

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

AUDIT REPORT

JUNE 30, 2014

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2014

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ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2014

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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, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District's primary government 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.

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the discretely presented component unit are not reported. The amounts by which this departure would affect the assets, liabilities, net assets, revenues and expenses has not been determined in accordance with accounting principles generally accepted in the United States of America.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District, as of June 30, 2014, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross Valley School District as of June 30, 2014, 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 49, and schedule of funding progress on page 52 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 Matters (Concluded)

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 combining and individual nonmajor fund financial statements, statistical section, 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 combining and individual nonmajor fund financial statements, statistical section, and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, statistical section, and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards are 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, 2014 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, 2014

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(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, 2014. 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 improved slightly during the year, as total net position increased 3.4%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$243,843.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures and other financing uses exceeded total current year revenues and other financing sources by \$1,832,438.
- Capital assets, net of depreciation and loss on the disposition of capital assets, increased \$5,909,398 due to the current year acquisition and/or construction of \$7,276,892 of new capital assets, current year recognition of \$1,297,022 of depreciation expense, and \$70,472 loss from disposition of capital assets.
- Total long-term liabilities increased \$3,809,043 due primarily to the current year issuance of bond anticipation notes in the amount of \$5,440,643.
- The District's P-2 average daily attendance (ADA) increased from 2,140 ADA in fiscal year 2012-13, up to 2,220 ADA in fiscal year 2013-14, an increase of 80 ADA or 3.7%.
- The District's General Fund produced an operating surplus of \$105,882 during fiscal year 2013-14 and recognized a \$37,966 decrease 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 2013-14, General Fund expenditures and other financing uses totaled \$21,043,261. At June 30, 2014, the District had available reserves of \$2,884,364 which represents a reserve of 13.7%.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(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, 2014**

(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, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net position increased from \$7,134,595 at June 30, 2013, up to \$7,378,438 at June 30, 2014, an increase of 3.4%.

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2013	2014
<u>Assets</u>		
Deposits and Investments	\$ 18,890,789	\$ 16,003,793
Receivables	3,447,713	2,440,669
Capital Assets, net	36,239,921	42,149,319
Total Assets *	<u>58,578,423</u>	<u>60,593,781</u>
<u>Deferred Outflows of Resources</u>		
Deferred Amount on Refunding *	<u>237,402</u>	<u>203,887</u>
<u>Liabilities</u>		
Current	6,589,816	4,607,280
Long-term	45,091,414	48,811,950
Total Liabilities	<u>51,681,230</u>	<u>53,419,230</u>
<u>Net Position</u>		
Net Investment in Capital Assets *	5,514,322	6,123,722
Restricted for Capital Projects	101,272	412,611
Restricted for Debt Service	(2,615,316)	(3,415,743)
Restricted for Educational Programs	336,606	709,420
Restricted for Other Purposes	26,977	26,987
Unrestricted	3,770,734	3,521,441
Total Net Position *	<u>\$ 7,134,595</u>	<u>\$ 7,378,438</u>

* The amounts presented for fiscal year 2012-13 have been restated - see Note 19.

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 bond anticipation notes, and accrued interest on the District's long-term liabilities, and the amount available in the Bond Interest and Redemption Fund and Debt Service 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, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year revenues exceeded total current year expenses by \$243,843.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2014</u>
<u>Program Revenues</u>		
Charges for Services	\$ 546,660	\$ 509,013
Operating Grants & Contributions	2,759,594	3,323,042
Capital Grants & Contributions	0	290,887
<u>General Revenues</u>		
Taxes Levied	7,781,666	10,218,036
Federal & State Aid	9,708,746	10,223,160
Interest & Investment Earnings	59,734	20,126
Transfers	0	91,094
Miscellaneous	2,769,119	632,122
Total Revenues	<u>23,625,519</u>	<u>25,307,480</u>
<u>Expenses</u>		
Instruction	13,646,669	14,233,622
Instruction-Related Services	2,063,600	2,625,376
Pupil Services	1,715,447	1,738,400
General Administration	1,493,195	1,583,195
Plant Services	2,216,352	2,416,160
Ancillary Services	24,509	25,018
Community Services	0	2,628
Interest on Long-Term Debt	2,034,737	2,135,879
Other Outgo	511,756	303,359
Total Expenses	<u>23,706,265</u>	<u>25,063,637</u>
Changes in Net Position	<u>\$ (80,746)</u>	<u>\$ 243,843</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, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

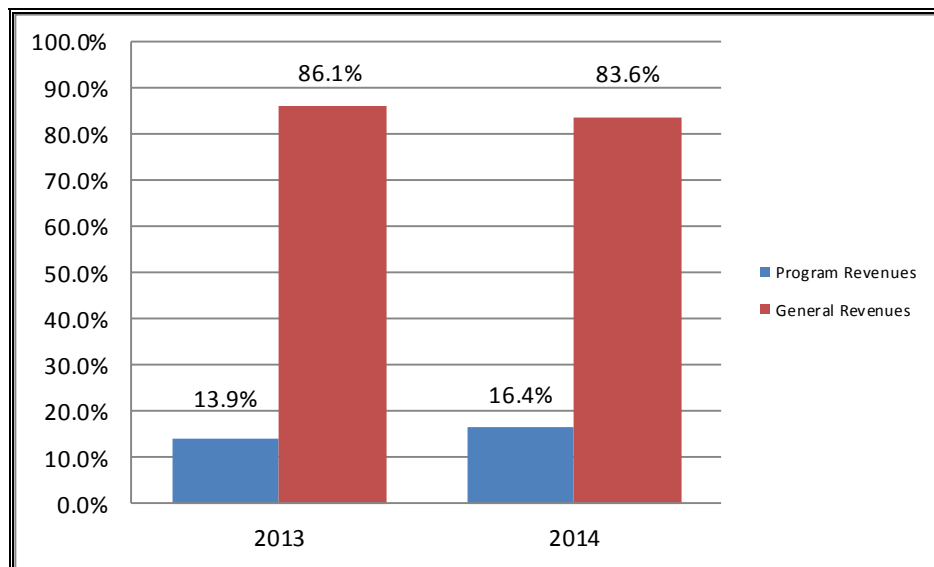
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

	Total Cost of Services		Net Cost of Services	
	2013	2014	2013	2014
Instruction	\$ 13,646,669	\$ 14,233,622	\$ 11,746,037	\$ 11,835,007
Instruction-Related Services	2,063,600	2,625,376	1,961,240	2,069,257
Pupil Services	1,715,447	1,738,400	789,352	954,309
General Administration	1,493,195	1,583,195	1,394,160	1,394,186
Plant Services	2,216,352	2,416,160	2,098,751	2,400,106
Interest on Long-Term Debt	2,034,737	2,135,879	2,034,737	2,135,879
Other Expenses	536,265	331,005	375,734	151,951
Totals	\$ 23,706,265	\$ 25,063,637	\$ 20,400,011	\$ 20,940,695

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 \$20,940,695 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2013-14, program revenues financed 16.4% of the total cost of providing the services listed above, while the remaining 83.6% was financed by the general revenues of the District.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

