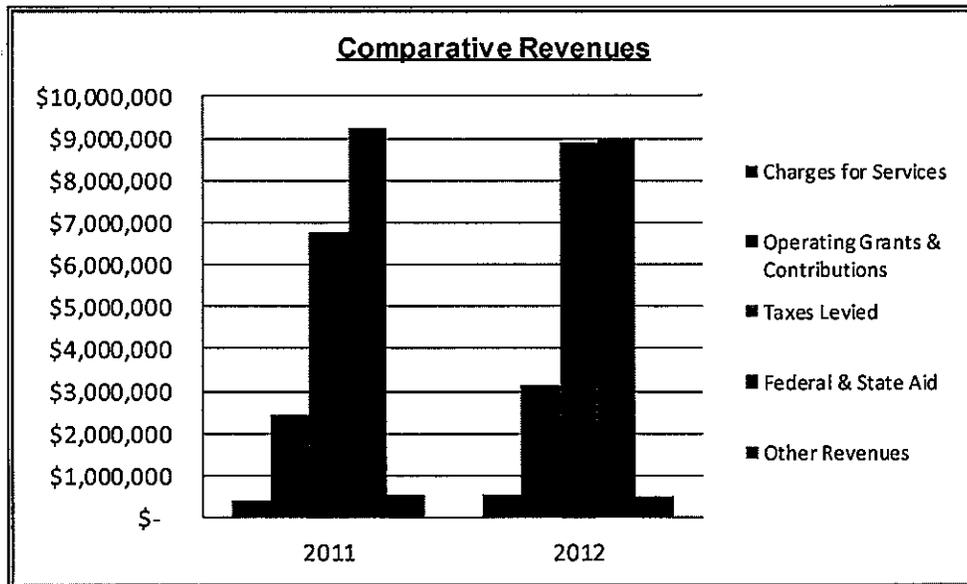
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Summary of Revenues For Governmental Functions</u>				
	<u>FYE 2011</u>	<u>Percent of</u>	<u>FYE 2012</u>	<u>Percent of</u>
	<u>Amount</u>	<u>Total</u>	<u>Amount</u>	<u>Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 412,628	2.12%	\$ 538,035	2.44%
Operating Grants & Contributions	2,426,404	12.49%	3,153,490	14.28%
<u>General Revenues</u>				
Taxes Levied	6,802,910	35.02%	8,921,624	40.39%
Federal & State Aid	9,244,399	47.59%	8,986,947	40.68%
Other Revenues	539,846	2.78%	489,592	2.22%
Total Revenues	<u>\$ 19,426,187</u>	<u>100.00%</u>	<u>\$ 22,089,688</u>	<u>100.00%</u>

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, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

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

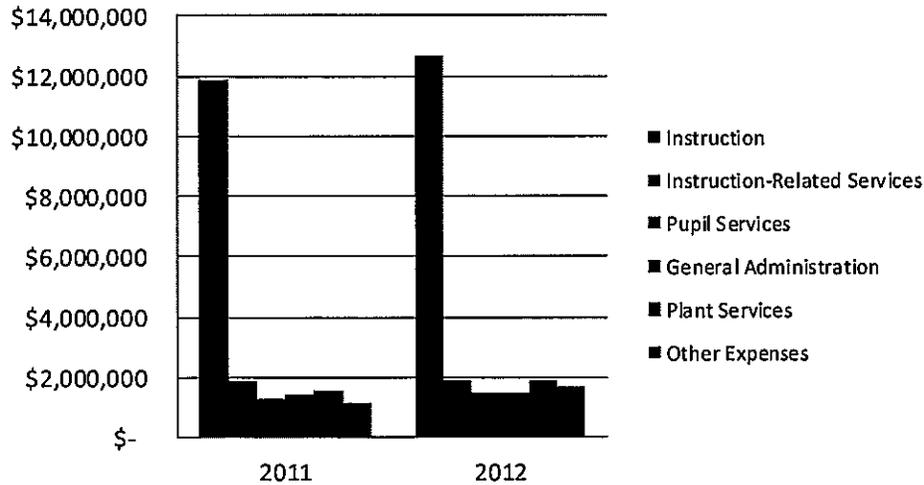
GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2011 Amount</u>	<u>Percent of Total</u>	<u>FYE 2012 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 11,867,085	61.57%	\$ 12,678,641	59.86%
Instruction-Related Services	1,916,157	9.94%	1,909,474	9.02%
Pupil Services	1,263,959	6.56%	1,474,176	6.96%
General Administration	1,458,534	7.57%	1,504,866	7.11%
Plant Services	1,579,553	8.20%	1,892,459	8.94%
Other Expenses	1,189,158	6.17%	1,720,001	8.12%
Total Expenses	\$ 19,274,446	100.00%	\$ 21,179,617	100.00%

Table includes financial data of the combined governmental funds

Comparative Expenses



**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Capital Assets</u>		
	Governmental Activities	
	2011	2012
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	584,788	584,788
Work-in-Progress	794,449	4,058,687
Subtotals	39,679,940	42,944,178
Less: Accumulated Depreciation	(18,159,970)	(19,456,814)
Capital Assets, net	<u>\$ 21,519,970</u>	<u>\$ 23,487,364</u>

Capital assets, net of depreciation, increased \$1,967,394, due to the current year acquisition and/or construction of \$3,264,238 of new capital assets, and the current year recognition of \$1,296,844 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2011	2012
Compensated Absences	\$ 48,737	\$ 37,173
General Obligation Bonds	27,791,354	27,345,894
Capital Leases	1,009,477	913,828
Other Post Employment Benefits	442,065	427,110
Totals	<u>\$ 29,291,633</u>	<u>\$ 28,724,005</u>

Total long-term liabilities decreased \$567,628, due primarily to the current year reduction of the District's obligation for general obligation bonds. 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.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

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 \$689,299 during fiscal year 2011-12, while the combined fund balances of the other District governmental funds decreased \$2,144,225, due primarily to the bond related expenditures in the Building Fund.

