

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

AUDIT REPORT

JUNE 30, 2013

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2013

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ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2013

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Ross Valley School District
San Anselmo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the budgetary comparison information on page 47, and 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ross Valley School District's basic financial statements. 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 a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ross Valley School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2013

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(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, 2013. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 15 and 16, 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 17 through 20, 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 declined slightly during the year, as total net position decreased 1.1%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$80,746.
- Capital assets, net of depreciation and loss on the disposition of capital assets, increased \$12,752,557, due to the current year acquisition and/or construction of \$14,135,958 of new capital assets, and the current year recognition of \$1,238,944 of depreciation expense.
- Total long-term liabilities increased \$18,625,503 due primarily to the current year issuance of general obligation bonds for \$18,300,000.
- The District's P-2 average daily attendance (ADA) increased from 2,124 ADA in fiscal year 2011-12, up to 2,140 ADA in fiscal year 2012-13, an increase of 16 ADA or less than 1%.
- The District's General Fund produced an operating surplus of \$228,084 during fiscal year 2012-13 and recognized a \$16,739 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 2012-13, General Fund expenditures and other uses totaled \$19,733,184. At June 30, 2013, the District had available reserves of \$2,922,330 which represents a reserve of 14.8%.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(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 Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

In the Statement of Net Position 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, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net position decreased from \$7,389,128 at June 30, 2012, down to \$7,308,382 at June 30, 2013, a decrease of 1.1%.

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2012	2013
<u>Assets</u>		
Deposits and Investments	\$ 11,396,668	\$ 18,890,789
Receivables	3,049,928	3,447,713
Prepaid Expenses	501,122	411,189
Capital Assets, net	23,487,364	36,239,921
Total Assets	38,435,082	58,989,612
<u>Liabilities</u>		
Current *	4,368,408	6,589,816
Long-term *	26,677,546	45,091,414
Total Liabilities	31,045,954	51,681,230
<u>Net Position</u>		
Invested in Capital Assets		
- Net of Related Debt	6,533,977	5,688,109
Restricted for Capital Projects	150,464	101,272
Restricted for Debt Service	(3,188,923)	(2,615,316)
Restricted for Educational Programs	452,259	336,606
Restricted for Other Purposes	76,975	26,977
Unrestricted	3,364,376	3,770,734
Total Net Position	\$ 7,389,128	\$ 7,308,382
* The amounts presented for fiscal year 2011-12 have been adjusted to present bond premium consistent with the presentation for fiscal year 2012-13.		
Table includes financial data of the combined governmental funds		

The deficit balance presented above for Restricted for Debt Service represents the difference between the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds and 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, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by \$80,746.

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2013</u>
<u>Program Revenues</u>		
Charges for Services	\$ 538,035	\$ 546,660
Operating Grants & Contributions	3,153,490	2,759,594
<u>General Revenues</u>		
Taxes Levied	8,921,624	7,781,666
Federal & State Aid	8,986,947	9,708,746
Interest & Investment Earnings	27,566	59,734
Miscellaneous	462,026	2,769,119
Total Revenues	<u>22,089,688</u>	<u>23,625,519</u>
<u>Expenses</u>		
Instruction	12,678,641	13,646,669
Instruction-Related Services	1,909,474	2,063,600
Pupil Services	1,474,176	1,715,447
General Administration	1,504,866	1,493,195
Plant Services	1,892,459	2,216,352
Ancillary Services	20,599	24,509
Interest on Long-Term Debt	1,415,409	2,034,737
Other Outgo	283,993	511,756
Total Expenses	<u>21,179,617</u>	<u>23,706,265</u>
Changes in Net Position	<u>\$ 910,071</u>	<u>\$ (80,746)</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, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

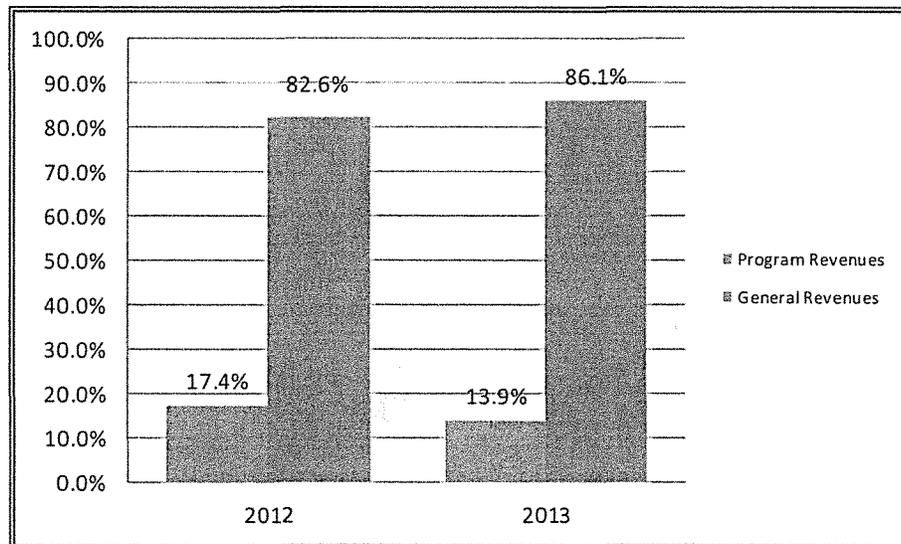
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

	Total Cost of Services		Net Cost of Services	
	2012	2013	2012	2013
Instruction	\$ 12,678,641	\$ 13,646,669	\$ 10,473,490	\$ 11,746,037
Instruction-Related Services	1,909,474	2,063,600	1,703,556	1,961,240
Pupil Services	1,474,176	1,715,447	614,850	789,352
General Administration	1,504,866	1,493,195	1,333,033	1,394,160
Plant Services	1,892,459	2,216,352	1,805,662	2,098,751
Ancillary Services	20,599	24,509	7,951	9,485
Interest on Long-Term Debt	1,415,409	2,034,737	1,415,409	2,034,737
Other Outgo	283,993	511,756	134,141	366,249
Totals	\$ 21,179,617	\$ 23,706,265	\$ 17,488,092	\$ 20,400,011

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 \$20,400,011 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2012-13, program revenues financed 13.9% of the total cost of providing the services listed above, while the remaining 86.1% 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, 2013**