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

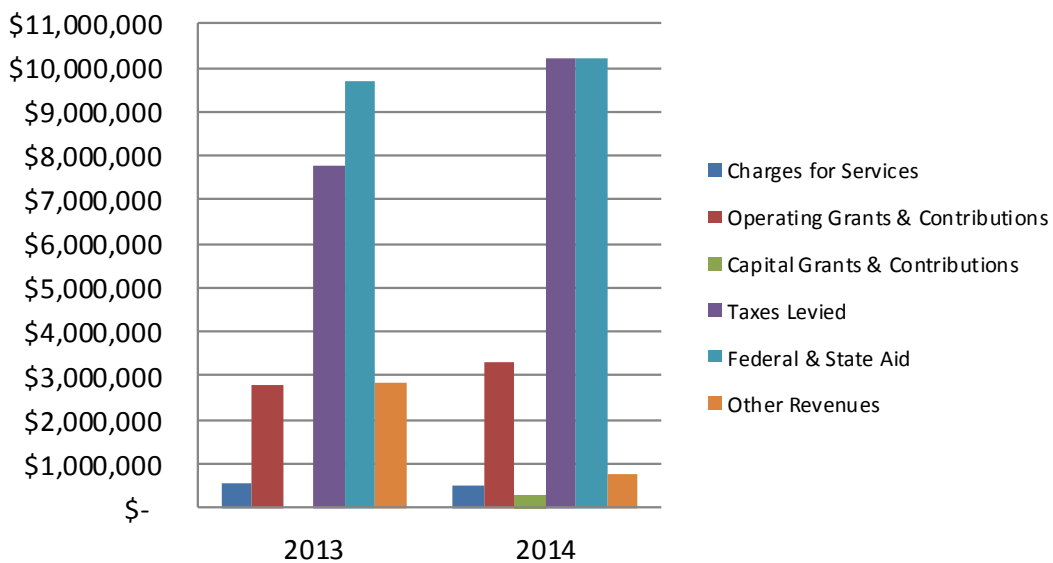
GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2013 Amount	Percent of Total	FYE 2014 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 546,660	2.31%	\$ 509,013	2.01%
Operating Grants & Contributions	2,759,594	11.68%	3,323,042	13.13%
Capital Grants & Contributions	0	0.00%	290,887	1.15%
<u>General Revenues</u>				
Taxes Levied	7,781,666	32.94%	10,218,036	40.38%
Federal & State Aid	9,708,746	41.09%	10,223,160	40.40%
Other Revenues	2,828,853	11.97%	743,342	2.94%
Total Revenues	\$ 23,625,519	100.00%	\$ 25,307,480	100.00%

Table includes financial data of the combined governmental funds

Comparative Revenues



**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

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

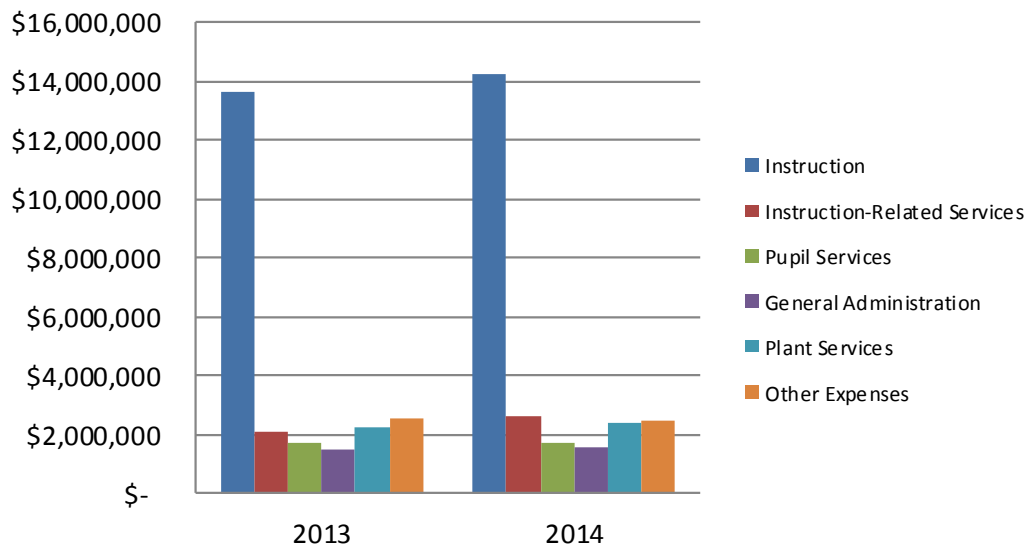
GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2013 Amount</u>	<u>Percent of Total</u>	<u>FYE 2014 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 13,646,669	57.57%	\$ 14,233,622	56.79%
Instruction-Related Services	2,063,600	8.70%	2,625,376	10.47%
Pupil Services	1,715,447	7.24%	1,738,400	6.94%
General Administration	1,493,195	6.30%	1,583,195	6.32%
Plant Services	2,216,352	9.35%	2,416,160	9.64%
Other Expenses	2,571,002	10.85%	2,466,884	9.84%
Total Expenses	\$ 23,706,265	100.00%	\$ 25,063,637	100.00%

Table includes financial data of the combined governmental funds

Comparative Expenses



**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(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	
	2013	2014
Land	\$ 992,328	\$ 992,328
Sites and Improvements	2,592,218	2,592,218
Buildings and Improvements	34,528,524	35,533,460
Furniture and Equipment	576,788	576,788
Work-in-Progress	17,990,774	24,027,826
Subtotals	56,680,632	63,722,620
Less: Accumulated Depreciation	(20,440,711)	(21,573,301)
Capital Assets, net	<u>\$ 36,239,921</u>	<u>\$ 42,149,319</u>

Capital assets, net of depreciation and loss on the disposition of capital assets, increased \$5,909,398 due to the current year acquisition and/or construction of \$7,276,892 of new capital assets, current year recognition of \$1,297,022 of depreciation expense, and \$70,472 loss from disposition of capital assets.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2013	2014
BANS - Current Interest	\$ 0	\$ 2,600,000
BANS - Capital Appreciation	0	2,867,075
Compensated Absences	54,802	48,538
General Obligation Bonds	44,350,890	42,893,996
Bond Premium	1,979,588	1,888,494
Capital Leases	813,449	721,044
Other Post Employment Benefits	396,860	385,485
Totals	<u>\$ 47,595,589</u>	<u>\$ 51,404,632</u>

Total long-term liabilities increased \$3,809,043 due primarily to the current year issuance of bond anticipation notes for \$5,440,643. The general obligation bonds are financed by local taxpayers and represent 83.4% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current debt issues.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The capital leases are financed by the General Fund and represent 1.4% 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 \$105,882 during fiscal year 2013-14, while the combined fund balances of the other District governmental funds decreased \$1,938,320.

