

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

**AUDIT REPORT**

**JUNE 30, 2017**



ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2017

---

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Notes to the Basic Financial Statements	22
<u>REQUIRED SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	57
Schedule of Funding Progress	58
Schedule of the Proportionate Share of the Net Pension Liability - CalSTRS	59
Schedule of the Proportionate Share of the Net Pension Liability - CalPERS	60
Schedule of Contributions - CalSTRS	61
Schedule of Contributions - CalPERS	62
Notes to Required Supplementary Information	63

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2017

---

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/Board of Education/Administration	65
Combining Statements:	
Combining Balance Sheet - Non-Major Governmental Funds	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	67
Schedule of Average Daily Attendance	68
Schedule of Instructional Time	69
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	70
Schedule of Financial Trends and Analysis	71
Notes to Supplementary Information	72
<u>OTHER INDEPENDENT AUDITOR'S REPORTS SECTION</u>	
Independent Auditor's Report on State Compliance	73
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing     Standards</i>	77
<u>FINDINGS AND QUESTIONED COSTS SECTION</u>	
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	79
Section II - Financial Statement Findings	80
Section III - State Award Findings and Questioned Costs	81
Status of Prior Year Recommendations	82

FINANCIAL SECTION



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

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Ross Valley School District  
San Anselmo, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ross Valley School District, as of and for the year ended June 30, 2017, 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 did not audit the financial statements of Yes The Ross Valley Schools Foundation, which represents 100% of the assets, liabilities, net assets, revenues and expenses of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Yes The Ross Valley Schools Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of June 30, 2017, 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 57, schedule of funding progress on page 58, schedules of the proportionate share of the net pension liabilities on pages 59 and 60, and schedules of contributions on pages 61 and 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ross Valley School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is 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 supplementary information listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018 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

January 12, 2018

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(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, 2017. 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 16 and 17, 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 18 through 21, 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.

**FINANCIAL HIGHLIGHTS**

- The District's overall financial status weakened during the 2016-17 fiscal year, as the total net position (deficit) increased 8.2%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$1,086,090.
- Capital assets, net of depreciation, increased \$1,760,427, due to the current year addition of \$3,819,056 of new capital assets and improvements, and current year recognition of \$2,058,629 of depreciation expense.
- Total long-term liabilities increased \$11,744,562, due primarily to the current year issuance of \$9,625,000 of 2017 General Obligation Crossover Refunding Bonds, Series A, and a \$3,090,775 increase in net pension liabilities related to the District's participation in the CalSTRS and CalPERS pension plans.
- The proceeds from the sale of the 2017 General Obligation Crossover Refunding Bonds, Series A, will be used to refund, on a crossover basis, a portion of the District's General Obligation Bonds Election of 2010, Series A on August 21, 2021 (the "Crossover Date"), and pay for issuance costs and interest expense, related to the new bonds, prior to the crossover date.
- The District's P-2 average daily attendance (ADA) decreased from 2,227 ADA in fiscal year 2015-16, down to 2,136 ADA in fiscal year 2016-17, a decrease of 91 ADA (4.1%).
- During fiscal year 2016-17, the District's General Fund produced an operating surplus of \$631,134, but reported a \$844,944 decrease in its available reserves due to a larger portion of the ending fund balance being assigned for other specific future uses.
- 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 2016-17, General Fund expenditures and other financing uses totaled \$25,077,605. At June 30, 2017, the District had available reserves of \$3,481,698, which represents a reserve of 13.9%.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(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, 2017**

(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. The District has no funds of this type.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES

The District's net position (deficit) increased 8.2% during fiscal year 2016-17.