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.

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 27 ADA (1.3%) during fiscal year 2012-13. Enrollment growth is expected to continue into the future per the Districts' enrollment projections.
- On November 2, 2010, voters within the District approved the issuance of up to \$41,000,000 in facility bonds. The proceeds of the bonds will be used to upgrade and expand school facilities during fiscal year 2012-13 and beyond. Of this amount, \$10,000,426 was issued in May 2011 and another \$18,300,000 in August 2012. A final bond issuance is anticipated during the 2013-14 or 2014-15 fiscal year.
- The fiscal crisis of 2008 has brought unprecedented financial challenges to all state and federal governments, including California public school districts. However, it appears the economy is improving, with the State of California Legislative Analyst Office projecting funding increases for schools beginning with the 2013-14 fiscal year. Nonetheless, until the economy demonstrates such a recovery is occurring with consistency, management will continue to plan carefully and prudently to provide the resources to meet student needs. The District has an excellent track record in what has proven to be a continuous cycle of lean and prosperous years for education finances.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

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, 2012

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 11,396,668
Receivables (Note 4)	3,049,928
Prepaid Expenses (Note 1H)	501,122
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	4,058,687
Less: Accumulated Depreciation	(19,456,814)
Total Assets	38,435,082
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	2,035,747
Deferred Revenue (Note 1H)	286,202
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	37,173
General Obligation Bonds (Note 7)	
Current Interest	1,975,000
Capital Leases (Note 8)	100,381
Other Post Employment Benefits (Note 9)	99,000
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 7)	
Current Interest	13,315,000
Capital Appreciation	12,055,894
Capital Leases (Note 8)	813,447
Other Post Employment Benefits (Note 9)	328,110
Total Liabilities	31,045,954
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	6,533,977
Restricted:	
For Capital Projects	150,464
For Debt Service	(3,188,923)
For Educational Programs	452,259
For Other Purposes	76,975
Unrestricted	3,364,376
Total Net Assets	\$ 7,389,128

**ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities</u>					
Instruction	\$ 12,678,641	\$ 12,055	\$ 2,193,096		\$ (10,473,490)
Instruction-Related Services:					
Supervision of Instruction	209,351		83,280		(126,071)
Instructional Library and Technology	417,245	502	48,955		(367,788)
School Site Administration	1,282,878	3	73,178		(1,209,697)
Pupil Services:					
Home-to-School Transportation	264,580	418	129,662		(134,500)
Food Services	703,691	514,638	119,325		(69,728)
Other Pupil Services	505,905		95,283		(410,622)
General Administration:					
Data Processing Services	123,404				(123,404)
Other General Administration	1,381,462	2,358	169,475		(1,209,629)
Plant Services	1,892,459	2,706	84,091		(1,805,662)
Ancillary Services	20,599	417	12,231		(7,951)
Interest on Long-Term Debt	1,415,409				(1,415,409)
Other Outgo	283,993	4,938	144,914		(134,141)
Total Governmental Activities	\$ 21,179,617	\$ 538,035	\$ 3,153,490	\$ 0	(17,488,092)
<u>General Revenues</u>					
Taxes Levied for General Purposes					3,850,534
Taxes Levied for Debt Service					2,726,044
Taxes Levied for Specific Purposes					2,345,046
Federal and State Aid - Unrestricted					8,986,947
Interest and Investment Earnings					27,566
Miscellaneous					462,026
Total General Revenues					18,398,163
Change in Net Assets					910,071
Net Assets - July 1, 2011					6,479,057
Net Assets - June 30, 2012					\$ 7,389,128

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 2,341,268	\$ 2,380,122	\$ 6,507,203	\$ 168,075	\$ 11,396,668
Receivables (Note 4)	3,018,847			31,081	3,049,928
Due from Other Funds (Note 5)	24,366			3	24,369
Prepaid Expenditures (Note 1H)	50,000				50,000
Total Assets	\$ 5,434,481	\$ 2,380,122	\$ 6,507,203	\$ 199,159	\$ 14,520,965
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 1,060,439		\$ 692,163	\$ 354	\$ 1,752,956
Due to Other Funds (Note 5)	3			24,366	24,369
Deferred Revenue (Note 1H)	40,121				40,121
Total Liabilities	1,100,563		692,163	24,720	1,817,446
Fund Balances: (Note 11)					
Nonspendable	53,000				53,000
Restricted	452,259	\$ 2,380,122	5,815,040	174,439	8,821,860
Assigned	923,068				923,068
Unassigned	2,905,591				2,905,591
Total Fund Balances	4,333,918	2,380,122	5,815,040	174,439	12,703,519
Total Liabilities and Fund Balances	\$ 5,434,481	\$ 2,380,122	\$ 6,507,203	\$ 199,159	\$ 14,520,965

ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balances - Governmental Funds \$ 12,703,519

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	\$ 42,944,178	
Accumulated Depreciation	<u>(19,456,814)</u>	
Net		23,487,364

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	180,204	
Bond Refunding	<u>270,918</u>	
Total		451,122

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: (246,081)

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: (282,791)

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	37,173	
General Obligation Bonds:		
Current Interest	15,290,000	
Capital Appreciation	12,055,894	
Capital Leases	913,828	
Other Post Employment Benefits	<u>427,110</u>	
Total		<u>(28,724,005)</u>