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 28 ADA (1.3%) in fiscal year 2014-15. Enrollment growth is expected to continue into the future per the District's enrollment projections.
- On November 4, 2014, the voters of the State of California elected to approve Proposition 2 (State Budget: Budget Stabilization Account. Legislative Constitutional Amendment). The measure will alter the existing requirements for the Budget Stabilization Account (BSA) that was originally established with Proposition 58, passed in 2004. Proposition 2 is set to create a distinct budget stabilization fund known as the "Proposition 98 Reserve" or Public School System Stabilization Account (PSSSA). Proposition 2 also includes a provision that will limit the amount that many school districts may hold in reserves in future years. At this time, the fiscal impact of Proposition 2 is not immediately clear, since the ultimate impact will largely depend on how it is implemented at the state and local levels moving forward.
- Fiscal year 2014-15 will be the second year of the projected eight year phase-in period for the new Local Control Funding Formula (LCFF). Although more information regarding the new funding and accountability standards was released during the past year, it is very likely that there will be additional modifications in the future. As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(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, 2014

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 16,003,793
Receivables (Note 4)	2,440,669
Capital Assets: (Note 6)	
Land	992,328
Sites and Improvements	2,592,218
Buildings and Improvements	35,533,460
Furniture and Equipment	576,788
Work-in-Progress	24,027,826
Less: Accumulated Depreciation	(21,573,301)
Total Assets	60,593,781
<u>Deferred Outflows of Resources</u>	
Deferred Amount on Refunding (Note 11)	203,887
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	1,389,668
Accrued Interest Payable	562,692
Unearned Revenue (Note 11)	62,238
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 11)	48,538
General Obligation Bonds (Note 8)	
Current Interest	1,435,000
Capital Appreciation	795,000
Bond Premium	91,095
Capital Leases (Note 9)	110,212
Other Post Employment Benefits (Note 10)	112,837
<i>Portion Due or Payable After One Year:</i>	
Bond Anticipation Notes (Note 7)	
Current Interest	2,600,000
Capital Appreciation	2,867,075
General Obligation Bonds (Note 8)	
Current Interest	28,815,000
Capital Appreciation	11,848,996
Bond Premium	1,797,399
Capital Leases (Note 9)	610,832
Other Post Employment Benefits (Note 10)	272,648
Total Liabilities	53,419,230
<u>Net Position</u>	
Net Investment in Capital Assets	6,123,722
Restricted:	
For Capital Projects	412,611
For Debt Service	(3,415,743)
For Educational Programs	709,420
For Other Purposes	26,987
Unrestricted	3,521,441
Total Net Position	\$ 7,378,438

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 14,233,622	\$ 8,601	\$ 2,099,127	\$ 290,887	\$ (11,835,007)
Instruction-Related Services:					
Supervision of Instruction	312,349	11	452,540		140,202
Instructional Library and Technology	942,475	1,396	102,172		(838,907)
School Site Administration	1,370,552				(1,370,552)
Pupil Services:					
Home-to-School Transportation	195,639	165	11,030		(184,444)
Food Services	662,469	493,917	116,390		(52,162)
Other Pupil Services	880,292		162,589		(717,703)
General Administration:					
Data Processing Services	51,367				(51,367)
Other General Administration	1,531,828	2,236	186,773		(1,342,819)
Plant Services	2,416,160	173	15,881		(2,400,106)
Ancillary Services	25,018	309	20,694		(4,015)
Community Services	2,628	32	2,173		(423)
Interest on Long-Term Debt	2,135,879				(2,135,879)
Other Outgo	303,359	2,173	153,673		(147,513)
Total Governmental Activities	<u>\$ 25,063,637</u>	<u>\$ 509,013</u>	<u>\$ 3,323,042</u>	<u>\$ 290,887</u>	<u>(20,940,695)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					3,839,619
Taxes Levied for Debt Service					2,882,804
Taxes Levied for Specific Purposes					3,495,613
Federal and State Aid - Unrestricted					10,223,160
Interest and Investment Earnings					20,126
Transfers from Other Agencies					91,094
Miscellaneous					632,122
Total General Revenues					<u>21,184,538</u>
Change in Net Position					243,843
Net Position - July 1, 2013 (As restated - Note 19)					7,134,595
Net Position - June 30, 2014					<u>\$ 7,378,438</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<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)	\$ 3,045,385	\$ 3,301,572	\$ 9,103,241	\$ 553,595	\$ 16,003,793
Receivables (Note 4)	2,419,997			20,672	2,440,669
Due from Other Funds (Note 5)	23,542			27,414	50,956
Total Assets	<u>\$ 5,488,924</u>	<u>\$ 3,301,572</u>	<u>\$ 9,103,241</u>	<u>\$ 601,681</u>	<u>\$ 18,495,418</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 731,388		\$ 648,319	\$ 9,961	\$ 1,389,668
Due to Other Funds (Note 5)	27,414			23,542	50,956
Unearned Revenue (Note 11)	62,238				62,238
Total Liabilities	<u>821,040</u>		<u>648,319</u>	<u>33,503</u>	<u>1,502,862</u>
Fund Balances: (Note 12)					
Nonspendable	3,000				3,000
Restricted	709,420	\$ 3,301,572	8,454,922	568,178	13,034,092
Assigned	1,071,100				1,071,100
Unassigned	2,884,364				2,884,364
Total Fund Balances	<u>4,667,884</u>	<u>3,301,572</u>	<u>8,454,922</u>	<u>568,178</u>	<u>16,992,556</u>
Total Liabilities and Fund Balances	<u>\$ 5,488,924</u>	<u>\$ 3,301,572</u>	<u>\$ 9,103,241</u>	<u>\$ 601,681</u>	<u>\$ 18,495,418</u>

**ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balances - Governmental Funds \$ 16,992,556

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	\$ 63,722,620	
Accumulated Depreciation	(21,573,301)	
Net		42,149,319

Unamortized costs: In governmental funds, any gain or loss that results from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. The deferred amount from refunding, reported as a deferred outflow of resources, was: 203,887

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: (562,692)

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	48,538	
Bond Anticipation Note - Current Interest	2,600,000	
Bond Anticipation Note - Capital Appreciation	2,867,075	
General Obligation Bonds:		
Current Interest	30,250,000	
Capital Appreciation	12,643,996	
Bond Premium	1,888,494	
Capital Leases	721,044	
Other Post Employment Benefits	385,485	
Total		(51,404,632)