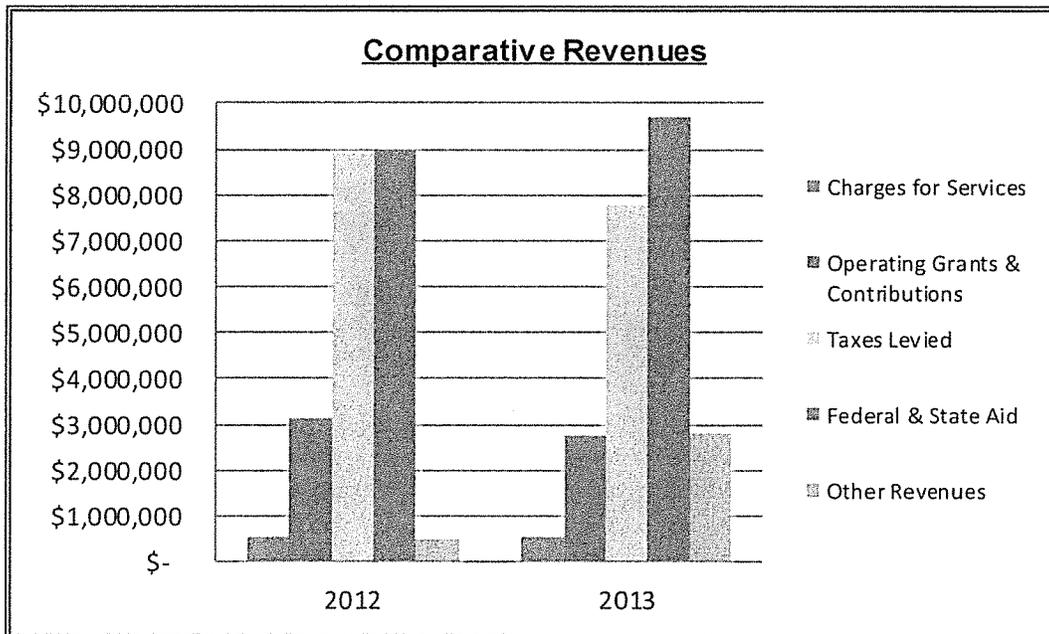
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Summary of Revenues For Governmental Functions</u>				
	FYE 2012 Amount	Percent of Total	FYE 2013 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 538,035	2.44%	\$ 546,660	2.31%
Operating Grants & Contributions	3,153,490	14.28%	2,759,594	11.68%
<u>General Revenues</u>				
Taxes Levied	8,921,624	40.39%	7,781,666	32.94%
Federal & State Aid	8,986,947	40.68%	9,708,746	41.09%
Other Revenues	489,592	2.22%	2,828,853	11.97%
Total Revenues	\$ 22,089,688	100.00%	\$ 23,625,519	100.00%

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, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

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

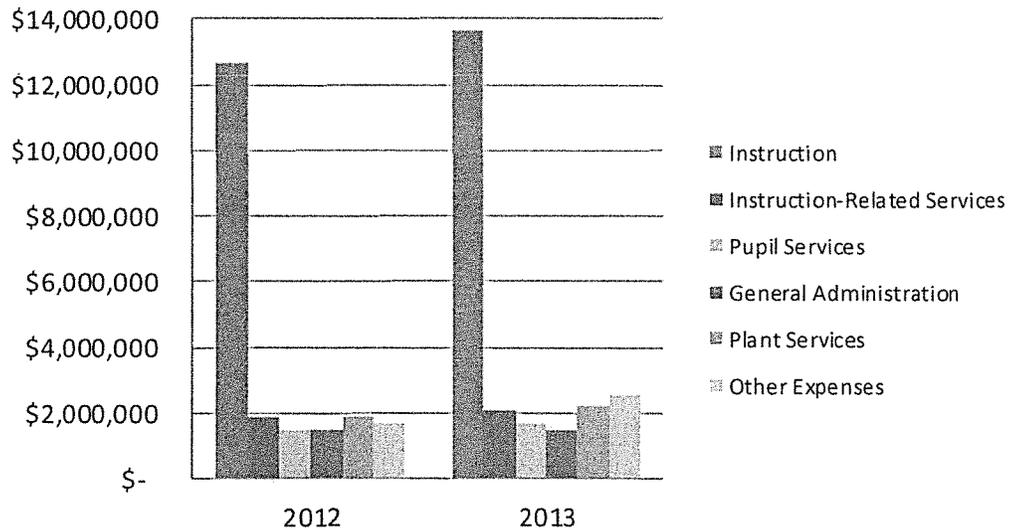
GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2012 Amount</u>	<u>Percent of Total</u>	<u>FYE 2013 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 12,678,641	59.86%	\$ 13,646,669	57.57%
Instruction-Related Services	1,909,474	9.02%	2,063,600	8.70%
Pupil Services	1,474,176	6.96%	1,715,447	7.24%
General Administration	1,504,866	7.11%	1,493,195	6.30%
Plant Services	1,892,459	8.94%	2,216,352	9.35%
Other Expenses	1,720,001	8.12%	2,571,002	10.85%
Total Expenses	<u>\$ 21,179,617</u>	<u>100.00%</u>	<u>\$ 23,706,265</u>	<u>100.00%</u>

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, 2013**

(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	
	2012	2013
Land	\$ 992,328	\$ 992,328
Sites and Improvements	2,592,218	2,592,218
Buildings and Improvements	34,716,157	34,528,524
Furniture and Equipment	584,788	576,788
Work-in-Progress	4,058,687	17,990,774
Subtotals	42,944,178	56,680,632
Less: Accumulated Depreciation	(19,456,814)	(20,440,711)
Capital Assets, net	<u>\$ 23,487,364</u>	<u>\$ 36,239,921</u>

Capital assets, net of depreciation and loss on the disposition of capital assets, increased \$12,752,557, due to the current year acquisition and/or construction of \$14,135,958 of new capital assets, and the current year recognition of \$1,238,944 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2012	2013
Compensated Absences	\$ 37,173	\$ 54,802
General Obligation Bonds	27,345,894	44,350,890
Bond Premium *	246,081	1,979,588
Capital Leases	913,828	813,449
Other Post Employment Benefits	427,110	396,860
Totals *	<u>\$ 28,970,086</u>	<u>\$ 47,595,589</u>

* The amounts presented for fiscal year 2011-12 have been adjusted to present bond premium consistent with the presentation for fiscal year 2012-13.

Total long-term liabilities increased \$18,625,503 due primarily to the current year issuance of general obligation bonds for \$18,300,000. The general obligation bonds are financed by local taxpayers and represent 93.2% of the District's total long-term liabilities.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current debt issues. The capital leases are financed by the General Fund and represent 1.7% 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 \$228,084 during fiscal year 2012-13, while the combined fund balances of the other District governmental funds increased \$5,893,391, due primarily to the bond proceeds received but unspent at June 30, 2013 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. For the P-1 attendance reporting period, the District expects an increase of 70 ADA (3.3%) in fiscal year 2013-14. Enrollment growth is expected to continue into the future per the District's' 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. Another bond issuance is anticipated during the 2013-14 fiscal year.
- The fiscal crisis of 2008 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, 2013**