Total Net Assets - Governmental Activities \$ 7,389,128

**ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Revenue Limit Sources:					
State Apportionment	\$ 7,240,426				\$ 7,240,426
Local Taxes	3,850,535				3,850,535
Total Revenue Limit Sources	11,090,961				11,090,961
Federal Revenue	1,009,810			\$ 116,358	1,126,168
State Revenue	2,015,157	\$ 25,092		8,637	2,048,886
Local Revenue	4,513,591	2,705,521	\$ 21,358	552,760	7,793,230
Total Revenues	<u>18,629,519</u>	<u>2,730,613</u>	<u>21,358</u>	<u>677,755</u>	<u>22,059,245</u>
<u>Expenditures</u>					
Instruction	11,848,656				11,848,656
Supervision of Instruction	195,399				195,399
Instructional Library and Technology	389,439				389,439
School Site Administration	1,197,383				1,197,383
Home-To-School Transportation	246,948				246,948
Food Services				656,795	656,795
Other Pupil Services	472,190				472,190
Data Processing Services	115,180				115,180
Other General Administration	1,280,301			9,096	1,289,397
Plant Services	1,765,144		1,645		1,766,789
Facilities Acquisition and Construction	(13)		3,262,594	12,772	3,275,353
Ancillary Services	20,599				20,599
Debt Service:					
Principal Retirement	95,649	1,090,000			1,185,649
Interest and Issuance Costs	45,356	564,978			610,334
Other Outgo	244,060				244,060
Total Expenditures	<u>17,916,291</u>	<u>1,654,978</u>	<u>3,264,239</u>	<u>678,663</u>	<u>23,514,171</u>
Excess of Revenues Over (Under) Expenditures	<u>713,228</u>	<u>1,075,635</u>	<u>(3,242,881)</u>	<u>(908)</u>	<u>(1,454,926)</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In				23,929	23,929
Operating Transfers Out	(23,929)				(23,929)
Total Other Financing Sources (Uses)	<u>(23,929)</u>	<u>0</u>	<u>0</u>	<u>23,929</u>	<u>0</u>
Net Change in Fund Balances	689,299	1,075,635	(3,242,881)	23,021	(1,454,926)
Fund Balances - July 1, 2011	3,644,619	1,304,487	9,057,921	151,418	14,158,445
Fund Balances - June 30, 2012	<u>\$ 4,333,918</u>	<u>\$ 2,380,122</u>	<u>\$ 5,815,040</u>	<u>\$ 174,439</u>	<u>\$ 12,703,519</u>

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, 2012

Net Change in Fund Balances - Governmental Funds **\$ (1,454,926)**

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	\$ 3,264,238	
Depreciation Expense	(1,296,844)	
Net		1,967,394

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:

11,564

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 accrued and employer contributions was:

14,955

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 debt issue costs amortized for the period is:

Costs of Issuance	6,417	
Bond Refunding	33,516	
Total		(39,933)

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:

30,443

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	1,090,000	
Capital Leases	95,649	
Total		1,185,649

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:

(160,535)

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:

(644,540)

Change in Net Assets of Governmental Activities **\$ 910,071**

ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 8,875	\$ 8,875
<u>Liabilities</u>		
Due to Student Groups	<u>8,875</u>	<u>8,875</u>
<u>Net Assets</u>		
Total Net Assets	<u>\$ 0</u>	<u>\$ 0</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The governmental financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete

The nucleus of a financial reporting entity is usually a primary government. Governmental Accounting Standards Board (GASB) Statement No. 14 (GASB 14), *The Financial Reporting Entity*, defines a *primary government* as any state government, general-purpose local government, or special-purpose government that meets all of the following criteria:

- It has a separately elected governing body
- It is legally separate
- It is fiscally independent of other state and local governments

The primary government consists of all funds that make up the legal entity. The primary government also consists of funds for which it has a fiduciary responsibility, even though those funds may represent organizations that do not meet the definition for inclusion in the financial reporting entity.

Component units include legally separate organizations (whether governmental, not-for-profit, or for-profit organizations) for which elected officials of the primary government are financially accountable. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board.

The primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways and indicates that an organization has a financial benefit or burden relationship with a primary government if any one of the following conditions exist:

- The primary government is legally entitled to or can otherwise access the organization's resources.
- The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- The primary government is obligated in some manner for the debt of the organization.

In addition, GASB 14 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary governments are such that excluding them would render the financial reporting entity's financial statements misleading or incomplete.

Based on the GASB 14 criteria and definitions, the District is the primary government and there are no material potential component units which should be included in the Financial Reporting Entity in these financial statements.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance, stating that a legally separate organization should be reported as a component unit if all of the following criteria are met:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.
- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The District has determined that the Ross Valley Schools Foundation (Yes) (the Foundation), a non-profit education foundation, meets the criteria set forth in GASB 39. However, since the Foundation does not issue audited financial statements, the financial statements of the District include only the financial data of the primary government, which consists of all funds that comprise the District's legal entity, and all funds for which it has a fiduciary responsibility. The financial statements do not include financial data of the Foundation, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, these financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Financial Reporting Entity, or the respective changes in its financial position.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

The District has determined that the cost of including audited financial data, of its legally separate component unit, in the financial statements of the District, far exceeds the benefits to be received by including such data. In addition, since the District's various oversight agencies do not require such data to be included, the District has elected to omit such data from its financial statements.

B. 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, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. 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.

C. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. 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, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity 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, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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 *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).

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.

E. 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. 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).

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. 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.

H. 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.

2. Prepaid Expenses / Expenditures

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year ended, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed. Prepaid expenses include the unamortized costs associated with the bonds issued since the implementation of GASB Statement No. 34. The costs will be amortized over the life of the bond obligation.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

2. Prepaid Expenses / Expenditures (Concluded)

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, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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.