Total Net Position - Governmental Activities \$ 7,378,438

**ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
LCFF Sources:					
State Apportionment / Transfers	\$ 9,874,682				\$ 9,874,682
Local Taxes	3,839,619				3,839,619
Total LCFF Sources	13,714,301				13,714,301
Federal Revenue	513,762			\$ 114,813	628,575
State Revenue	1,039,327	\$ 23,973		297,897	1,361,197
Local Revenue	5,862,654	2,862,844	\$ 41,003	581,548	9,348,049
Total Revenues	21,130,044	2,886,817	41,003	994,258	25,052,122
<u>Expenditures</u>					
Instruction	13,428,007				13,428,007
Supervision of Instruction	294,421				294,421
Instructional Library and Technology	888,378				888,378
School Site Administration	1,291,884				1,291,884
Home-To-School Transportation	184,410				184,410
Food Services				624,444	624,444
Other Pupil Services	829,764				829,764
Data Processing Services	48,419				48,419
Other General Administration	1,441,824			8,343	1,450,167
Plant Services	2,146,079		65,721	12,250	2,224,050
Facilities Acquisition and Construction	101,992		7,175,679	52,647	7,330,318
Ancillary Services	25,018				25,018
Community Services	2,628				2,628
Debt Service:					
Principal Retirement	111,504	2,140,000			2,251,504
Interest and Issuance Costs	36,503	1,368,312		32,717	1,437,532
Other Outgo	197,622				197,622
Total Expenditures	21,028,453	3,508,312	7,241,400	730,401	32,508,566
Excess of Revenues Over (Under) Expenditures	101,591	(621,495)	(7,200,397)	263,857	(7,456,444)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In				179,072	179,072
Operating Transfers Out	(14,808)		(164,264)		(179,072)
Other Sources	19,099		5,604,907		5,624,006
Total Other Financing Sources (Uses)	4,291	0	5,440,643	179,072	5,624,006
Net Change in Fund Balances	105,882	(621,495)	(1,759,754)	442,929	(1,832,438)
Fund Balances - July 1, 2013	4,562,002	3,923,067	10,214,676	125,249	18,824,994
Fund Balances - June 30, 2014	\$ 4,667,884	\$ 3,301,572	\$ 8,454,922	\$ 568,178	\$ 16,992,556

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, 2014

Net Change in Fund Balances - Governmental Funds \$ (1,832,438)

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	\$ 7,276,892	
Depreciation Expense	(1,297,022)	
Net		5,979,870

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: (70,472)

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: 6,264

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: 11,375

Amortization of gain or loss from debt refunding: In governmental funds, any gain or loss resulting from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. Current year amortization of deferred amounts from refunding were: (33,515)

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (5,459,742)

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	1,365,000	
General Obligation Bonds - Capital Appreciation	775,000	
Bond Premium Amortized	91,094	
Capital Leases	111,504	
Total		2,342,598

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: 9,441

Accreted interest: In governmental funds, accreted interest on capital appreciation bonds and notes are 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 and notes accrete in value. The amount of accreted interest recognized in the current period was: (709,538)

Change in Net Position of Governmental Activities \$ 243,843

ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency Funds	Total Fiduciary Funds
<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	\$ 0	\$ 0

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 nucleus of a financial reporting entity is usually a primary government. Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, defines a *primary government* as any state government, general-purpose local government, or special-purpose government that meets all of the following criteria:

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

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

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

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

In addition, GASB 61 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary government are such that excluding them would cause the financial reporting entity's financial statements to be misleading.

Based on the GASB 61 criteria and definitions, the District is the primary government and there are no material potential component units which should be included in the Financial Reporting Entity in these financial statements.

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

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

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

As a result, these financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Financial Reporting Entity, or the respective changes in its financial position.

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

B. Implementation of New Accounting Pronouncements

In March of 2012, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, with required implementation for the District during the year ended June 30, 2014. The objective of GASB 65 is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The effect of implementing GASB 65 resulted in a restatement of the beginning net position balance as of July 1, 2013 to write-off unamortized debt issuance costs. Further detail on the restated amount is described in Note 19.

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions (Concluded):

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.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

On 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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

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.

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 *Debt Service Fund* is used to account for the premium received from the sale of bond anticipation notes and to pay bond anticipation notes interest.

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

The *County School Facilities Fund* is used primarily to account separately for state apportionments provided for construction of school facilities (Education Code Sections 17009.5 and 17070.10-17076.10).

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 49.

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).

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

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. 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

3. Deferred Outflows of Resources

Deferred outflows of resources represent deferred amounts from the refunding of debt, which are amortized over the life of the old or new debt, whichever period is shorter. Reported amounts are equally offset as a component of the District's net investment in capital assets.

4. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

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. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

7. Fund Balances (Concluded)

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.

8. Local Control Funding Formula (LCFF)/Property Tax

As part of the 2013-14 State Budget Act, the formula for determining the level of funding per student changed from the "revenue limit" formula to the "Local Control Funding Formula" (LCFF). The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

The County of Marin is responsible for assessing, collecting and apportioning property taxes to the District. 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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Liabilities and Equity (Concluded)

8. Local Control Funding Formula (LCFF)/Property Tax (Concluded)

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 LCFF sources by the District. The California Department of Education reduces the District's LCFF transition entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund, and is known as LCFF State Aid.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, 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>16,000,793</u>	<u> </u>
Total Deposits and Investments	<u>\$ 16,003,793</u>	<u>\$ 8,875</u>

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:

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization (Concluded)

<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

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	\$ 16,000,793	\$ 16,003,849	\$ 12,205,762	\$ 3,795,031

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

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	\$ 16,000,793	\$ 16,003,849			\$ 16,000,793

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, 2014, the District does not have any investments that are held by counterparties.

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations in the General Fund as of June 30, 2014.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2014 consist of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government	\$ 159,873	\$ 18,034	\$ 177,907
State Government	1,880,808	855	1,881,663
Local Governments	140,250		140,250
Miscellaneous	239,066	1,783	240,849
Totals	<u>\$ 2,419,997</u>	<u>\$ 20,672</u>	<u>\$ 2,440,669</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.

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2014 were as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 23,542	\$ 27,414
Cafeteria	<u>27,414</u>	<u>23,542</u>
Totals	<u>\$ 50,956</u>	<u>\$ 50,956</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 2013-14 were as follows:

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)

B. Interfund Transfers (Concluded)

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 14,808
Cafeteria	\$ 14,808	
Debt Service	164,264	
Building		<u>164,264</u>
Totals	<u>\$ 179,072</u>	<u>\$ 179,072</u>

Transfer of \$14,808 from the General Fund to the Cafeteria Fund to support the program.

Transfer of \$164,264 from the Building Fund to the Debt Service Fund to transfer the premium from the sale of bond anticipation notes.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014, is presented below:

	<u>Balances</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2014</u>
Land	\$ 992,328			\$ 992,328
Sites and Improvements	2,592,218			2,592,218
Buildings and Improvements	34,528,524	\$ 1,239,840	\$ 234,904	35,533,460
Furniture and Equipment	576,788			576,788
Work-in-Progress	17,990,774	7,276,892	1,239,840	24,027,826
Totals at Historical Cost	<u>56,680,632</u>	<u>8,516,732</u>	<u>1,474,744</u>	<u>63,722,620</u>
Less Accumulated Depreciation for:				
Sites and Improvements	2,539,377	4,988		2,544,365
Buildings and Improvements	17,435,306	1,264,955	164,432	18,535,829
Furniture and Equipment	466,028	27,079		493,107
Total Accumulated Depreciation	<u>20,440,711</u>	<u>1,297,022</u>	<u>164,432</u>	<u>21,573,301</u>
Governmental Activities				
Capital Assets, net	<u>\$ 36,239,921</u>	<u>\$ 7,219,710</u>	<u>\$ (1,310,312)</u>	<u>\$ 42,149,319</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 816,990
Supervision of Instruction	17,928
Instructional Library and Technology	54,097
School Site Administration	78,668
Home-To-School Transportation	11,229
Food Services	38,025
Other Pupil Services	50,528
Data Processing Services	2,948
Other General Administration	87,925
Plant Services	<u>138,684</u>
Total	<u>\$ 1,297,022</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - BOND ANTICIPATION NOTES

In December 2013, the District issued 2013 General Obligation Bond Anticipation Notes in the amount of \$5,440,643, which consisted of \$2,600,000 of current interest notes and \$2,840,643 of capital appreciation notes. The bond anticipation notes were issued to finance the cost of renovating, acquiring, constructing, repairing and equipping District buildings and other facilities in anticipation of proceeds from general obligation bonds to be issued pursuant to a duly called election of the registered voters of the District held on November 2, 2010, at which more than 55% of the persons voting elected to authorize the issuance and sale of \$41,000,000 of general obligation bonds (2010 Authorization).