(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 POSITION
JUNE 30, 2013

	Primary Government	Component Unit
	Governmental Activities	Foundation
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 18,890,789	\$ 707,147
Receivables (Note 4)	3,447,713	9,048
Prepaid Expenses (Note 11)	411,189	
Capital Assets: (Note 6)		
Land	992,328	
Sites and Improvements	2,592,218	
Buildings and Improvements	34,528,524	
Furniture and Equipment	576,788	
Work-in-Progress	17,990,774	
Less: Accumulated Depreciation	(20,440,711)	
Other Current Assets		13,701
Total Assets	<u>58,989,612</u>	<u>729,896</u>
<u>Liabilities</u>		
Accounts Payable and Other Current Liabilities	3,581,451	248,438
Deferred Revenue (Note 11)	504,190	
Long-Term Liabilities:		
<i>Portion Due or Payable Within One Year:</i>		
Compensated Absences (Note 11)	54,802	
General Obligation Bonds (Note 7)		
Current Interest	1,365,000	
Capital Appreciation	775,000	
Bond Premium	91,095	
Capital Leases (Note 8)	105,441	
Other Post Employment Benefits (Note 9)	112,837	
<i>Portion Due or Payable After One Year:</i>		
General Obligation Bonds (Note 7)		
Current Interest	30,250,000	
Capital Appreciation	11,960,890	
Bond Premium	1,888,493	
Capital Leases (Note 8)	708,008	
Other Post Employment Benefits (Note 9)	284,023	
Total Liabilities	<u>51,681,230</u>	<u>248,438</u>
<u>Net Position</u>		
Investment in Capital Assets, Net of Related Debt	5,688,109	
Restricted:		
For Capital Projects	101,272	
For Debt Service	(2,615,316)	
For Educational Programs	336,606	
For Other Purposes	26,977	481,458
Unrestricted	<u>3,770,734</u>	
Total Net Position	<u>\$ 7,308,382</u>	<u>\$ 481,458</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Foundation
<u>Governmental Activities</u>						
Instruction	\$ 13,646,669	\$ 6,411	\$ 1,894,221		\$ (11,746,037)	
Instruction-Related Services:						
Supervision of Instruction	151,119		54,676		(96,443)	
Instructional Library and Technology	614,253	734	46,950		(566,569)	
School Site Administration	1,298,228				(1,298,228)	
Pupil Services:						
Home-to-School Transportation	242,931	131	123,863		(118,937)	
Food Services	710,781	532,184	124,863		(53,734)	
Other Pupil Services	761,735		145,054		(616,681)	
General Administration:						
Data Processing Services	59,330				(59,330)	
Other General Administration	1,433,865	2,311	96,724		(1,334,830)	
Plant Services	2,216,352	2,066	115,535		(2,098,751)	
Ancillary Services	24,509	264	14,760		(9,485)	
Interest on Long-Term Debt	2,034,737				(2,034,737)	
Other Outgo	511,756	2,559	142,948		(366,249)	
Total Primary Government	<u>\$ 23,706,265</u>	<u>\$ 546,660</u>	<u>\$ 2,759,594</u>	<u>\$ 0</u>	<u>(20,400,011)</u>	
<u>Component Unit:</u>						
Foundation	<u>\$ 1,129,902</u>					\$ (1,129,902)
<u>General Revenues</u>						
Taxes Levied for General Purposes					3,350,775	
Taxes Levied for Debt Service					1,022,163	
Taxes Levied for Specific Purposes					3,408,728	
Federal and State Aid - Unrestricted					9,708,746	
Interest and Investment Earnings					59,734	1,296
Grants and Contributions - Unrestricted						1,185,413
Miscellaneous					2,769,119	
Total General Revenues					<u>20,319,265</u>	<u>1,186,709</u>
Changes in Net Position					(80,746)	56,807
Net Position - July 1, 2012					7,389,128	424,651
Net Position - June 30, 2013					<u>\$ 7,308,382</u>	<u>\$ 481,458</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<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)	\$ 2,358,140	\$ 3,923,067	\$ 12,475,629	\$ 133,953	\$ 18,890,789
Receivables (Note 4)	3,426,894			20,819	3,447,713
Due from Other Funds (Note 5)	32,784			12,611	45,395
Total Assets	<u>\$ 5,817,818</u>	<u>\$ 3,923,067</u>	<u>\$ 12,475,629</u>	<u>\$ 167,383</u>	<u>\$ 22,383,897</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 739,015		\$ 2,260,953	\$ 9,350	\$ 3,009,318
Due to Other Funds (Note 5)	12,611			32,784	45,395
Deferred Revenue (Note 11)	504,190				504,190
Total Liabilities	<u>1,255,816</u>		<u>2,260,953</u>	<u>42,134</u>	<u>3,558,903</u>
Fund Balances: (Note 11)					
Nonspendable	3,000				3,000
Restricted	336,606	\$ 3,923,067	10,214,676	125,249	14,599,598
Assigned	1,300,066				1,300,066
Unassigned	2,922,330				2,922,330
Total Fund Balances	<u>4,562,002</u>	<u>3,923,067</u>	<u>10,214,676</u>	<u>125,249</u>	<u>18,824,994</u>
Total Liabilities and Fund Balances	<u>\$ 5,817,818</u>	<u>\$ 3,923,067</u>	<u>\$ 12,475,629</u>	<u>\$ 167,383</u>	<u>\$ 22,383,897</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013**

Total Fund Balances - Governmental Funds **\$ 18,824,994**

Amounts reported for governmental activities in the statement of net position 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 position, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:

Capital Assets	\$ 56,680,632	
Accumulated Depreciation	<u>(20,440,711)</u>	
Net		36,239,921

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	173,787	
Bond Refunding	<u>237,402</u>	
Total		411,189

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:

(572,133)

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

Compensated Absences	54,802	
General Obligation Bonds:		
Current Interest	31,615,000	
Capital Appreciation	12,735,890	
Bond Premium	1,979,588	
Capital Leases	813,449	
Other Post Employment Benefits	<u>396,860</u>	
Total		<u>(47,595,589)</u>

Total Net Position - Governmental Activities **\$ 7,308,382**

ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Revenue Limit Sources:					
State Apportionment	\$ 7,892,972				\$ 7,892,972
Local Taxes	3,350,775				3,350,775
Total Revenue Limit Sources	11,243,747				11,243,747
Federal Revenue	576,724			\$ 122,224	698,948
State Revenue	2,106,060	\$ 24,688		8,154	2,138,902
Local Revenue	6,034,737	2,784,644	\$ 33,732	609,823	9,462,936
Total Revenues	19,961,268	2,809,332	33,732	740,201	23,544,533
<u>Expenditures</u>					
Instruction	12,876,956				12,876,956
Supervision of Instruction	142,260				142,260
Instructional Library and Technology	578,246				578,246
School Site Administration	1,222,126				1,222,126
Home-To-School Transportation	228,690				228,690
Food Services				669,115	669,115
Other Pupil Services	717,082				717,082
Data Processing Services	55,852				55,852
Other General Administration	1,323,765			8,418	1,332,183
Plant Services	2,156,207		1,687	89,156	2,247,050
Facilities Acquisition and Construction	7,619		13,932,409	35,310	13,975,338
Ancillary Services	24,509				24,509
Debt Service:					
Principal Retirement	100,379	1,975,000			2,075,379
Interest and Issuance Costs	49,519	1,105,880			1,155,399
Other Outgo	237,366				237,366
Total Expenditures	19,720,576	3,080,880	13,934,096	801,999	37,537,551
Excess of Revenues Over (Under) Expenditures	240,692	(271,548)	(13,900,364)	(61,798)	(13,993,018)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In				12,608	12,608
Operating Transfers Out	(12,608)				(12,608)
Other Sources		1,814,493	18,300,000		20,114,493
Total Other Financing Sources (Uses)	(12,608)	1,814,493	18,300,000	12,608	20,114,493
Net Change in Fund Balances	228,084	1,542,945	4,399,636	(49,190)	6,121,475
Fund Balances - July 1, 2012	4,333,918	2,380,122	5,815,040	174,439	12,703,519
Fund Balances - June 30, 2013	\$ 4,562,002	\$ 3,923,067	\$ 10,214,676	\$ 125,249	\$ 18,824,994

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, 2013

Net Change in Fund Balances - Governmental Funds **\$ 6,121,475**

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	\$ 14,135,958	
Depreciation Expense	(1,238,944)	
Net		12,897,014

Gain or loss on disposal of capital assets: In governmental funds, the entire proceeds from the disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from the disposal of capital assets and the resulting gain or loss is:

(144,457)

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:

(17,629)

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:

30,250

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)

Debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as other financing sources. In the government-wide statements, the premium is amortized over the life of the debt. The amount recognized in governmental funds as a premium from debt was:

(1,814,493)

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

(18,300,000)

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	1,975,000	
Bond Premium Amortized	80,986	
Capital Leases	100,379	
Total		2,156,365

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:

(289,342)

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:

(679,996)

Change in Net Position of Governmental Activities **\$ (80,746)**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<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	8,875	8,875
<u>Net Position</u>		
Total Net Position	<u>\$ 0</u>	<u>\$ 0</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instance, the organization should be included as a component unit.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, and has determined that there are no organizations, with financial activities that benefit the District, which should be included within its financial reporting entity under these criteria.