<b><u>Comparative Statement of Net Position</u></b>		
	Governmental Activities	
	2016	2017
<u>Assets</u>		
Deposits and Investments	\$ 18,159,492	\$ 24,754,381
Receivables	1,095,883	1,029,943
Capital Assets, net	45,168,841	46,929,268
Total Assets	<u>64,424,216</u>	<u>72,713,592</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals	2,509,466	5,002,315
Deferred Amount on Refunding	136,855	64,178
Total Deferred Outflows of Resources	<u>2,646,321</u>	<u>5,066,493</u>
<u>Liabilities</u>		
Current	3,810,602	4,142,795
Long-term	74,425,968	86,000,100
Total Liabilities	<u>78,236,570</u>	<u>90,142,895</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	2,071,290	1,960,603
<u>Net Position</u>		
Net Investment in Capital Assets	6,143,769	5,630,053
Restricted for Capital Projects	291,044	218,700
Restricted for Debt Service (Deficit)	(4,473,120)	(5,101,867)
Restricted for Educational Programs	256,931	153,927
Restricted for Other Purposes	30,511	30,460
Unrestricted (Deficit)	(15,486,458)	(15,254,686)
Total Net Position (Deficit)	<u>\$ (13,237,323)</u>	<u>\$ (14,323,413)</u>

*Table includes financial data of the combined governmental funds*

The restricted for debt service deficit balance reflects that the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds currently exceeds the amount available in the Bond Interest and Redemption Fund. The unrestricted deficit balance is due primarily to the fact that the District is now required to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by \$1,086,090.

<b><u>Comparative Statement of Changes in Net Position</u></b>		
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2017</u>
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 321,479	\$ 228,061
Operating Grants & Contributions	3,976,995	3,912,987
<b><u>General Revenues</u></b>		
Taxes Levied	15,879,980	17,100,502
Federal & State Aid	8,502,382	7,449,636
Other Revenues	876,037	678,408
<b>Total Revenues</b>	<b><u>29,556,873</u></b>	<b><u>29,369,594</u></b>
<b><u>Expenses</u></b>		
Instruction	17,652,216	17,701,382
Instruction-Related Services	2,565,137	2,338,526
Pupil Services	2,688,913	2,626,186
General Administration	1,798,029	2,129,695
Plant Services	2,204,943	2,485,738
Interest on Long-Term Debt	2,458,913	2,496,872
Other Expenses	583,962	677,285
<b>Total Expenses</b>	<b><u>29,952,113</u></b>	<b><u>30,455,684</u></b>
<b>Changes in Net Position</b>		
Before Special Item	(395,240)	(1,086,090)
Special Item - (Loss)	(30,881)	0
<b>Changes in Net Position</b>	<b>(426,121)</b>	<b>(1,086,090)</b>
<b>Net Position, Beginning (Deficit)</b>	<b><u>(12,811,202)</u></b>	<b><u>(13,237,323)</u></b>
<b>Net Position, Ending (Deficit)</b>	<b><u>\$ (13,237,323)</u></b>	<b><u>\$ (14,323,413)</u></b>