The bond anticipation notes are payable from proceeds of the future sale of bonds issued pursuant to the 2010 Authorization, from proceeds of renewal notes, or from other funds of the District lawfully available for the purpose of repaying the notes, including state grants. The District has covenanted in its resolution authorizing the issuance of notes to take all actions required to authorize, sell, and issue, on or before December 1, 2018, bonds, renewal notes or certificates of participation in an aggregate principal amount sufficient to pay the principal of and interest on and maturity value of the notes coming due and payable at maturity. The outstanding bond anticipation notes of the District as of June 30, 2014 was as follows:

A. Current Interest Notes

<u>Date Of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Year</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
2013	3.00	2019	\$ 2,600,000	\$ 0	\$ 2,600,000	\$ 0	\$ 2,600,000

The outstanding obligation for current interest notes at June 30, 2014, was as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 0	\$ 78,000	\$ 78,000
2016	0	78,000	78,000
2017	0	78,000	78,000
2018	0	78,000	78,000
2019	2,600,000	39,000	2,639,000
Totals	\$ 2,600,000	\$ 351,000	\$ 2,951,000

B. Capital Appreciation Notes

<u>Date of Issue</u>	<u>Accretion Rate %</u>	<u>Date of Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Accreted Interest Current Year</u>	<u>Outstanding June 30, 2014</u>
2013	1.85	2019	\$ 2,840,643	\$ 0	\$ 2,840,643	\$ 26,432	\$ 2,867,075

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - BOND ANTICIPATION NOTES (CONCLUDED)

B. Capital Appreciation Notes (Concluded)

The outstanding obligation for capital appreciation notes at June 30, 2014, was as follows:

<u>Year Ended June 30</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2015	\$ 0	\$ 0	\$ 0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	2,840,643	26,432	2,867,075
Totals	\$ 2,840,643	\$ 26,432	\$ 2,867,075

The annual requirements to amortize the capital appreciation notes as of June 30, 2014 are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 0	\$ 0	\$ 0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	2,840,643	269,357	3,110,000
Totals	\$ 2,840,643	\$ 269,357	\$ 3,110,000

NOTE 8 - GENERAL OBLIGATION BONDS

The outstanding general obligation debt of the District as of June 30, 2014 is as follows:

A. Current Interest Bonds

<u>Date Of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
2/2/11	2.00-4.00	8/1/20	\$ 6,150,000	\$ 5,260,000		\$ 505,000	\$ 4,755,000
5/25/11	2.00-4.50	8/1/41	8,840,000	8,055,000			8,055,000
8/15/12	2.00-5.00	8/1/42	18,300,000	18,300,000		860,000	17,440,000
Totals			\$ 33,290,000	\$ 31,615,000	\$ 0	\$ 1,365,000	\$ 30,250,000

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2014, are as follows:

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - GENERAL OBLIGATION BONDS (CONTINUED)

A. Current Interest Bonds (Concluded)

Year Ended June 30	Principal	Interest	Totals
2015	\$ 1,435,000	\$ 1,328,062	\$ 2,763,062
2016	1,045,000	1,289,663	2,334,663
2017	870,000	1,254,837	2,124,837
2018	935,000	1,222,900	2,157,900
2019	905,000	1,190,013	2,095,013
2020-2024	3,475,000	5,457,562	8,932,562
2025-2029	2,855,000	4,842,300	7,697,300
2030-2034	4,420,000	4,106,357	8,526,357
2035-2039	5,030,000	3,196,562	8,226,562
2040-2044	9,280,000	988,413	10,268,413
Totals	\$ 30,250,000	\$ 24,876,669	\$ 55,126,669

B. Capital Appreciation Bonds

Date Of Issue	Accretion Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2013	Issued Current Year	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2014
6/1/99	5.00-5.38	6/1/24	\$ 3,904,790	\$ 8,081,563		\$ 393,210	\$ 775,000	\$ 7,699,773
7/1/01	5.61	7/1/26	1,704,424	3,302,610		187,869		3,490,479
5/25/11	6.60-12.00	8/1/38	1,160,426	1,351,717		102,027		1,453,744
Totals			\$ 6,769,640	\$ 12,735,890	\$ 0	\$ 683,106	\$ 775,000	\$ 12,643,996

The outstanding obligation for the capital appreciation bonds at June 30, 2014, was as follows:

Year Ended June 30	Amount of Original Issue (Principal)	Accreted Interest	Totals
2015	\$ 370,796	\$ 420,906	\$ 791,702
2016	361,687	414,071	775,758
2017	359,305	411,217	770,522
2018	359,682	409,030	768,712
2019	328,149	388,094	716,243
2020-2024	1,775,649	2,152,710	3,928,359
2025-2029	1,967,629	1,848,021	3,815,650
2030-2034	303,605	74,519	378,124
2035-2039	557,723	141,203	698,926
Totals	\$ 6,384,225	\$ 6,259,771	\$ 12,643,996

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The annual requirements to amortize the capital appreciation bonds at June 30, 2014, are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 370,796	\$ 424,204	\$ 795,000
2016	361,687	458,313	820,000
2017	359,305	500,695	860,000
2018	359,682	550,318	910,000
2019	328,149	556,851	885,000
2020-2024	1,775,649	4,079,351	5,855,000
2025-2029	1,967,629	5,647,371	7,615,000
2030-2034	303,605	1,106,395	1,410,000
2035-2039	557,723	2,807,277	3,365,000
Totals	<u>\$ 6,384,225</u>	<u>\$ 16,130,775</u>	<u>\$ 22,515,000</u>

NOTE 9 - CAPITAL LEASES

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

Future minimum lease payments under these agreements are as follows:

Year Ended <u>June 30</u>	<u>Lease Payments</u>
2015	\$ 141,245
2016	130,454
2017	123,130
2018	123,130
2019	123,130
2020-2024	<u>195,042</u>
Total	836,131
Less amounts representing interest	<u>(115,087)</u>
Present value of net minimum lease payments	<u>\$ 721,044</u>

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - 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 \$115.00 per month for calendar year 2013, \$115.00 per month for calendar year 2014, and is scheduled by law to be indexed with medical inflation (CPI) for years 2015 and thereafter.