The District has also reviewed criteria to determine whether other organizations, for which the District is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the District, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*. In order for an organization to be classified as a component unit, all of the GASB 39 criteria must be met, as follows:

- 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 (the Foundation), a non-profit education foundation, meets the criteria set forth in GASB 39.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

Component Unit:

The Foundation was established as a legally separate non-profit entity to support the District through fundraising activities. In addition, funds contributed by the Foundation to the District are significant to the District's financial statements. Therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's annual financial statements.

B. Implementation of New Accounting Pronouncements

In June of 2011, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 63 (GASB 63) *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, with required implementation for the District during the year ended June 30, 2013. The objective of GASB 63 is to identify net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. There was no effect on beginning net position/fund balance as a result of implementing GASB 63.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity, within the governmental activities, has been removed from these statements. 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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Fund Financial Statements

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

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. 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.

D. 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 District's 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, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

E. 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, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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.

F. 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, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

H. 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.

I. 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

Prepaid expenses represent the costs of issuance associated with the bonds issued since the implementation of GASB Statement No. 34. The costs will be amortized over the life of the bonds. Prepaid expenses are equally offset by a reserve, which indicates that this amount is not available for appropriation.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

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.

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 Position.

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

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% 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.

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Liabilities and Equity (Concluded)

8. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources. The County of Marin is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

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

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

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the applicable attendance period ADA to derive the District's total entitlement. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, consist of the following:

	<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>18,887,789</u>	
Total Deposits and Investments	<u>\$ 18,890,789</u>	<u>\$ 8,875</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash on Hand and in Banks

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

Cash in Revolving Fund

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

County Pool Investments

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

General Authorization

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

<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, 2013

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	\$ 18,887,789	\$ 18,886,163	\$ 16,342,180	\$ 2,545,609

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	\$ 18,887,789	\$ 18,886,163			\$ 18,887,789

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, 2013, 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, 2013

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

There were no excess of expenditures over appropriations in the General Fund as of June 30, 2013.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013 consist of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government	\$ 305,692	\$ 18,543	\$ 324,235
State Government	2,801,958	1,164	2,803,122
Local Governments	110,772		110,772
Miscellaneous	208,472	1,112	209,584
Totals	<u>\$ 3,426,894</u>	<u>\$ 20,819</u>	<u>\$ 3,447,713</u>

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2013 were as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 32,784	\$ 12,611
Cafeteria	<u>12,611</u>	<u>32,784</u>
Totals	<u>\$ 45,395</u>	<u>\$ 45,395</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 2012-13 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 12,608
Cafeteria	<u>\$ 12,608</u>	<u> </u>
Totals	<u>\$ 12,608</u>	<u>\$ 12,608</u>

Transfer of \$12,608 from the General Fund to the Cafeteria Fund to support the program.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013, is presented below:

	<u>Balances July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2013</u>
Land	\$ 992,328			\$ 992,328
Sites and Improvements	2,592,218			2,592,218
Buildings and Improvements	34,716,157	\$ 203,871	\$ 391,504	34,528,524
Furniture and Equipment	584,788		8,000	576,788
Work-in-Progress	<u>4,058,687</u>	<u>13,932,087</u>		<u>17,990,774</u>
Totals at Historical Cost	<u>42,944,178</u>	<u>14,135,958</u>	<u>399,504</u>	<u>56,680,632</u>
Less Accumulated Depreciation for:				
Sites and Improvements	2,532,028	7,349		2,539,377
Buildings and Improvements	16,488,540	1,194,706	247,940	17,435,306
Furniture and Equipment	<u>436,246</u>	<u>36,889</u>	<u>7,107</u>	<u>466,028</u>
Total Accumulated Depreciation	<u>19,456,814</u>	<u>1,238,944</u>	<u>255,047</u>	<u>20,440,711</u>
Governmental Activities Capital Assets, net	<u>\$ 23,487,364</u>	<u>\$ 12,897,014</u>	<u>\$ (144,457)</u>	<u>\$ 36,239,921</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 799,963
Supervision of Instruction	8,859
Instructional Library and Technology	36,007
School Site Administration	76,102
Home-To-School Transportation	14,241
Food Services	41,666
Other Pupil Services	44,653
Data Processing Services	3,478
Other General Administration	84,053
Plant Services	<u>129,922</u>
Total	<u>\$ 1,238,944</u>

NOTE 7 - GENERAL OBLIGATION BONDS

On the November 2, 2010, general election, the registered voters of the District approved Measure A, which authorizes the District to issue up to \$41,000,000 in general obligation bonds. On August 15, 2012, the District issued general obligation bonds in the amount of \$18,300,000.

The outstanding general obligation debt of the District as of June 30, 2013 is as follows:

A. Current Interest Bonds

Date Of <u>Issue</u>	Interest <u>Rate %</u>	Maturity <u>Date</u>	Amount of Original <u>Issue</u>	Outstanding <u>July 1, 2012</u>	Issued Current <u>Year</u>	Redeemed Current <u>Year</u>	Outstanding <u>June 30, 2013</u>
6/1/99	4.30-4.60	8/1/12	\$ 5,895,000	\$ 720,000		\$ 720,000	\$ 0
2/2/11	2.00-4.00	8/1/20	6,150,000	5,730,000		470,000	5,260,000
5/25/11	2.00-4.50	8/1/41	8,840,000	8,840,000		785,000	8,055,000
8/15/12	2.00-5.00	8/1/42	<u>18,300,000</u>	<u>0</u>	<u>\$ 18,300,000</u>	<u>0</u>	<u>18,300,000</u>
Totals			<u>\$ 39,185,000</u>	<u>\$ 15,290,000</u>	<u>\$ 18,300,000</u>	<u>\$ 1,975,000</u>	<u>\$ 31,615,000</u>

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2013, are as follows:

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

A. Current Interest Bonds (Concluded)

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 1,365,000	\$ 1,366,562	\$ 2,731,562
2015	1,435,000	1,328,062	2,763,062
2016	1,045,000	1,289,663	2,334,663
2017	870,000	1,254,838	2,124,838
2018	935,000	1,222,900	2,157,900
2019-2023	3,875,000	5,602,813	9,477,813
2024-2028	2,900,000	4,962,300	7,862,300
2029-2033	4,250,000	4,275,869	8,525,869
2034-2038	3,770,000	3,419,512	7,189,512
2039-2043	11,170,000	1,520,713	12,690,713
Totals	\$ 31,615,000	\$ 26,243,232	\$ 57,858,232

B. Capital Appreciation Bonds

<u>Date Of Issue</u>	<u>Accretion Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Issued Current Year</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
6/1/99	5.00-5.38	6/1/24	\$ 3,904,790	\$ 7,674,083		\$ 407,480		\$ 8,081,563
7/1/01	5.61	7/1/26	1,704,424	3,124,834		177,776		3,302,610
5/25/11	6.60-12.00	8/1/38	1,160,426	1,256,977		94,740		1,351,717
Totals			\$ 6,769,640	\$ 12,055,894	\$ 0	\$ 679,996	\$ 0	\$ 12,735,890

The outstanding obligation for the Series 1999 capital appreciation bonds at June 30, 2013, was as follows:

<u>Year Ended June 30</u>	<u>Accretion Rate %</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2014	5.00	\$ 385,415	\$ 386,427	\$ 771,842
2015	5.10	370,796	382,024	752,820
2016	5.15	358,616	374,490	733,106
2017	5.20	348,373	368,687	717,060
2018	5.25	337,791	362,266	700,057
2019-2023	5.25-5.35	1,544,637	1,682,373	3,227,010
2024-2028	5.38	559,162	620,506	1,179,668
Totals		\$ 3,904,790	\$ 4,176,773	\$ 8,081,563