To protect the District against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board intends to maintain a minimum assigned and unassigned fund balance which includes a reserve for economic uncertainties equal to at least two months of General Fund expenditures, or 17 percent of General Fund expenditures and other financing uses. If the unassigned fund balance falls below this level due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Liabilities and Equity (Concluded)

7. Fund Balances (Concluded)

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.

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, 2012, consist of the following:

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks		\$ 8,875
Cash in Revolving Fund	\$ 3,000	
County Pool Investments	<u>11,393,668</u>	
Total Deposits and Investments	<u>\$ 11,396,668</u>	<u>\$ 8,875</u>

Cash on Hand and in Banks / Cash in Revolving Fund

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 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, 2012

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	\$ 11,393,668	\$ 11,398,028	\$ 8,998,305	\$ 2,395,363

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	\$ 11,393,668	\$ 11,398,028			\$ 11,393,668

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, 2012, 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, 2012

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>
Classified Salaries	\$ 723
Other Expenditures	229

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2012 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 145,206	\$ 27,748	\$ 172,954
State Government	2,625,895	1,982	2,627,877
Local Governments	50,895		50,895
Miscellaneous	196,851	1,351	198,202
Totals	<u>\$ 3,018,847</u>	<u>\$ 31,081</u>	<u>\$ 3,049,928</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012 were as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 24,366	\$ 3
Cafeteria	<u>3</u>	<u>24,366</u>
Totals	<u>\$ 24,369</u>	<u>\$ 24,369</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 2011-12 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 23,929
Cafeteria	<u>\$ 23,929</u>	<u> </u>
Totals	<u>\$ 23,929</u>	<u>\$ 23,929</u>

Transfer of \$23,929 from the General Fund to the Cafeteria Fund to support the program.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2012, is presented below:

	Balances July 1, 2011	Additions	Deletions	Balances June 30, 2012
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	584,788			584,788
Work-in-Progress	794,449	\$ 3,264,238		4,058,687
Totals at Historical Cost	39,679,940	3,264,238	\$ 0	42,944,178
Less Accumulated Depreciation for:				
Sites and Improvements	2,521,432	10,596		2,532,028
Buildings and Improvements	15,242,487	1,246,053		16,488,540
Furniture and Equipment	396,051	40,195		436,246
Total Accumulated Depreciation	18,159,970	1,296,844	0	19,456,814
Governmental Activities Capital Assets, net	\$ 21,519,970	\$ 1,967,394	\$ 0	\$ 23,487,364

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 844,940
Supervision of Instruction	13,952
Instructional Library and Technology	27,806
School Site Administration	85,495
Home-To-School Transportation	17,632
Food Services	46,896
Other Pupil Services	33,715
Data Processing Services	8,224
Other General Administration	92,065
Plant Services	126,119
Total	\$ 1,296,844

NOTE 7 - GENERAL OBLIGATION BONDS

The outstanding general obligation debt of the District as of June 30, 2012 is as follows:

A. Current Interest Bonds

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2011	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2012
6/1/99	4.30-4.60	8/1/12	\$ 5,895,000	\$ 1,390,000		\$ 670,000	\$ 720,000
2/2/11	2.00-4.00	8/1/20	6,150,000	6,150,000		420,000	5,730,000
5/25/11	2.00-4.50	8/1/41	8,840,000	8,840,000			8,840,000
Totals			\$ 29,180,000	\$ 16,380,000	\$ 0	\$ 1,090,000	\$ 15,290,000

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

A. Current Interest Bonds (Concluded)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2012, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	635,000	539,950	1,174,950
2018-2022	3,395,000	2,280,162	5,675,162
2023-2027	1,265,000	1,869,338	3,134,338
2028-2032	1,585,000	1,603,875	3,188,875
2033-2037	0	1,320,000	1,320,000
2038-2042	4,800,000	813,725	5,613,725
Totals	\$ 15,290,000	\$ 10,835,810	\$ 26,125,810

B. Capital Appreciation Bonds

<u>Date Of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2011</u>	<u>Issued Current Year</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2012</u>
6/1/99	5.00-5.38	6/1/24	\$ 3,904,790	\$ 7,287,162		\$ 386,921		\$ 7,674,083
7/1/01	5.61	7/1/26	1,704,424	2,956,623		168,211		3,124,834
5/25/11	6.60-12.00	8/1/38	1,160,426	1,167,569		89,408		1,256,977
Totals			\$ 6,769,640	\$ 11,411,354	\$ 0	\$ 644,540	\$ 0	\$ 12,055,894

The outstanding obligation for the Series 1999 capital appreciation bonds at June 30, 2012, was as follows:

<u>Year Ended June 30</u>	<u>Rate %</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2013		\$ 0	\$ 0	\$ 0
2014	5.00	385,415	349,235	734,650
2015	5.10	370,796	345,051	715,847
2016	5.15	358,616	338,144	696,760
2017	5.20	348,373	332,806	681,179
2018-2022	5.25-5.35	1,590,724	1,554,883	3,145,607
2023-2027	5.35-5.38	850,866	849,174	1,700,040
Totals		\$ 3,904,790	\$ 3,769,293	\$ 7,674,083

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

B. Capital Appreciation Bonds (Continued)

The annual requirements to amortize the Series 1999 capital appreciation bonds at June 30, 2012, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	348,373	491,627	840,000
2018-2022	1,590,724	2,964,276	4,555,000
2023-2027	850,866	2,199,134	3,050,000
Totals	<u>\$ 3,904,790</u>	<u>\$ 6,925,210</u>	<u>\$ 10,830,000</u>