*Table includes financial data of the combined governmental funds*

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

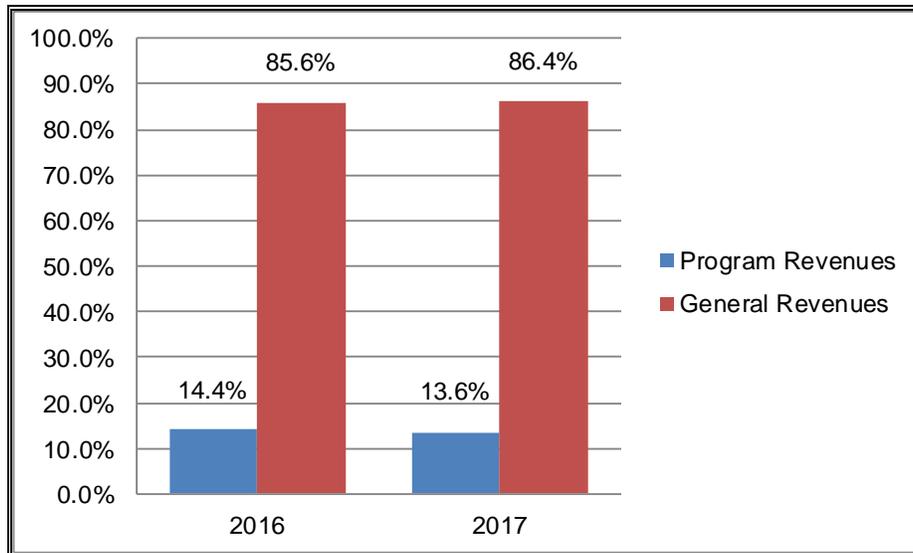
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2016	2017	2016	2017
	Instruction	\$ 17,652,216	\$ 17,701,382	\$ 14,807,170
Instruction-Related Services	2,565,137	2,338,526	2,366,926	2,165,546
Pupil Services	2,688,913	2,626,186	1,675,395	1,665,439
General Administration	1,798,029	2,129,695	1,745,671	2,085,245
Plant Services	2,204,943	2,485,738	2,164,259	2,485,502
Interest on Long-Term Debt	2,458,913	2,496,872	2,458,913	2,496,872
Other Expenses	583,962	677,285	435,305	562,929
<b>Totals</b>	<b>\$ 29,952,113</b>	<b>\$ 30,455,684</b>	<b>\$ 25,653,639</b>	<b>\$ 26,314,636</b>

*Table includes financial data of the combined governmental funds*

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$26,314,636 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2016-17, program revenues financed 13.6% of the total cost of providing the services listed above, while the remaining 86.4% 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, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

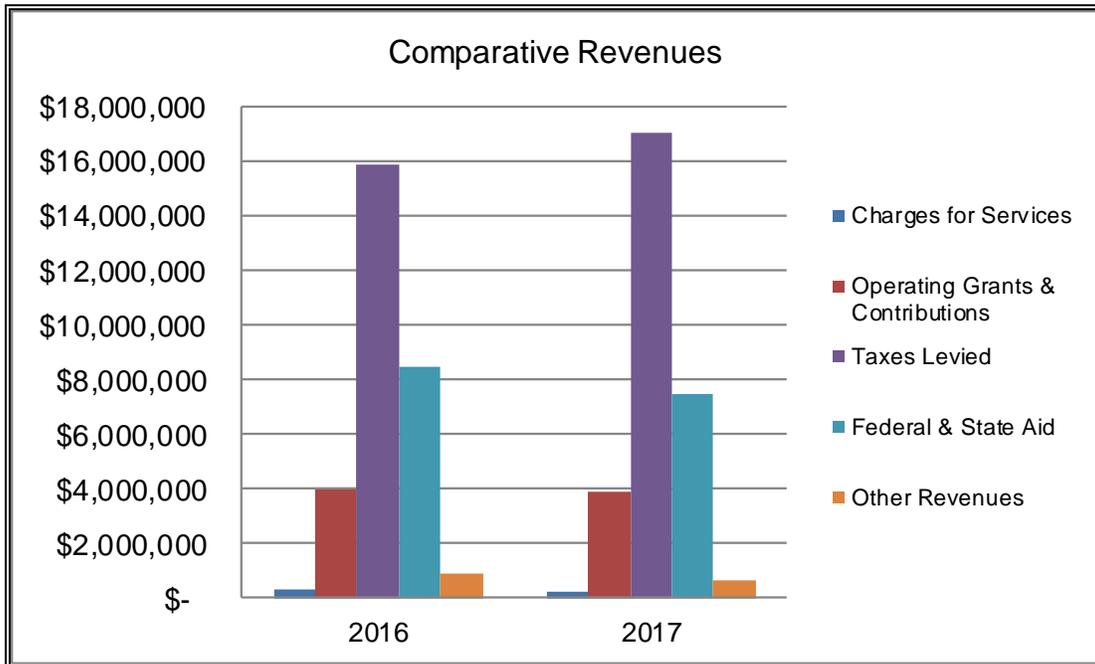
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