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	337,791	527,209	865,000
2019-2023	1,544,637	3,135,363	4,680,000
2024-2028	559,162	1,500,838	2,060,000
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, 2013, was as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Accretion</u> <u>Rate %</u>	<u>Amount of</u> <u>Original Issue</u> <u>(Principal)</u>	<u>Accreted</u> <u>Interest</u>	<u>Totals</u>
2014-2018		\$ 0	\$ 0	\$ 0
2019-2023		0	0	0
2024-2028	5.61	1,704,424	1,598,186	3,302,610
Totals		<u>\$ 1,704,424</u>	<u>\$ 1,598,186</u>	<u>\$ 3,302,610</u>

The annual requirements to amortize the Series 2001 capital appreciation bonds at June 30, 2013, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014-2018	\$ 0	\$ 0	\$ 0
2019-2023	0	0	0
2024-2028	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, 2013

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The outstanding obligation for the Series 2011 capital appreciation bonds at June 30, 2013, was as follows:

Year Ended June 30	Accretion Rate %	Amount of Original Issue (Principal)	Accreted Interest	Totals
2014		\$ 0	\$ 0	\$ 0
2015		0	0	0
2016	12.00	3,071	852	3,923
2017	12.00	10,932	3,034	13,966
2018	12.00	21,891	6,075	27,966
2019-2023		0	0	0
2024-2028	6.60-12.0	123,026	19,679	142,705
2029-2033	6.70-7.16	293,396	45,227	338,623
2034-2038	7.25-7.47	705,393	115,970	821,363
2039-2043	7.48	2,717	454	3,171
Totals		<u>\$ 1,160,426</u>	<u>\$ 191,291</u>	<u>\$ 1,351,717</u>

The annual requirements to amortize the Series 2011 capital appreciation bonds at June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Totals
2014	\$ 0	\$ 0	\$ 0
2015	0	0	0
2016	3,071	1,929	5,000
2017	10,932	9,068	20,000
2018	21,891	23,109	45,000
2019-2023	0	0	0
2024-2028	123,026	276,974	400,000
2029-2033	293,396	821,604	1,115,000
2034-2038	705,393	3,369,607	4,075,000
2039-2043	2,717	17,283	20,000
Totals	<u>\$ 1,160,426</u>	<u>\$ 4,519,574</u>	<u>\$ 5,680,000</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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:

<u>Year Ended</u> <u>June 30</u>	<u>Lease</u> <u>Payments</u>
2014	\$ 141,004
2015	134,242
2016	123,451
2017	123,130
2018	123,130
2019-2023	<u>318,172</u>
Total	963,129
Less amounts representing interest	<u>(149,680)</u>
Present value of net minimum lease payments	<u>\$ 813,449</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 - Active Employee Coverage: The District sponsors health care coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCA is financed in part by the District through a statutory minimum contribution to PEMHCA. The statutory minimum was \$112.00 per month for calendar year 2012, \$115.00 per month for calendar year 2013, and is scheduled by law to be indexed with medical inflation (CPI) for years 2014 and thereafter.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Plan Descriptions - Retiree Coverage: The District also offers medical coverage to its retirees. The District makes the required statutory PEMHCA contribution as described above, subject to the "Equal Contribution Method" under which the District's contribution for retirees is equal to its basic contribution for active employees. A retiree who retires on or before July 1, 2010 must have 40 years of credit service with the District in order to receive a lifetime District contribution equal to the statutory minimum described above. Retirees who retire on or after July 1, 2010 without having completed at least 40 years of credited service with the District are not eligible to receive a District contribution towards retiree health benefits. These rules apply to all employees of the District, including certificated, classified, and management groups. The District also pays a 0.36% of premium administrative fee to PEMHCA for each eligible retiree.

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

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

The District had 204 active employees and 70 retirees as of July 1, 2012, 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 and 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, 2013, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$396,860 for the year ended June 30, 2013:

Normal cost with interest to end of year	\$ 5,726
Amortization of UAAL with interest to end of year	<u>84,477</u>
Annual required contribution (ARC)	90,203
Interest on net OPEB obligation	17,084
Adjustment to ARC	<u>(24,700)</u>
Annual OPEB cost (expense)	82,587
Contributions for the fiscal year	<u>(112,837)</u>
Decrease in net OPEB obligation	(30,250)
Net OPEB obligation - June 30, 2012	<u>427,110</u>
Net OPEB obligation - June 30, 2013	<u>\$ 396,860</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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, 2013	\$ 82,587	136.6%	\$ 396,860
June 30, 2012	77,600	119.3%	427,110
June 30, 2011	75,400	119.2%	442,065

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

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

In the July 1, 2012, 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 4% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial health care cost trend rate of 8%, which grades down to an ultimate rate of 5% by the 4th year.

NOTE 10 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2013, is shown below:

	<u>Balances</u>			<u>Balances</u>	<u>Due within</u>
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>	<u>One Year</u>
Compensated Absences	\$ 37,173	\$ 54,802	\$ 37,173	\$ 54,802	\$ 54,802
General Obligation Bonds:					
Current Interest	15,290,000	18,300,000	1,975,000	31,615,000	1,365,000
Capital Appreciation	12,055,894	679,996		12,735,890	775,000
Bond Premium *	246,081	1,814,493	80,986	1,979,588	91,095
Capital Leases	913,828		100,379	813,449	105,441
Other Post Employment Benefits	427,110	82,587	112,837	396,860	112,837
Totals *	<u>\$ 28,970,086</u>	<u>\$ 20,931,878</u>	<u>\$ 2,306,375</u>	<u>\$ 47,595,589</u>	<u>\$ 2,504,175</u>

* The amounts presented for fiscal year 2011-12 have been adjusted to present bond premium consistent with the presentation for fiscal year 2012-13.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - FUND BALANCES

The District's fund balances at June 30, 2013 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 3,000				\$ 3,000
Restricted	336,606	\$ 3,923,067	\$ 10,214,676	\$ 125,249	14,599,598
Assigned	1,300,066				1,300,066
Unassigned:					
Economic Uncertainties	1,973,317				1,973,317
Other	949,013				949,013
Totals	<u>\$ 4,562,002</u>	<u>\$ 3,923,067</u>	<u>\$ 10,214,676</u>	<u>\$ 125,249</u>	<u>\$ 18,824,994</u>

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (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 2012-13 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, 2013, 2012, and 2011, were \$799,288, \$743,035, and \$715,303, respectively, and equal 100% of the required contributions for each year.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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, California 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. The required employer contribution rate for fiscal year 2012-13 was 11.417%. 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, 2013, 2012, and 2011, were \$326,790, \$280,652, and \$298,911, 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, employees were required to contribute 4.2% of their gross earnings from June 2012 through December 2012 and 6.2% from January 2013 through June 2013.

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 \$485,893 to CalSTRS (5.176% of salaries subject to CalSTRS).

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012-13, the District participated in two joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 15 - JOINT VENTURES

A. Marin Pupil Transportation Agency (MPTA)

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

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

B. Marin Schools Insurance Authority (MSIA)

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

MSIA arranges for and/or provides coverage for its members. MSIA is governed by a board consisting of a representative from each member district. MSIA's governing board controls the operations of MSIA, including selection of management and approval of operating budgets independent of any influence by the member District's 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 District's 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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.