The outstanding obligation for the Series 2001 capital appreciation bonds at June 30, 2012, was as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Rate %</u>	<u>Amount of</u> <u>Original Issue</u> <u>(Principal)</u>	<u>Accreted</u> <u>Interest</u>	<u>Totals</u>
2013-2017		\$ 0	\$ 0	\$ 0
2018-2022		0	0	0
2023-2027	5.61	1,704,424	1,420,410	3,124,834
Totals		<u>\$ 1,704,424</u>	<u>\$ 1,420,410</u>	<u>\$ 3,124,834</u>

The annual requirements to amortize the Series 2001 capital appreciation bonds at June 30, 2012, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013-2017	\$ 0	\$ 0	\$ 0
2018-2022	0	0	0
2023-2027	1,704,424	5,075,576	6,780,000
Totals	<u>\$ 1,704,424</u>	<u>\$ 5,075,576</u>	<u>\$ 6,780,000</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The outstanding obligation for the Series 2011 capital appreciation bonds at June 30, 2012, was as follows:

<u>Year Ended June 30</u>	<u>Rate %</u>	Amount of <u>Original Issue (Principal)</u>	Accreted <u>Interest</u>	<u>Totals</u>
2013-2017	12.00	\$ 14,003	\$ 1,918	\$ 15,921
2018-2022	12.00	21,891	2,999	24,890
2023-2027		0	0	0
2028-2032	6.60-12.00	263,205	20,478	283,683
2033-2037	7.16-7.45	734,035	60,442	794,477
2038-2042	7.47-7.48	<u>127,292</u>	<u>10,714</u>	<u>138,006</u>
Totals		<u>\$ 1,160,426</u>	<u>\$ 96,551</u>	<u>\$ 1,256,977</u>

The annual requirements to amortize the Series 2011 capital appreciation bonds at June 30, 2012, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013-2017	\$ 14,003	\$ 10,997	\$ 25,000
2018-2022	21,891	23,109	45,000
2023-2027	0	0	0
2028-2032	263,205	571,795	835,000
2033-2037	734,035	3,170,965	3,905,000
2038-2042	<u>127,292</u>	<u>742,708</u>	<u>870,000</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:

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL LEASES (CONCLUDED)

<u>Year Ended</u> <u>June 30</u>	<u>Lease</u> <u>Payments</u>
2013	\$ 141,004
2014	141,004
2015	134,242
2016	123,451
2017	123,130
2018-2022	<u>441,301</u>
Total	1,104,132
Less amounts representing interest	<u>(190,304)</u>
Present value of net minimum lease payments	<u>\$ 913,828</u>

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

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 \$112 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 \$610.44 per month. 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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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, 2012, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$427,110 for the year ended June 30, 2012:

Normal cost with interest to end of year	\$	39,000
Amortization of UAAL with interest to end of year		62,000
Annual required contribution (ARC)		101,000
Interest on net OPEB obligation		15,000
Adjustment to ARC		(38,400)
Annual OPEB cost (expense)		77,600
Contributions for the fiscal year		(92,555)
Decrease in net OPEB obligation		(14,955)
Net OPEB obligation - June 30, 2011		442,065
Net OPEB obligation - June 30, 2012	\$	427,110

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, 2012	\$ 77,600	119.3%	\$ 427,110
June 30, 2011	75,400	119.2%	442,065
June 30, 2010	297,400	21.5%	456,540

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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 6th year.

NOTE 10 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2012, is shown below:

	Balances July 1, 2011	Additions	Deductions	Balances June 30, 2012	Due within One Year
Compensated Absences	\$ 48,737	\$ 37,173	\$ 48,737	\$ 37,173	\$ 37,173
General Obligation Bonds					
Current Interest	16,380,000		1,090,000	15,290,000	1,975,000
Capital Appreciation	11,411,354	644,540		12,055,894	
Capital Leases	1,009,477		95,649	913,828	100,381
Other Post Employment Benefits	442,065	77,600	92,555	427,110	99,000
Totals	<u>\$ 29,291,633</u>	<u>\$ 759,313</u>	<u>\$ 1,326,941</u>	<u>\$ 28,724,005</u>	<u>\$ 2,211,554</u>

NOTE 11 - FUND BALANCES

The District's fund balances at June 30, 2012 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 53,000				\$ 53,000
Restricted	452,259	\$ 2,380,122	\$ 5,815,040	\$ 174,439	8,821,860
Assigned	923,068				923,068
Unassigned:					
Economic Uncertainties	538,207				538,207
Other	2,367,384				2,367,384
Totals	<u>\$ 4,333,918</u>	<u>\$ 2,380,122</u>	<u>\$ 5,815,040</u>	<u>\$ 174,439</u>	<u>\$ 12,703,519</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 (CalSTRS) and classified employees are members of the Public Employees' Retirement System (CalPERS).

A. State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$743,035, \$715,303, and \$700,663, 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.

Funding Policy

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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

Funding Policy (Concluded)

The required employer contribution rate for fiscal year 2011-12 was 10.923%. 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, 2012, 2011, and 2010, were \$280,652, \$298,911, and \$256,157, 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 (CalSTRS or CalPERS) 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 4.2% of his or her gross earnings.

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 (CalSTRS) for K-12 education. These payments consist of state general fund contributions of \$412,330 to CalSTRS (4.855% of salaries subject to CalSTRS).

NOTE 14 - 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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - JOINT VENTURES (CONCLUDED)

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.

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 15 - 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 2011-12, the District participated in two joint powers authorities (JPAs) for purposes of pooling for risk.

NOTE 16 - 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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

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.