**Summary of Revenues For Governmental Functions**

	<u>FYE 2016 Amount</u>	<u>Percent of Total</u>	<u>FYE 2017 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 321,479	1.09%	\$ 228,061	0.78%
Operating Grants & Contributions	3,976,995	13.46%	3,912,987	13.32%
<u>General Revenues</u>				
Taxes Levied	15,879,980	53.73%	17,100,502	58.23%
Federal & State Aid	8,502,382	28.77%	7,449,636	25.37%
Other Revenues	876,037	2.96%	678,408	2.31%
<b>Total Revenues</b>	<b><u>\$ 29,556,873</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 29,369,594</u></b>	<b><u>100.00%</u></b>

*Table includes financial data of the combined governmental funds*



**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

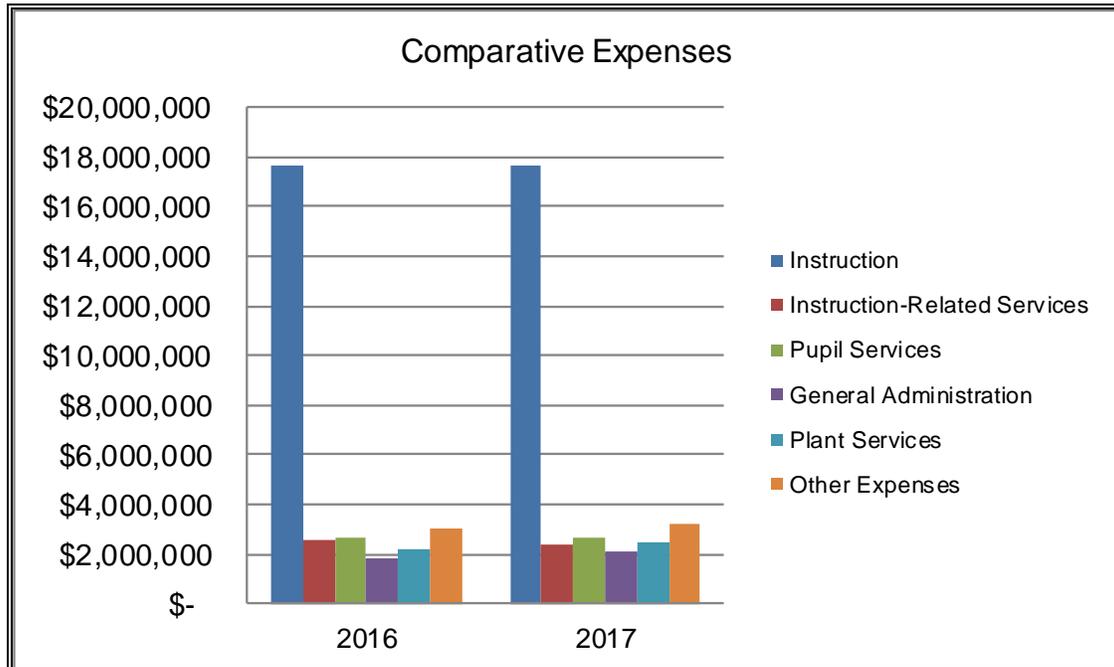
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

**Summary of Expenses For Governmental Functions**

<u>Expenses</u>	<u>FYE 2016 Amount</u>	<u>Percent of Total</u>	<u>FYE 2017 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 17,652,216	58.93%	\$ 17,701,382	58.12%
Instruction-Related Services	2,565,137	8.56%	2,338,526	7.68%
Pupil Services	2,688,913	8.98%	2,626,186	8.62%
General Administration	1,798,029	6.00%	2,129,695	6.99%
Plant Services	2,204,943	7.36%	2,485,738	8.16%
Other Expenses	3,042,875	10.16%	3,174,157	10.42%
<b>Total Expenses</b>	<b>\$ 29,952,113</b>	<b>100.00%</b>	<b>\$ 30,455,684</b>	<b>100.00%</b>