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, 2013, the District had 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	\$ 5,101,830	Oct-13

NOTE 17 - ECONOMIC DEPENDENCY

During the year, the District received \$3,407,534 of parcel tax revenue that is subject to voter approval.

NOTE 18 - SIGNIFICANT TRANSACTIONS WITH COMPONENT UNIT

As of June 30, 2013, the balance of the District's accounts receivable account included \$185,379 due from the Foundation for reimbursement for various agreed upon expenditures.

The Foundation also donated \$679,554 in cash to the District during fiscal year 2012-13, which is subject to voluntary public contributions to the organization, and is included in Miscellaneous Revenue of the District on the Statement of Activities reported on page 16.

NOTE 19 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 10, 2013, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionment	\$ 7,489,611	\$ 7,471,033	\$ 7,892,972	\$ 421,939
Local Sources	3,734,306	3,846,945	3,350,775	(496,170)
Total Revenue Limit Sources	11,223,917	11,317,978	11,243,747	(74,231)
Federal Revenue	487,959	590,556	576,724	(13,832)
Other State Revenue	1,911,928	2,092,118	2,106,060	13,942
Other Local Revenue	5,596,166	6,074,518	6,034,737	(39,781)
Total Revenues	19,219,970	20,075,170	19,961,268	(113,902)
<u>Expenditures</u>				
Certificated Salaries	9,240,956	9,776,005	9,719,104	56,901
Classified Salaries	2,731,967	3,030,363	2,961,497	68,866
Employee Benefits	2,968,656	3,269,967	3,206,046	63,921
Books and Supplies	722,519	1,014,206	666,127	348,079
Services and Other				
Operating Expenditures	2,544,422	3,222,657	2,788,956	433,701
Debt Service:				
Principal Retirement	100,379	100,379	100,379	
Interest and Fiscal Charges	46,842	49,519	49,519	
Other Expenditures	281,632	282,700	228,948	53,752
Total Expenditures	18,637,373	20,745,796	19,720,576	1,025,220
Excess of Revenues Over (Under) Expenditures	582,597	(670,626)	240,692	911,318
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	1,200			
Operating Transfers Out	(28,499)	(32,940)	(12,608)	20,332
Total Other Financing Sources (Uses)	(27,299)	(32,940)	(12,608)	20,332
Net Change in Fund Balances	555,298	(703,566)	228,084	\$ 931,650
Fund Balances - July 1, 2012	4,333,918	4,333,918	4,333,918	
Fund Balances - June 30, 2013	\$ 4,889,216	\$ 3,630,352	\$ 4,562,002	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>Cafeteria</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
<u>Assets</u>			
Deposits and Investments	\$ 23,792	\$ 110,161	\$ 133,953
Receivables	20,819		20,819
Due from Other Funds	12,611		12,611
Total Assets	<u>\$ 57,222</u>	<u>\$ 110,161</u>	<u>\$ 167,383</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 461	\$ 8,889	\$ 9,350
Due to Other Funds	32,784		32,784
Total Liabilities	<u>33,245</u>	<u>8,889</u>	<u>42,134</u>
Fund Balances:			
Restricted	<u>23,977</u>	<u>101,272</u>	<u>125,249</u>
Total Liabilities and Fund Balances	<u>\$ 57,222</u>	<u>\$ 110,161</u>	<u>\$ 167,383</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**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, 2013**

	<u>Cafeteria</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
<u>Revenues</u>			
Federal Revenue	\$ 122,224		\$ 122,224
State Revenue	8,154		8,154
Local Revenue	534,549	\$ 75,274	609,823
Total Revenues	<u>664,927</u>	<u>75,274</u>	<u>740,201</u>
<u>Expenditures</u>			
Food Services	669,115		669,115
Other General Administration	8,418		8,418
Plant Services		89,156	89,156
Facilities Acquisition and Construction		35,310	35,310
Total Expenditures	<u>677,533</u>	<u>124,466</u>	<u>801,999</u>
Excess of Revenues (Under) Expenditures	(12,606)	(49,192)	(61,798)
<u>Other Financing Sources</u>			
Operating Transfers In	<u>12,608</u>		<u>12,608</u>
Net Change in Fund Balances	2	(49,192)	(49,190)
Fund Balances - July 1, 2012	<u>23,975</u>	<u>150,464</u>	<u>174,439</u>
Fund Balances - June 30, 2013	<u>\$ 23,977</u>	<u>\$ 101,272</u>	<u>\$ 125,249</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, 2013

Actuarial Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
7/1/12	\$ 0	\$ 1,460,776	\$ 1,460,776	0%	\$ 11,848,859	12.3%
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, 2013

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>
Annelise Bauer	President	December 2015
Chris Carlucci, M.D.	Vice President	December 2013
Heidi Kritscher Weller	Clerk	December 2013
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, 2013

<u>Elementary</u>	<u>P-2 Report</u>	<u>Annual Report</u>
Kindergarten	225.45	225.34
First through Third	803.11	804.51
Fourth through Sixth	737.17	738.69
Seventh and Eighth	361.12	361.44
Home and Hospital	1.08	1.16
Special Education - SDC	4.17	4.04
Special Education - Nonpublic	6.69	6.74
Extended Year Special Education - SDC	1.17	1.17
Extended Year Program - Nonpublic	0.29	0.29
Totals	<u>2,140.25</u>	<u>2,143.38</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<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>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	32,400	31,500	36,000	35,000	36,045	180	N/A	In Compliance
Grade 1	45,900	44,625	50,400	49,000	52,360	180	N/A	In Compliance
Grade 2	45,900	44,625	50,400	49,000	54,090	180	N/A	In Compliance
Grade 3	45,900	44,625	50,400	49,000	54,090	180	N/A	In Compliance
Grade 4	54,480	52,967	54,000	52,500	54,090	180	N/A	In Compliance
Grade 5	54,480	52,967	54,000	52,500	54,090	180	N/A	In Compliance
Grade 6	54,480	52,967	54,000	52,500	66,420	180	N/A	In Compliance
Grade 7	56,625	55,052	54,000	52,500	66,420	180	N/A	In Compliance
Grade 8	56,625	55,052	54,000	52,500	66,420	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<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	\$ 122,224
U.S. Department of Education: Passed through CDE:			
NCLB: Title I Basic Grants Low-Income & Neglected	84.010	14329	128,047
NCLB: Title II - Improving Teacher Quality	84.367	14341	109,157
NCLB: Title III - Immigrant Education Program	84.365	15146	3,157
NCLB: Title IV - Drug Free Schools	84.186	14347	1,406
NCLB: Title III - Limited English Proficient	84.365	14346	4,645
Passed through Marin County SELPA: <i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	272,558
IDEA Part B Basic Local Assistance Private School	84.027	10115	35,209
IDEA Mental Health Services, Part B	84.027A	14468	22,545
Total			<u>\$ 698,948</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund	Deferred Maintenance Fund	Building Fund
June 30, 2013 Annual Financial and Budget Report Fund Balances	\$ 4,561,936	\$ 66	\$ 9,566,997
Reclassifications and Adjustments Increasing (Decreasing) Fund Balances:			
Reclassification of Fund Balances	66	(66)	
Overstatement of Capital Outlay Expenditures			647,679
Total Reclassifications and Adjustments Increasing (Decreasing) Fund Balances	66	(66)	647,679
June 30, 2013 Audited Financial Statements Fund Balances	\$ 4,562,002	\$ 0	\$ 10,214,676

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, 2013.