C. Construction Commitments

As of June 30, 2012, the District has the following commitments with respect to unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
White Hill Middle School Academic & Enrichment Classrooms	\$ 16,347,255	Oct-13
White Hill Middle School Building 100 Renovations	113,383	Aug-12
White Hill Middle School Interim Housing	<u>189,663</u>	Oct-13
Total	<u>\$ 16,650,301</u>	

NOTE 17 - ECONOMIC DEPENDENCY

During the year, the District received \$2,341,983 of parcel tax revenue that is subject to voter approval, and \$619,949 from the Ross Valley Schools Foundation, a non-profit education foundation, that is subject to voluntary public contributions to the organization.

NOTE 18 - SUBSEQUENT EVENT

On August 15, 2012 the District issued \$18,300,000 of current interest general obligation bonds (Series B).

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionment	\$ 8,054,078	\$ 7,521,782	\$ 7,240,426	\$ (281,356)
Local Sources	2,832,674	3,567,982	3,850,535	282,553
Total Revenue Limit Sources	10,886,752	11,089,764	11,090,961	1,197
Federal Revenue	906,400	918,409	1,009,810	91,401
Other State Revenue	1,865,373	1,979,902	2,015,157	35,255
Other Local Revenue	4,494,167	4,456,328	4,513,591	57,263
Total Revenues	18,152,692	18,444,403	18,629,519	185,116
<u>Expenditures</u>				
Certificated Salaries	8,933,605	9,162,498	9,083,999	78,499
Classified Salaries	2,589,304	2,533,413	2,534,136	(723)
Employee Benefits	3,032,599	3,059,590	2,972,586	87,004
Books and Supplies	599,552	746,321	568,485	177,836
Services and Other				
Operating Expenditures	2,123,561	2,595,830	2,380,616	215,214
Capital Outlay		500	500	
Debt Service:				
Principal Retirement	96,384	98,573	95,649	2,924
Interest and Fiscal Charges	50,707	48,648	45,356	3,292
Other Expenditures	206,838	234,735	234,964	(229)
Total Expenditures	17,632,550	18,480,108	17,916,291	563,817
Excess of Revenues Over (Under) Expenditures	520,142	(35,705)	713,228	748,933
<u>Other Financing (Uses)</u>				
Operating Transfers Out	(39,200)	(39,200)	(23,929)	15,271
Net Change in Fund Balances	480,942	(74,905)	689,299	\$ 764,204
Fund Balances - July 1, 2011	3,644,619	3,644,619	3,644,619	
Fund Balances - June 30, 2012	\$ 4,125,561	\$ 3,569,714	\$ 4,333,918	

**ROSS VALLEY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>Cafeteria</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
<u>Assets</u>			
Deposits and Investments	\$ 17,311	\$ 150,764	\$ 168,075
Receivables	31,081		31,081
Due from Other Funds	3		3
Total Assets	<u>\$ 48,395</u>	<u>\$ 150,764</u>	<u>\$ 199,159</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 54	\$ 300	\$ 354
Due to Other Funds	24,366		24,366
Total Liabilities	24,420	300	24,720
Fund Balances:			
Restricted	23,975	150,464	174,439
Total Liabilities and Fund Balances	<u>\$ 48,395</u>	<u>\$ 150,764</u>	<u>\$ 199,159</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, 2012**

	<u>Cafeteria</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
<u>Revenues</u>			
Federal Revenue	\$ 116,358		\$ 116,358
State Revenue	8,637		8,637
Local Revenue	516,967	\$ 35,793	552,760
Total Revenues	<u>641,962</u>	<u>35,793</u>	<u>677,755</u>
<u>Expenditures</u>			
Food Services	656,795		656,795
Other General Administration	9,096		9,096
Facilities Acquisition and Construction		12,772	12,772
Total Expenditures	<u>665,891</u>	<u>12,772</u>	<u>678,663</u>
Excess of Revenues Over (Under) Expenditures	(23,929)	23,021	(908)
<u>Other Financing Sources</u>			
Operating Transfers In	23,929		23,929
Net Change in Fund Balances	0	23,021	23,021
Fund Balances - July 1, 2011	<u>23,975</u>	<u>127,443</u>	<u>151,418</u>
Fund Balances - June 30, 2012	<u>\$ 23,975</u>	<u>\$ 150,464</u>	<u>\$ 174,439</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<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%

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT
ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 2015
Anne Capron	Member	December 2015
Hadley Dettmer	Member	December 2015

ADMINISTRATION

Eileen Rohan
Superintendent

Jim Cerreta
Business Manager

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Second Period Report		Annual Report
	District Reported	Audited	
<u>Elementary</u>			
Kindergarten	274.35	274.32	274.67
First through Third	771.88	770.70	771.35
Fourth through Sixth	685.79	684.48	684.88
Seventh and Eighth	383.06	382.32	382.01
Home and Hospital	0.30	0.27	0.21
Special Education - SDC	5.43	5.39	4.86
Special Education - Nonpublic	5.82	5.77	6.81
Extended Year Special Education - SDC	0.96	0.96	0.96
Extended Year Program - Nonpublic	0.11	0.11	0.11
Totals	<u>2,127.70</u>	<u>2,124.32</u>	<u>2,125.86</u>

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<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>2011-12 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	32,400	30,240	36,000	33,600	42,600	180	N/A	In Compliance
Grade 1	45,900	42,840	50,400	47,040	53,410	180	N/A	In Compliance
Grade 2	45,900	42,840	50,400	47,040	53,410	180	N/A	In Compliance
Grade 3	45,900	42,840	50,400	47,040	53,410	180	N/A	In Compliance
Grade 4	54,480	50,848	54,000	50,400	54,480	180	N/A	In Compliance
Grade 5	54,480	50,848	54,000	50,400	54,480	180	N/A	In Compliance
Grade 6	54,480	50,848	54,000	50,400	66,234	180	N/A	In Compliance
Grade 7	56,625	52,850	54,000	50,400	66,234	180	N/A	In Compliance
Grade 8	56,625	52,850	54,000	50,400	66,234	180	N/A	In Compliance