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, 2014, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$385,485 for the year ended June 30, 2014:

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

Annual OPEB Cost and Net OPEB Obligation (Concluded):

Normal cost with interest to end of year	\$	5,726
Amortization of UAAL with interest to end of year		84,477
Annual required contribution (ARC)		90,203
Interest on net OPEB obligation		15,874
Adjustment to ARC		(22,950)
Annual OPEB cost (expense)		83,127
Contributions for the fiscal year		(94,502)
Decrease in net OPEB obligation		(11,375)
Net OPEB obligation - June 30, 2013		396,860
Net OPEB obligation - June 30, 2014	\$	385,485

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, 2014	\$ 83,127	113.7%	\$ 385,485
June 30, 2013	82,587	136.6%	396,860
June 30, 2012	77,600	119.3%	427,110

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2014, is shown below:

	Balances July 1, 2013	Additions	Deductions	Balances June 30, 2014	Due within One Year
Compensated Absences	\$ 54,802	\$ 48,538	\$ 54,802	\$ 48,538	\$ 48,538
Bond Anticipation Notes:					
Current Interest	0	2,600,000		2,600,000	
Capital Appreciation	0	2,867,075		2,867,075	
General Obligation Bonds:					
Current Interest	31,615,000		1,365,000	30,250,000	1,435,000
Capital Appreciation	12,735,890	683,106	775,000	12,643,996	795,000
Bond Premium	1,979,588		91,094	1,888,494	91,095
Capital Leases	813,449	19,099	111,504	721,044	110,212
Other Post Employment Benefits	396,860	83,127	94,502	385,485	112,837
Totals	<u>\$ 47,595,589</u>	<u>\$ 6,300,945</u>	<u>\$ 2,491,902</u>	<u>\$ 51,404,632</u>	<u>\$ 2,592,682</u>

General obligation bonds are liquidated by the Bond Interest and Redemption Fund, the compensated absences, capital leases and other post employment benefits are liquidated by the General Fund. The bond anticipation notes will be liquidated by future proceeds from the sale of general obligation bonds.

NOTE 12 - FUND BALANCES

The District's fund balances at June 30, 2014 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 3,000				\$ 3,000
Restricted	709,420	\$ 3,301,572	\$ 8,454,922	\$ 568,178	13,034,092
Assigned	1,071,100				1,071,100
Unassigned:					
Economic Uncertainties	2,144,346				2,144,346
Other	740,018				740,018
Totals	<u>\$ 4,667,884</u>	<u>\$ 3,301,572</u>	<u>\$ 8,454,922</u>	<u>\$ 568,178</u>	<u>\$ 16,992,556</u>

NOTE 13 - 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).

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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 2013-14 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, 2014, 2013, and 2012, were \$882,872, \$799,288, and \$743,035, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, 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 2013-14 was 11.442%. 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, 2014, 2013, and 2012, were \$320,088, \$326,790, and \$280,652, 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, 2014

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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 6.2% of their gross earnings.

NOTE 14 - 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 \$556,904 to CalSTRS (5.204% of salaries subject to CalSTRS).

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013-14, 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.

NOTE 16 - 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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 - JOINT VENTURES (CONCLUDED)

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

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.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to unfinished capital projects:

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. Construction Commitments (Concluded)

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
White Hill Middle School Academic & Enrichment Classrooms	\$ 917,000	Oct-14

NOTE 18 - ECONOMIC DEPENDENCY

During the year, the District received \$3,493,914 of parcel tax revenue that is subject to voter approval, and \$835,173 from the Ross Valley Schools Foundation, a non-profit education foundation, that is subject to voluntary public contributions to the organization.

NOTE 19 - RESTATEMENT OF NET POSITION

In accordance with the provisions of GASB 65, the beginning net position balance has been restated to reflect the write-off of unamortized debt issuance costs. The effect of the restatement on the current year financial statements is as follows:

	<u>Statement of Activities</u>
Net Position - July 1, 2013 (as originally stated)	\$ 7,308,382
Write-off Unamortized Debt Issuance Costs	<u>(173,787)</u>
Net Position - July 1, 2013 (as restated)	<u>\$ 7,134,595</u>

NOTE 20 - 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, 2014, 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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 8,247,693	\$ 10,340,392	\$ 9,874,682	\$ (465,710)
Local Sources	3,459,069	3,350,774	3,839,619	488,845
Total LCFF Sources	11,706,762	13,691,166	13,714,301	23,135
Federal Revenue	558,431	629,490	513,762	(115,728)
Other State Revenue	2,100,507	1,033,852	1,039,327	5,475
Other Local Revenue	5,679,058	5,897,919	5,862,654	(35,265)
Total Revenues	20,044,758	21,252,427	21,130,044	(122,383)
<u>Expenditures</u>				
Certificated Salaries	10,192,661	10,871,940	10,703,931	168,009
Classified Salaries	2,985,642	3,238,507	3,227,989	10,518
Employee Benefits	3,358,150	3,616,016	3,297,266	318,750
Books and Supplies	780,756	1,269,269	828,957	440,312
Services and Other				
Operating Expenditures	2,982,377	3,676,404	2,633,024	1,043,380
Debt Service:				
Principal Retirement	101,178	239,752	111,504	128,248
Interest and Fiscal Charges	48,326	60,150	36,503	23,647
Other Expenditures	247,134	260,752	189,279	71,473
Total Expenditures	20,696,224	23,232,790	21,028,453	2,204,337
Excess of Revenues Over (Under) Expenditures	(651,466)	(1,980,363)	101,591	2,081,954
<u>Other Financing Sources (Uses)</u>				
Operating Transfers Out	(33,361)	(33,361)	(14,808)	18,553
Other Sources			19,099	19,099
Total Other Financing Sources (Uses)	(33,361)	(33,361)	4,291	37,652
Net Change in Fund Balances	(684,827)	(2,013,724)	105,882	\$ 2,119,606
Fund Balances - July 1, 2013	4,562,002	4,562,002	4,562,002	
Fund Balances - June 30, 2014	\$ 3,877,175	\$ 2,548,278	\$ 4,667,884	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>Cafeteria</u>	<u>Debt Service</u>	<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Total Non-Major Governmental Funds</u>
<u>Assets</u>					
Deposits and Investments		\$ 131,580	\$ 131,015	\$ 291,000	\$ 553,595
Receivables	\$ 20,672				20,672
Due from Other Funds	27,414				27,414
Total Assets	<u>\$ 48,086</u>	<u>\$ 131,580</u>	<u>\$ 131,015</u>	<u>\$ 291,000</u>	<u>\$ 601,681</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 557		\$ 9,404		\$ 9,961
Due to Other Funds	23,542				23,542
Total Liabilities	24,099		9,404		33,503
Fund Balances:					
Restricted	23,987	\$ 131,580	121,611	\$ 291,000	568,178
Total Liabilities and Fund Balances	<u>\$ 48,086</u>	<u>\$ 131,580</u>	<u>\$ 131,015</u>	<u>\$ 291,000</u>	<u>\$ 601,681</u>