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	GENERAL FUND			
	(Budget) * 2013-14	2012-13	2011-12	2010-11
Revenues and Other Financial Sources	\$ 20,961,540	\$ 19,961,268	\$ 18,629,519	\$ 17,639,428
Expenditures	21,189,905	19,720,576	17,916,291	16,937,560
Other Uses and Transfers Out	33,361	12,608	23,929	51,477
Total Outgo	21,223,266	19,733,184	17,940,220	16,989,037
Change in Fund Balance	(261,726)	228,084	689,299	650,391
Ending Fund Balance	\$ 4,300,276	\$ 4,562,002	\$ 4,333,918	\$ 3,644,619
Available Reserves	\$ 2,956,080	\$ 2,922,330	\$ 2,905,591	\$ 2,783,016
Reserve for Economic Uncertainties **	\$ 2,122,327	\$ 1,973,317	\$ 538,207	\$ 509,000
Available Reserves as a Percentage of Total Outgo	13.9%	14.8%	16.2%	16.4%
Average Daily Attendance at P-2	2,200	2,140	2,124	1,992
Total Long-Term Liabilities (1)	\$ 45,091,414	\$ 47,595,589	\$ 28,970,086	\$ 29,291,633

* Amounts reported for the 2013-14 budget are presented for analytical purposes only and have not been audited.

** Reported balances are a component of available reserves.

(1) The amount presented for fiscal year 2011-12 has been adjusted to present bond premium consistent with the presentation for fiscal year 2012-13.

The fund balance of the General Fund increased \$917,383 (25.2%) over the past two years. The fiscal year 2013-14 budget project a decrease of \$261,726. 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 in each of the past three fiscal years.

Average daily attendance (ADA) increased 148 ADA over the past two years. The District projects an increase of 60 ADA during fiscal year 2013-14.

Total long-term liabilities increased \$18,303,956 over the past two years due primarily to the issuance of \$18,300,000 of general obligation bonds during the 2012-13 fiscal year.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013

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

Report on State Compliance

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 2012-13* for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws, regulations, contracts, and grants.

Auditor's Responsibility

Our responsibility is to express an opinion on Ross Valley School District's compliance based on our compliance 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 2012-13*, 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 types of compliance requirements referred to above 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 on compliance with state laws and regulations applicable in the following areas. However, 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 District's	6	Yes
County Offices of Education	3	Not Applicable

<u>Description</u>	<u>Procedures In Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
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
Juvenile Court Schools	8	Not Applicable
Class Size Reduction: General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
District's 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	1	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	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.

Opinion on Compliance

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, 2013, except as described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Findings 13-8** and **13-9**.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance 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 10, 2013

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness, as noted in **Finding 13-1**.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies, as noted in **Findings 13-2 through 13-7**.

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*.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2013

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

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

Board of Education
Ross Valley School District
San Anselmo, California

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Ross Valley School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Ross Valley School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2013

FINDINGS AND QUESTIONED COSTS SECTION

ROSS VALLEY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported

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

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

	<u> </u> Yes	<u> X </u> No
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Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>
10.555	National School Lunch
84.027	Special Education Cluster

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

Auditee qualified as low-risk auditee?

	<u> </u> Yes	<u> X </u> No
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State Awards

Internal control over state programs:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None reported

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

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

13 - 1 / 30000

MATERIAL WEAKNESS

FINANCIAL REPORTING - UNAUDITED ACTUALS

Criteria: Each year, school Districts are responsible for preparing complete and accurate financial information, which is reported to the California Department of Education in the form of the "Unaudited Actuals" Financial Report. Accordingly, District's should have an effective system of internal control over financial reporting that will ensure that the information contained in the report is free of material misstatement.

Condition: The District's "Unaudited Actuals" included misstatements that we consider to be material to the District's annual financial statements. Accordingly, it appears that internal control over financial reporting was inadequate in the areas where the audit adjustments were required.

Questioned Costs: None.

Context: The adjustments that were made to ensure that the Building Fund financial statements were fairly stated are presented on page 55 of this report.

Effect: When an effective system of internal control over financial reporting is not in place, there is a reasonable possibility that material misstatements of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Cause: The District did not verify the accuracy of accrued liabilities before preparing year-end financial information that was presented in the "Unaudited Actuals".

Recommendation: The District should review accrued liabilities before preparing year-end financial statements to verify their accuracy and to prevent material misstatements from occurring in the future.

District Response: The District will perform additional procedures when closing the books to assure that all accrued liabilities are properly recorded and misstatements are detected and corrected.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

13 - 2 / 30000

SIGNIFICANT DEFICIENCY

MEAL REIMBURSEMENT CLAIM REPORTING

<u>Criteria:</u>	Meals claimed for reimbursement from the State should agree to the number of meal counts accumulated on the District-wide monthly summary lunch count reports.
<u>Condition:</u>	The District did not verify that the number of meals claimed for reimbursement agreed to the total number of meals per the summary lunch count reports. As a result, the District understated the number of meals claimed for reimbursement to the State by 6,304 paid meals for fiscal year 2012-13.
<u>Questioned Costs:</u>	None. The error understated federal revenues by \$1,702.
<u>Context:</u>	Errors were only noted in the claim for reimbursement submitted to the State for the month of January 2013.
<u>Effect:</u>	The District did not claim reimbursement for all of the eligible meals served during fiscal year 2012-13.
<u>Cause:</u>	The District did not compare the total number of meals on the summary lunch count reports to the total number of meals to be claimed for reimbursement for January 2013, prior to finalizing and submitting the claim to the State.
<u>Recommendation:</u>	The District should verify that the total number of meals to be claimed for reimbursement from the State agrees to the total number of meal counts accumulated on the District-wide monthly summary lunch count reports, prior to finalizing and submitting the claims to the State.
<u>District Response:</u>	The District will verify that total meals to be claimed for reimbursement agrees to the total number of meals accumulated on the monthly lunch count reports prior to finalizing and submitting the claims.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

13 - 3 / 30000

SIGNIFICANT DEFICIENCY

BOARD MINUTES

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

Condition: Board minutes were not prepared and submitted to the Governing Board in a timely manner. As of December 10, 2013, the District had not prepared and approved minutes for several meetings held in August and September 2013.

Questioned Cost: None.

Context: We reviewed approved board meeting minutes from July 1, 2012 thru December 10, 2013.

Effect: The District did not comply with the requirements of Education Code Section 35163.

Cause: The District is aware of the specific requirements of Education Code Section 35163 but has not been able to prepare and approve board minutes in a timely manner.

Recommendation: The District should implement procedures to ensure that board minutes are prepared, reviewed and approved by the governing board in a subsequent board meeting in a timely manner.