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<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	\$ 116,358
U.S. Department of Education: Passed through CDE:			
NCLB: Title I Basic Grants Low-Income & Neglected	84.010	14329	122,819
NCLB: Title II - Improving Teacher Quality	84.367	14341	100,802
NCLB: Title III - Immigrant Education Program	84.365	15146	8,200
NCLB: Title II - EETT	84.318	14334	1,449
ARRA NCLB: Title II - EETT	84.386	15019	286
NCLB: Title III - Limited English Proficient	84.365	14346	8,364
Education Jobs Fund	84.410	25152	390,814
Passed through Marin County SELPA: <i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	319,275
IDEA Part B Basic Local Assistance Private School	84.027	10115	26,053
ARRA IDEA Part B Local Assistance	84.391	15003	30,429
ARRA IDEA Part B Local Assistance Private School	84.391	10123	1,319
Total			<u>\$ 1,126,168</u>

**ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund	Deferred Maintenance Fund	Building Fund
June 30, 2012 Annual Financial and Budget Report Fund Balances	\$ 4,252,194	\$ 66	\$ 5,866,270
Reclassifications and Adjustments Increasing (Decreasing) Fund Balances:			
Reclassification of Fund Balances	66	(66)	
Understatement of Capital Outlay Expenditures			(51,230)
Understatement of State Aid Revenues	81,658		
Total Reclassifications and Adjustments Increasing (Decreasing) Fund Balances	81,724	(66)	(51,230)
June 30, 2012 Audited Financial Statements Fund Balances	\$ 4,333,918	\$ 0	\$ 5,815,040

The reclassification of fund balance above was required as a result of the definition of special revenue funds prescribed by GASB 54.

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, 2012.

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	GENERAL FUND			
	(Budget) * 2012-13	2011-12	2010-11	2009-10
Revenues and Other Financial Sources	\$ 19,221,170	\$ 18,629,519	\$ 17,639,428	\$ 16,808,204
Expenditures	18,645,363	17,916,291	16,937,560	17,682,799
Other Uses and Transfers Out	28,499	23,929	51,477	34,213
Total Outgo	18,673,862	17,940,220	16,989,037	17,717,012
Change in Fund Balance	547,308	689,299	650,391	(908,808)
Ending Fund Balance	\$ 4,881,226	\$ 4,333,918	\$ 3,644,619	\$ 2,994,228
Available Reserves	\$ 3,332,899	\$ 2,905,591	\$ 2,783,016	\$ 2,329,419
Reserve for Economic Uncertainties **	\$ 560,216	\$ 538,207	\$ 509,000	\$ 531,882
Available Reserves as a Percentage of Total Outgo	17.8%	16.2%	16.4%	13.1%
Average Daily Attendance at P-2	2,127	2,124	1,992	1,908
Total Long-Term Liabilities	\$ 26,512,451	\$ 28,724,005	\$ 29,291,633	\$ 19,885,247

* Amounts reported for the 2012-13 budget are presented for analytical purposes only and have not been audited.

** Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$1,339,690 (44.7%) over the past two years. The fiscal year 2012-13 budget projects an increase of \$547,308. 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 District produced operating surpluses of \$650,391 and \$689,299 during fiscal years 2010-11 and 2011-12, respectively, and incurred an operating deficit of \$908,808 during fiscal year 2009-10.

Average daily attendance (ADA) increased 216 ADA over the past two years. The District projects an increase of 3 ADA during fiscal year 2012-13.

Total long-term liabilities increased \$8,838,758 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, 2012

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, 2012

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 2011-12* to the state laws and regulations listed below for the year ended June 30, 2012. 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 2011-12*, 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	6	Yes
Teacher Certification and Misassignments	3	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 Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	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>
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction:		
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	5	Not Applicable
Before School	6	Not Applicable
Contemporaneous Records of Attendance For Charter Schools	3	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	4	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, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012, except as described in the accompanying Schedule of Findings and Questioned Costs.

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

December 7, 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, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2012. The report on the financial statements was qualified because the financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. 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

Management of Ross Valley School District is responsible for establishing and maintaining effective 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency in internal control over financial reporting, as noted in **Finding 12-1**. 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.

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 response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the response and, accordingly, we express no opinion on the response.

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

December 7, 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, 2012. 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, 2012.

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

December 7, 2012

FINDINGS AND QUESTIONED COSTS SECTION

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiencies identified not considered to be material weaknesses?	_____ <input checked="" type="checkbox"/> Yes	_____ None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No	

Federal Awards

Internal control over major programs:

Material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> 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 _____ No

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>
84.410	Education Jobs 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 _____ No

State Awards

Internal control over state programs:

Material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiencies identified not considered to be material weaknesses?	_____ <input checked="" type="checkbox"/> 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, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

12 - 1 / 30000

SIGNIFICANT DEFICIENCY

MEAL REIMBURSEMENT CLAIM REPORTING

Criteria: Meal counts accumulated on the District-wide monthly lunch count reports should be independently verified for mathematical accuracy to ensure that reported counts are accurate and complete, prior to submitting the claim for reimbursement to the state.

Condition: District-wide monthly lunch count reports were not independently verified for mathematical accuracy to ensure that reported counts were accurate and complete. As a result, the District understated the number of meals claimed for reimbursement to the State by a combined total of 748 meals for fiscal year 2011-12.

Questioned Costs: None. The error understated the federal revenues by \$714.24 and the state revenues by \$47.41.

Context: Errors were only noted in the claim for reimbursement submitted to the State for the month of March 2012.

Effect: The District did not claim reimbursement for all of the eligible meals served during fiscal year 2011-12.