**ROSS VALLEY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Cafeteria</u>	<u>Debt Service</u>	<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Total Non-Major Governmental Funds</u>
<u>Revenues</u>					
Federal Revenue	\$ 114,813				\$ 114,813
State Revenue	7,010			\$ 290,887	297,897
Local Revenue	496,166	\$ 33	\$ 85,236	113	581,548
Total Revenues	<u>617,989</u>	<u>33</u>	<u>85,236</u>	<u>291,000</u>	<u>994,258</u>
<u>Expenditures</u>					
Food Services	624,444				624,444
Other General Administration	8,343				8,343
Plant Services			12,250		12,250
Facilities Acquisition and Construction			52,647		52,647
Debt Service:					
Interest and Issuance Costs		32,717			32,717
Total Expenditures	<u>632,787</u>	<u>32,717</u>	<u>64,897</u>	<u>0</u>	<u>730,401</u>
Excess of Revenues Over (Under) Expenditures	(14,798)	(32,684)	20,339	291,000	263,857
<u>Other Financing Sources</u>					
Operating Transfers In	14,808	164,264			179,072
Net Change in Fund Balances	10	131,580	20,339	291,000	442,929
Fund Balances - July 1, 2013	<u>23,977</u>	<u>0</u>	<u>101,272</u>	<u>0</u>	<u>125,249</u>
Fund Balances - June 30, 2014	<u>\$ 23,987</u>	<u>\$ 131,580</u>	<u>\$ 121,611</u>	<u>\$ 291,000</u>	<u>\$ 568,178</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, 2014

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
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, 2014

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>
Anne Capron	President	December 2015
Annelise Bauer	Clerk	December 2015
Wesley Pratt	Member	December 2017
Amy Stock	Member	December 2017
Hadley Dettmer	Member	December 2015

ADMINISTRATION

Rick Bagley, Ed. D.
Superintendent

Jim Cerreta
Business Manager

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	P-2 Report			
	TK / K - 3	4 - 6	7 - 8	Total
Regular	1,016.58	780.24	413.51	2,210.33
Extended Year Special Education	0.62	0.41	0.14	1.17
Special Education - NPS / LCI	2.65	5.76		8.41
Extended Year Special Education NPS / LCI		0.26	0.09	0.35
Totals	1,019.85	786.67	413.74	2,220.26

	Annual Report			
	TK / K - 3	4 - 6	7 - 8	Total
Regular	1,017.98	781.32	413.39	2,212.69
Extended Year Special Education	0.62	0.41	0.14	1.17
Special Education - NPS / LCI	2.67	5.70		8.37
Extended Year Special Education NPS / LCI		0.28	0.09	0.37
Totals	1,021.27	787.71	413.62	2,222.60

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Grade Level</u>	<u>Minutes Required</u>	<u>Adjusted Minutes Required</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	36,000	180	N/A	In Compliance
Grade 1	50,400	49,000	50,530	180	N/A	In Compliance
Grade 2	50,400	49,000	50,530	180	N/A	In Compliance
Grade 3	50,400	49,000	52,830	180	N/A	In Compliance
Grade 4	54,000	52,500	54,570	180	N/A	In Compliance
Grade 5	54,000	52,500	54,570	180	N/A	In Compliance
Grade 6	54,000	52,500	56,580	180	N/A	In Compliance
Grade 7	54,000	52,500	56,580	180	N/A	In Compliance
Grade 8	54,000	52,500	56,580	180	N/A	In Compliance

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<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	\$ 114,813
U.S. Department of Education:			
Passed through CDE:			
NCLB: Title I Basic Grants Low-Income & Neglected	84.010	14329	72,782
NCLB: Title II - Improving Teacher Quality	84.367	14341	61,035
NCLB: Title III - Immigrant Education Program	84.365	15146	4,804
NCLB: Title III - Limited English Proficient	84.365	14346	7,812
Passed through Marin County SELPA:			
<i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	269,759
IDEA Part B Basic Local Assistance Private School	84.027	10115	23,878
IDEA Mental Health Services, Part B	84.027A	14468	19,947
IDEA Part B Preschool Grant	84.173	13430	11,228
IDEA Part B Preschool Local Entitlement	84.027A	13682	42,517
Total			<u>\$ 628,575</u>

**ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund	Deferred Maintenance Fund	Building Fund
June 30, 2014 Annual Financial and Budget Report Fund Balances	\$ 4,162,938	\$ 418,759	\$ 8,829,947
Reclassifications and Adjustments Increasing (Decreasing) Fund Balances:			
Reclassification of Fund Balances	418,759	(418,759)	
Understatement of Capital Outlay Expenditures			(375,025)
Understatement of Other Local Revenue	86,187		
Total Reclassifications and Adjustments Increasing (Decreasing) Fund Balances	504,946	(418,759)	(375,025)
June 30, 2014 Audited Financial Statements Fund Balances	\$ 4,667,884	\$ 0	\$ 8,454,922

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, 2014.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	GENERAL FUND			
	(Budget) * 2014-15	2013-14	2012-13	2011-12
Revenues and Other Financial Sources	\$ 22,291,304	\$ 21,149,143	\$ 19,961,268	\$ 18,629,519
Expenditures	23,177,578	21,028,453	19,720,576	17,916,291
Other Uses and Transfers Out	39,732	14,808	12,608	23,929
Total Outgo	23,217,310	21,043,261	19,733,184	17,940,220
Change in Fund Balance	(926,006)	105,882	228,084	689,299
Ending Fund Balance	\$ 3,741,878	\$ 4,667,884	\$ 4,562,002	\$ 4,333,918
Available Reserves	\$ 2,599,404	\$ 2,884,364	\$ 2,922,330	\$ 2,905,591
Reserve for Economic Uncertainties **	\$ 2,317,863	\$ 2,144,346	\$ 1,973,317	\$ 538,207
Available Reserves as a Percentage of Total Outgo	11.2%	13.7%	14.8%	16.2%
Average Daily Attendance at P-2	2,248	2,220	2,140	2,124
Total Long-Term Liabilities	\$ 48,811,950	\$ 51,404,632	\$ 47,595,589	\$ 28,970,086

* Amounts reported for the 2014-15 budget are presented for analytical purposes only and have not been audited.

** Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$333,966 (7.7%) over the past two years. The fiscal year 2014-15 budget projects a decrease of \$926,006 (19.8%). 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 96 ADA over the past two years. The District projects an increase of 28 ADA during fiscal year 2014-15.

Total long-term liabilities increased \$22,434,546 over the past two years due primarily to the issuance of \$18,300,000 of general obligation bonds during the 2012-13 fiscal year and \$5,440,643 of bond anticipation notes during fiscal year 2013-14.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 participated in the Longer Day incentive funding program for the current fiscal year, but the District did not meet or exceed its LCFF target funding. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

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, 2014

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 2013-14* for the fiscal year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14, 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. Our audit does not provide a legal determination of Ross Valley School District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine about Ross Valley School District's compliance with state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in 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

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Time for School Districts	10	Yes
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
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance For Charter Schools	8	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
Charter School Facility Grant Program	1	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 State Compliance

In our opinion, Ross Valley School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 14-4**. Further, the results of our auditing procedures disclosed instances of noncompliance with other state laws and regulations, which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 14-3**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

The District's responses to the noncompliance 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 them.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2014

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, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of and for the year ended June 30, 2014, 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, 2014 that included an unmodified opinion on the governmental activities, each major fund and the aggregate remaining fund information and an adverse opinion on the discretely presented component unit. The report on the financial statements included an adverse opinion on the discretely presented component unit because the financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements.

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 14-1**.

Internal Control Over Financial Reporting (Concluded)

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency, as noted in **Finding 14-2**.