District Response: The District will ensure that board minutes are prepared, reviewed and approved by the Governing Board in a subsequent board meeting in a timely manner.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

13 - 4 / 30000

SIGNIFICANT DEFICIENCY

FOUNDATION - CASH DISBURSEMENTS APPROVAL

<u>Criteria:</u>	Maintaining a strong system of internal control over cash disbursement transactions requires a management level review and approval of supporting documentation for each cash disbursement transaction prior to issuing payments.
<u>Condition:</u>	The Foundation has not required a management level review and approval of supporting documentation for cash disbursement transactions prior to issuing payments.
<u>Questioned Costs:</u>	None. We determined that each of the transactions tested in our sample were appropriate charges against Foundation funds.
<u>Context:</u>	The condition was noted throughout fiscal year 2012-13.
<u>Effect:</u>	Errors and/or improprieties are more likely to occur and not be detected or corrected in a timely manner.
<u>Cause:</u>	Although the Managing Director receives, reviews and forwards all invoices to the Bookkeeper for payment, no documentation such as a signature or initial on the invoices is evident on the invoices to show approval for payment by the Managing Director.
<u>Recommendation:</u>	The Foundation should require a management level review and approval of supporting documentation for cash disbursement transactions prior to issuing payments.
<u>District Response:</u>	The Foundation is requiring a management level review of supporting documentation for all disbursements. Supporting documentation for all disbursements will be initialed/approved by the appropriate Foundation personnel to confirm review and approval.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

13 - 5 / 30000

SIGNIFICANT DEFICIENCY

FOUNDATION - CASH DISBURSEMENTS PROCEDURES

- Criteria:
1. Evidence of receipt of conforming goods or services should be obtained prior to processing invoices for payment.
 2. Payments should be supported by invoices or receipts.
- Conditions:
1. Packing slips were not attached to invoices to document that conforming goods had been received prior to issuing payment.
 2. In some instances, supporting documentation could not be located to support payments.
- Questioned Costs: None. We determined that each of the transactions tested in our sample were appropriate charges against Foundation funds.
- Context: The conditions were noted in:
1. Three of forty transactions tested.
 2. Three of forty transactions tested.
- Effects:
1. The Foundation may pay for goods or services that were never received or performed.
 2. It is difficult to determine the propriety of expenses that are not supported by invoices or receipts.
- Cause: Currently the Foundation relies on invoices and/or statements to support payments for goods received (primarily art and music supplies). Those goods are shipped directly to the school sites and the packing slips are generally not forwarded along with the invoice.
- Recommendations:
1. Evidence of receipt of conforming goods (packing slips) or services should be obtained prior to processing invoices for payment.
 2. Foundation staff should be held accountable for submitting original invoices and receipts. Payments should not be made prior to obtaining the appropriate documentation.
- District Response: The Foundation is ensuring invoices, receipts and/or packing slips (if applicable) be provided to the Bookkeeper and attached to all payments prior to check issuance.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

13 - 6 / 30000

SIGNIFICANT DEFICIENCY

FOUNDATION - MANAGING DIRECTOR PAYMENT PROCEDURES

<u>Criteria:</u>	All requests for payment by the Managing Director should be reviewed and approved by the Foundation's Board.
<u>Condition:</u>	Payments to the Foundation's Managing Director were not formally reviewed and approved by the Foundation's Board.
<u>Questioned Costs:</u>	None. We determined that payments to the Managing Director were appropriate charges against Foundation funds.
<u>Context:</u>	The condition existed throughout fiscal year 2012-13.
<u>Effect:</u>	Errors or improprieties may occur and not be detected in a timely manner.
<u>Cause:</u>	Prior to the 2012-2013 fiscal year, the Board Treasurer approved payments to the Managing Director. In the 2012-2013 fiscal year, an accountant/financial consultant was engaged and approved payments to the Managing Director.
<u>Recommendation:</u>	All requests for payments by the Managing Director should be formally reviewed and approved by the Foundation's Board.
<u>District Response:</u>	The Foundation is having the Board Treasurer approve all payments to the Managing Director.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

13 - 7 / 30000

SIGNIFICANT DEFICIENCY

FOUNDATION - BANK RECONCILIATION PROCEDURES

Criteria: Maintaining a strong system of internal control over bank reconciliations requires a management level review and approval of monthly bank statement reconciliations to ensure the accuracy, validity and authenticity of the reconciliations and bank statements.

Condition: It appears that bank statement reconciliations are not reviewed by the accountant/financial consultant. The Bookkeeper is responsible for reconciling bank statements on a monthly basis; however, it does not appear that anyone reviews the reconciliations to ensure accuracy and validity.

Questioned Costs: None.

Context: The condition existed throughout fiscal year 2012-13.

Effect: Errors or improprieties may occur and not be detected in a timely manner.

Cause: The Foundation's accountant/financial consultant has reviewed the bank reconciliations on a periodic basis, but neither the accountant/financial consultant nor Managing Director have initialed bank statements or reconciliations to indicate their review.

Recommendation: To ensure the accuracy, validity and authenticity of bank statements and bank reconciliations, the Foundation should implement the following procedures:

- Bank statements should be opened by the Managing Director and manually signed prior to forwarding the Bookkeeper.
- The Bookkeeper should sign the bank reconciliations when complete.
- Bank reconciliations should be forwarded to the Foundation's accountant/financial consultant for review and approval.

District Response: Bank statements will be opened by the Managing Director and signed prior to forwarding to the Bookkeeper. Bank reconciliations and bank statements will be reviewed and approved by the Foundation's accountant/financial consultant.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2013.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

13 - 8 / 10000

SIGNIFICANT DEFICIENCY

ATTENDANCE

- 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: Classroom Attendance Reports, which are used by teachers to document the attendance of students, were not signed by teachers and submitted to the attendance office, on a consistent basis during fiscal year 2012-13.
- Questioned Costs: None. Period attendance is recorded on-line in the classrooms by the teachers.
- Context: The condition was noted at White Hill Middle School throughout fiscal year 2012-13.
- Effect: There is no documented evidence that period attendance was taken by teachers if signed weekly Classroom Attendance Reports are not submitted to the attendance office.
- Cause: Teachers are not responding to the requests made by the attendance clerks to sign and submit their weekly Classroom Attendance Reports.
- Recommendation: The District should remind the middle school of the established policies and procedures that require attendance clerks to track whether teachers submit signed weekly Classroom Attendance Reports, perform follow-up procedures on delinquent teachers, and report those delinquent teachers to site administrators.
- District Response: The District will work with staff at the middle school to reinforce the need to have all attendance reports signed by teachers.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

13 - 9 / 72000

SIGNIFICANT DEFICIENCY

SCHOOL ACCOUNTABILITY REPORT CARD - FACILITIES

<u>Criteria:</u>	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.
<u>Condition:</u>	The disclosures regarding safety, cleanliness, and adequacy of school facilities, which were presented in the school accountability report cards during the 2012-13 school year, for all school sites, were not consistent with the most recent available data collected by the District.
<u>Questioned Cost:</u>	None.
<u>Context:</u>	The condition was noted at all school sites.
<u>Effect:</u>	The disclosures regarding safety, cleanliness, and adequacy of school facilities, which were presented in the school accountability report cards during the 2012-13 school year, for all school sites, were not presented in accordance with state guidelines.
<u>Cause:</u>	The District did not implement the prior year recommendation.
<u>Recommendation:</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.
<u>District Response:</u>	The District will complete the school accountability report cards with the most recent data collected by the District.

**ROSS VALLEY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS</u>		
12 - 1 / 30000		
SIGNIFICANT DEFICIENCY		
<u>MEAL REIMBURSEMENT CLAIM REPORTING</u>		
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.	Partially Implemented	Comment Repeated (See Finding 13-2)
<u>STATE AWARDS</u>		
12 - 2 / 10000		
SIGNIFICANT DEFICIENCY		
<u>ATTENDANCE - DISTRICT</u>		
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. District's P-2 and Annual attendance reports should be revised to reflect the Audited ADA.	Implemented	
12 - 3 / 10000		
SIGNIFICANT DEFICIENCY		
<u>ATTENDANCE - WHITE HILL MIDDLE SCHOOL</u>		
The attendance clerk should maintain the signed weekly attendance reports by school month, separated by school week, by teacher, in alphabetical order.	Implemented	

ROSS VALLEY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>STATE AWARDS (CONCLUDED)</u>		
SIGNIFICANT DEFICIENCY		
<u>ATTENDANCE - WHITE HILL MIDDLE SCHOOL (CONCLUDED)</u>		
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).	Partially Implemented	Comment Repeated (See Finding 13-8)
12 - 4 / 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 Finding 13-9)