Cause: District-wide monthly lunch count reports were not independently verified for mathematical accuracy to ensure that reported counts were accurate and complete.

Recommendation: The District should require that all District-wide monthly lunch count reports be independently verified for mathematical accuracy to ensure that reported counts are accurate and complete, prior to submitting the claim for reimbursement to the state. In addition, the District should revise the March 2012 monthly reimbursement claim and report the following national school lunch program meals served:

Free	3,344
Reduced	1,160
Paid	<u>6,948</u>
Total	<u>11,452</u>

District Response: All District-wide monthly lunch counts will be prepared by the Program Manager and will be verified by the Business Manager, before the claim is submitted to the state. The District will revise the March 2012 reimbursement claim.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2012.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

12 - 2 / 10000

SIGNIFICANT DEFICIENCY

ATTENDANCE - DISTRICT

- Criteria:** In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education.
- Condition:** Mathematical errors occurred in the accumulation of the attendance data used in calculating Average Daily Attendance (ADA) for the P-2 attendance report.
- Questioned Costs:** The total ADA reported on the P-2 attendance report was overstated by 3.38 ADA. The fiscal impact was calculated by multiplying the overstated ADA by the deficated base revenue limit of \$5,096.49, and is estimated to be \$17,226 for the P-2 report.
- Context:** The condition noted was identified during the verification of all manual calculations involved in the preparation of the P-2 attendance report.
- Effect:** Errors that affect the level of state funding received by the District occurred and were not detected by the District.
- Cause:** Information reported on the P-2 attendance report was not independently traced to supporting documentation and manual calculations were not independently verified by a second employee, prior to completing the P-2 attendance report.
- Recommendation:** Someone other than the preparer of the attendance reports should review supporting documentation and manual calculations used in the preparation of attendance reports, to ensure that reported information is accurate and complete. In addition, the District's P-2 attendance report should be revised to reflect the ADA presented on the Schedule of Average Daily Attendance on page 52 of this report.
- District Response:** The Business Manager will review all attendance reports prepared by staff and verify their accuracy before they are submitted to the state. A revised 2011-12 P-2 Attendance Report has been filed with the state.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

12 - 3 / 10000

SIGNIFICANT DEFICIENCY

ATTENDANCE - WHITE HILL MIDDLE SCHOOL

Criteria: In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education.

- Conditions:
1. Weekly attendance reports, which are used by teachers to document the daily attendance of students, were not filed and maintained in an orderly manner.
 2. The attendance clerk is not monitoring whether teachers turn in their signed weekly attendance reports.

Questioned Costs: None. Period attendance is recorded on-line in the classrooms by the teachers and can be relied upon.

Context: The conditions were noted at the White Hill Middle School throughout fiscal year 2011-12.

- Effects:
1. Since the weekly attendance reports were not filed in an organized manner, it was very difficult to locate specific attendance reports in a timely manner.
 2. There is no documented evidence that period attendance was taken by teachers if signed weekly attendance reports are not submitted to the attendance clerk.

Cause: The attendance clerk did not follow established District attendance procedures.

- Recommendations:
1. The attendance clerk should maintain the signed weekly attendance reports by school month, separated by school week, by teacher, in alphabetical order.
 2. The District should enforce policies and procedures that require the attendance clerk to track whether teachers turn in signed weekly attendance reports, perform follow-up procedures on delinquent teachers, and report those delinquent teachers to the appropriate supervisor(s).

District Response: The new White Hill Attendance Clerk has been trained in appropriate procedures for collecting and filing signed weekly attendance reports prepared by teachers. District office staff has worked closely with White Hill staff regarding training and support in all aspects of attendance accounting. White Hill office staff members have also attended workshops in proper attendance accounting procedures.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

12 - 4 / 72000

SIGNIFICANT DEFICIENCY

SCHOOL ACCOUNTABILITY REPORT CARD - FACILITIES

Criteria: 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.

Condition: The disclosures regarding safety, cleanliness, and adequacy of school facilities, which were presented in the school accountability report cards during the 2011-12 school year, for all school sites, were not consistent with the most recent available data collected by the District.

Questioned Cost: None.

Context: The condition was noted at all school sites.

Effect: The disclosures regarding safety, cleanliness, and adequacy of school facilities, which were presented in the school accountability report cards during the 2011-12 school year, for all school sites, were not presented in accordance with state guidelines.

Cause: The District did not implement the prior year recommendation.

Recommendation: 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.

District Response: Staff have been trained on the proper disclosures to be included in the School Accountability Report Card.

**ROSS VALLEY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS</u>		
11 - 1 / 30000		
MATERIAL WEAKNESS		
<u>FINANCIAL REPORTING - UNAUDITED ACTUALS</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.	Partially Implemented	The District will implement as time and resources allow. Comment Not Repeated
11 - 2 / 30000		
MATERIAL WEAKNESS		
<u>ACCOUNTS RECEIVABLE / PAYABLE RECONCILIATION</u>		
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.	Implemented	
11 - 3 / 30000		
SIGNIFICANT DEFICIENCY		
<u>BOARD MINUTES</u>		
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.	Partially Implemented	The District has improved substantially from the prior fiscal year, and has implemented procedures to ensure future compliance. Comment Not Repeated.

**ROSS VALLEY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>STATE AWARDS</u>		
11 - 4 / 10000		
SIGNIFICANT DEFICIENCY		
<u>NON-PUBLIC SCHOOL ATTENDANCE</u>		
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.	Implemented	
11 - 5 / 72000		
SIGNIFICANT DEFICIENCY		
<u>SCHOOL ACCOUNTABILITY REPORT CARD - FACILITIES</u>		
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.	Not Implemented	Comment Repeated (See 12-4)