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, 2014

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, 2014. 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, 2014.

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, 2014

FINDINGS AND QUESTIONED COSTS SECTION

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified with Adverse Opinion on Discretely Presented Component Unit

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified not considered to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified? Yes X No

Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>
10.555	National School Lunch
84.027 / 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? Yes X No

State Awards

Internal control over state programs:

Material weaknesses identified? X Yes No

Significant deficiencies identified not considered to be material weaknesses? X Yes None reported

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

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

14 - 1 / 30000

MATERIAL WEAKNESS

FINANCIAL REPORTING - UNAUDITED ACTUALS

<u>Criteria:</u>	Each year, school Districts are responsible for preparing complete and accurate financial information, which is reported to the California Department of Education in the form of the "Unaudited Actuals" Financial Report. Accordingly, 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.
<u>Condition:</u>	The District's "Unaudited Actuals" included misstatements that we consider to be material to the District's annual financial statements. Accordingly, it appears that internal control over financial reporting was inadequate in the areas where the audit adjustments were required.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The adjustments that were made to ensure that the General Fund and Building Fund financial statements were fairly stated are presented on page 57 of this report.
<u>Effect:</u>	When an effective system of internal control over financial reporting is not in place, there is a reasonable possibility that material misstatements of the District's financial statements will not be prevented, or detected and corrected on a timely basis.
<u>Cause:</u>	The District did not appear to perform a formal comprehensive financial reporting review of the information that is presented in the "Unaudited Actuals".
<u>Recommendation:</u>	The District should develop a comprehensive financial reporting checklist, which can be used by staff during the year-end closing process, to prevent material misstatements from occurring in the future.
<u>District Response:</u>	Supervisor will train staff and do a secondary review of the proposed journal/audit entries and sign off prior to being posted. Staff will run reports to ensure the entries correctly reflect the journals/audit adjustments in the financial statements.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

14 - 2 / 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 a result, board minutes for August, September, November and December 2013 were never approved since there was a turnover in board members, who cannot approve minutes for meetings they did not attend.

Questioned Cost: None.

Context: We reviewed approved board meeting minutes from July 1, 2013 through November 18, 2014.

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 has significantly reduced the number of Board Meetings to two per month. This has enabled staff sufficient time between meetings to properly prepare and submit minutes to the subsequent meeting for approval. There are no minutes missing or delayed since this change has been made.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2014.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

14 - 3 / 40000

MATERIAL WEAKNESS

NON-VOTER APPROVED DEBT

Criteria: In accordance with Education Code Section 17150, school districts are required to notify the County Superintendent of Schools at least 30 days prior to the governing boards' approval of the issuance of non-voter approved debt secured by real property. In addition, districts must provide additional information that will enable the County Superintendent of Schools to assess the impact of the proposed debt issuance. Once received, the County Superintendent of Schools has 15 days where it is authorized to comment publicly regarding the district's capacity to repay the debt obligation based on the information provided.

Condition: In December 2013, the District issued \$5,440,642.90 of bond anticipation notes (non-voter approved debt) prior to notifying the County Superintendent of Schools of the District's intention to issue such notes.

Questioned Costs: None.

Context: Bond anticipation notes are seldom used due to the fact that if a district is unable to refinance the notes by the issuance of a general obligation, they will need to be repaid by any funds lawfully available, which includes the District's General Fund.

Effect: The District did not comply with the requirements of Education Code Section 17150. As a result, information was not provided in a timely manner, and the County Superintendent of Schools was unable to comment on the financial impact of the issuance of bond anticipation notes on the District's General Fund. Accordingly, the decision to issue bond anticipation notes was made by the District prior to obtaining feedback from its oversight agency. Subsequent to the issuance of the bond anticipation bonds, the Marin County Office of Education provided the District with their feedback regarding the issuance of the bond anticipation notes, in a letter dated January 9, 2014.

Cause: This is the first time that the District been involved in the issuance of bond anticipation notes. As a result, the District was not fully aware of the requirements of Education 17150.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

NON-VOTER APPROVED DEBT (CONCLUDED)

Recommendation:

The District should establish appropriate procedures to ensure that it complies with the requirements of Education Code Section 17150 in future years. In addition, the District should closely monitor its ability to issue general obligation bonds in the future, for purposes of retiring the bond anticipation notes. If the District has any concerns, whatsoever, about its ability to do so, it should immediately develop a contingency plan that shows how the District intends to retire the bond anticipation notes.

District Response:

The District will notify and include the COE in future non-voter approved debt issuances and retirements. The District is currently working with bond counsel to determine Bond Anticipation Note defeasement/retirement.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

14 - 4 / 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 2013-14 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 2013-14 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. This comment has been included in the 2011-12, 2012-13 and 2013-14 audit reports.
<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 review and provide procedures for staff to follow for facility inspections. In addition, the Superintendent (or designee) will ensure accuracy of information prior to releasing or posting final SARC data.

ROSS VALLEY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS</u>		
13 - 1 / 30000		
MATERIAL WEAKNESS		
<u>FINANCIAL REPORTING - UNAUDITED ACTUALS</u>		
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.	Not Implemented	Comment Repeated (See Finding 14-1)
13 - 2 / 30000		
SIGNIFICANT DEFICIENCY		
<u>MEAL REIMBURSEMENT CLAIM REPORTING</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.	Implemented	
13 - 3 / 30000		
SIGNIFICANT DEFICIENCY		
<u>BOARD MINUTES</u>		
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.	Not Implemented	Comment Repeated (See Finding 14-2)

ROSS VALLEY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS (CONTINUED)</u>		
13 - 4 / 30000		
SIGNIFICANT DEFICIENCY		
<u>FOUNDATION - CASH DISBURSEMENTS APPROVAL</u>		
The Foundation should require a management level review and approval of supporting documentation for cash disbursement transactions prior to issuing payments.	Unknown	We did not perform the audit of the Foundation for 2013-14
13 - 5 / 30000		
SIGNIFICANT DEFICIENCY		
<u>FOUNDATION - CASH DISBURSEMENTS PROCEDURES</u>		
Evidence of receipt of conforming goods (packing slips) or services should be obtained prior to processing invoices for payment.	Unknown	See above
Foundation staff should be held accountable for submitting original invoices and receipts. Payments should not be made prior to obtaining the appropriate documentation.	Unknown	See above
13 - 6 / 30000		
SIGNIFICANT DEFICIENCY		
<u>FOUNDATION - MANAGING DIRECTOR PAYMENT PROCEDURES</u>		
All requests for payments by the Managing Director should be formally reviewed and approved by the Foundation's Board.	Unknown	See above

**ROSS VALLEY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS (CONCLUDED)</u>		
13 - 7 / 30000		
SIGNIFICANT DEFICIENCY		
<u>FOUNDATION - BANK RECONCILIATION PROCEDURES</u>		
To ensure the accuracy, validity and authenticity of bank statements and bank reconciliations, the Foundation should implement the recommended procedures.	Unknown	See above
<u>STATE AWARDS</u>		
13 - 8 / 10000		
SIGNIFICANT DEFICIENCY		
<u>ATTENDANCE</u>		
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.	Implemented	
13 - 9 / 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 14-4)