

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

**MEASURE A
GENERAL OBLIGATION BONDS
ELECTION OF 2010**

FINANCIAL AUDIT

JUNE 30, 2011

ROSS VALLEY SCHOOL DISTRICT
MEASURE A
GENERAL OBLIGATION BONDS, ELECTION OF 2010
FINANCIAL AUDIT
JUNE 30, 2011

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Ross Valley School District

and

Citizens' Oversight Committee
Measure A, General Obligation Bonds, Election of 2010

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Ross Valley School District for the fiscal year ended June 30, 2011, and have issued our report thereon dated January 25, 2012. We have also audited the accompanying Measure A, General Obligation Bonds, Election of 2010, Balance Sheet, and Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and actual, as of and for the fiscal year ended June 30, 2011. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit of the Measure A Building Fund 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 Measure A, General Obligation Bonds, Election of 2010, Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Measure A Building Fund financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Measure A, General Obligation Bonds, Election of 2010, as of June 30, 2011, and the respective change in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 25, 2012

ROSS VALLEY SCHOOL DISTRICT
MEASURE A
GENERAL OBLIGATION BONDS, ELECTION OF 2010
BALANCE SHEET
JUNE 30, 2011

Assets

Deposits and Investments (Note 2)	\$ 9,029,580
Due from General Fund	37,685
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Total Assets	\$ 9,067,265
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Liabilities and Fund Balance

Liabilities:

Accounts Payable	\$ 34,529
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Fund Balance:

Restricted:

Restricted for Measure A Projects	9,032,736
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Total Liabilities and Fund Balance	\$ 9,067,265
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ROSS VALLEY SCHOOL DISTRICT
MEASURE A
GENERAL OBLIGATION BONDS, ELECTION OF 2010
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>
Interest		\$ 3,451
State School Facility Program	\$ 9,516,662	
Bond Proceeds	41,000,000	10,000,426
Bond Premium		180
Total Revenues	50,516,662	10,004,057
<u>Expenditures</u>		
<i>District-wide:</i>		
Bond Projects Support Salaries and Benefits	1,885,000	149,516
Noncapitalized Equipment	55,000	895
Bond Issuance Related Costs		187,156
Bond Construction Related Costs	157,000	44,281
Legal - Bond Related	300,000	8,602
Pre-bond Related Costs		215,246
Professional Consulting Services	225,000	106,307
Other Operating Expenditures	120,000	471
Architects	200,000	34,400
Bond Trailer / Office	120,000	31,176
Board Contingency	1,160,892	
District-wide Contingency	151,282	
<i>Brookside School - Upper Campus:</i>		
Academic Classrooms	4,316,237	18,689
<i>Brookside School - Lower Campus:</i>		
Academic Classrooms	6,050,761	24,786
<i>Wade Thomas Elementary School:</i>		
Academic Classrooms	2,143,114	9,159
<i>Manor Elementary School:</i>		
Academic Classrooms	1,248,353	6,353
<i>White Hill Middle School:</i>		
Gym / Multi-Purpose Building	10,374,285	
Building 100 Renovations	285,931	
Academic and Enrichment Classrooms	21,723,807	134,284
Total Expenditures	50,516,662	971,321
Changes in Fund Balance	\$ 0	9,032,736
Fund Balance - July 1, 2010		0
Fund Balance - June 30, 2011		\$ 9,032,736

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS VALLEY SCHOOL DISTRICT
MEASURE A
GENERAL OBLIGATION BONDS, ELECTION OF 2010
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

Ross Valley School District (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 U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Fund Accounting

The accounts of the District are organized on the basis of funds, which are considered to be separate accounting entities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. 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 proceeds from the sale of general obligation bonds, and the subsequent expenditure of the bond funds, are accounted for in the Building Fund of the District.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

D. Budgets and Budgetary Accounting

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual includes a column entitled "Budget". The amounts in this column represent the final revised budget adopted by the District's Board of Education.

E. Deposits and Investments

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.

ROSS VALLEY SCHOOL DISTRICT
MEASURE A
GENERAL OBLIGATION BONDS, ELECTION OF 2010
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

E. Deposits and Investments (Concluded)

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. 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

County Pool Investments \$ 9,029,580

County Pool Investments

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

General Authorization

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations / 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 & 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

ROSS VALLEY SCHOOL DISTRICT
MEASURE A
GENERAL OBLIGATION BONDS, ELECTION OF 2010
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 9,029,580	\$ 9,059,620	\$ 5,731,988	\$ 3,297,592

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	\$ 9,029,580	\$ 9,059,620			\$ 9,029,580

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 that represent five percent or more of the total investments held by the District.

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.

ROSS VALLEY SCHOOL DISTRICT
MEASURE A
GENERAL OBLIGATION BONDS, ELECTION OF 2010
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Deposits

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

Custodial Credit Risk - Investments

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

SUPPLEMENTARY INFORMATION SECTION

ROSS VALLEY SCHOOL DISTRICT
MEASURE A
GENERAL OBLIGATION BONDS, ELECTION OF 2010
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Building Fund
June 30, 2011 Annual Financial and Budget Report Fund Balance	\$ 8,995,051
Reclassifications and Adjustments Increasing Fund Balance:	
Understatement of Due from Other Funds	<u>37,685</u>
June 30, 2011 Audited Financial Statements Fund Balance	<u>\$ 9,032,736</u>

ROSS VALLEY SCHOOL DISTRICT
MEASURE A
GENERAL OBLIGATION BONDS, ELECTION OF 2010
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - PURPOSE OF SCHEDULE

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

This schedule provides the information necessary to reconcile the fund balance of the Measure A Building Fund, as reported in the Annual Financial and Budget Report to the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORT SECTION

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

and

Citizens' Oversight Committee
Measure A, General Obligation Bonds, Election of 2010

We have audited the accompanying Measure A, General Obligation Bonds, Election of 2010, Balance Sheet, and Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual, as of and for the fiscal year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over Measure A Building Fund financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
Ross Valley School District /
Citizens' Oversight Committee
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure A Building Fund'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 the Measure A Building Fund 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 related to the Measure A Building Fund that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's Board, management, and the Measure A, General Obligation Bonds, Election of 2010, Citizens' Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 25, 2012

FINDINGS AND RECOMMENDATIONS SECTION

**ROSS VALLEY SCHOOL DISTRICT
MEASURE A
GENERAL OBLIGATION BONDS, ELECTION OF 2010
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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