*Table includes financial data of the combined governmental funds*



**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Comparative Schedule of Capital Assets</u></b>		
	Governmental Activities	
	2016	2017
Land	\$ 992,328	\$ 992,328
Sites and Improvements	2,789,879	2,596,771
Buildings and Improvements	64,229,778	67,758,803
Furniture and Equipment	1,552,857	1,570,607
Work-in-Progress	1,186,989	1,168,675
Subtotals	70,751,831	74,087,184
Less: Accumulated Depreciation	<u>(25,582,990)</u>	<u>(27,157,916)</u>
Capital Assets, net	<u>\$ 45,168,841</u>	<u>\$ 46,929,268</u>

Capital assets, net of depreciation, increased \$1,760,427, due to the current year addition of \$3,819,056 of new capital assets and improvements, and current year recognition of \$2,058,629 of depreciation expense.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2016	2017
Compensated Absences	56,234	102,961
General Obligation Bonds	52,871,080	61,518,984
Bond Premium	2,039,338	2,131,015
Capital Leases	506,499	404,672
Other Post Employment Benefits	367,605	336,911
Net Pension Liability - CalSTRS	16,660,602	18,428,107
Net Pension Liability - CalPERS	3,916,534	5,239,804
Totals	<u>\$ 76,417,892</u>	<u>\$ 88,162,454</u>

Total long-term liabilities increased \$11,744,562, due primarily to the current year issuance of \$9,625,000 of 2017 General Obligation Crossover Refunding Bonds, Series A, and a \$3,090,775 increase in net pension liabilities related to the District's participation in the CalSTRS and CalPERS pension plans.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The general obligation bonds are financed by local taxpayers and represent 69.8% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current debt issues. The 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**

<b><u>Comparative Schedule of Fund Balances</u></b>			
	Fund Balances June 30, 2016	Fund Balances June 30, 2017	Increase (Decrease)
General	\$ 5,178,255	\$ 5,809,389	\$ 631,134
Bond Interest & Redemption	2,865,310	12,322,588	9,457,278
Building	9,504,386	6,063,466	(3,440,920)
Cafeteria	27,511	27,460	(51)
Debt Service	4,903	0	(4,903)
Capital Facilities	237,331	130,223	(107,108)
Capital Projects - Special Reserve	211,730	247,400	35,670
Totals	\$ 18,029,426	\$ 24,600,526	\$ 6,571,100

The fund balance of the General Fund increased \$631,134 during fiscal year 2016-17, while the combined fund balances of all other District governmental funds increased \$5,939,966.

**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. The original budget, approved at the end of June, is based on May Revise figures and updated 45 days after the State approves its final budget. Over the course of the year, the District revised the annual operating budget on numerous occasions. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Adjustments at First and Second Interim.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

---

**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. The 2017-18 Adopted Budget reflected a decreased of 94 ADA (97 enrollment). In addition, the State Board of Education approved charter began operations in 2017-18. The Ross Valley Charter claimed to have 118 meaningfully enrolled students that attended Ross Valley School District in 2016-17, which does not have the prior year ADA funding guarantee. This loss of charter ADA was incorporated, with the decline noted above, into the 2017-18 Adopted Budget for a combined enrollment decrease of 215. The 2017-18 P-2 ADA estimate was adjusted up from 1,920 to 1,987 in the 2016-17 UAA to reflect increased enrollment at the start of the school year.

As of the writing of this audit report, the First Interim report showed 77 more students enrolled than anticipated and increased funded ADA by 47 in 2017-18 as fewer students left the District to attend the charter than the Adopted Budget. This increase in ADA has a positive ripple effect for the subsequent year financial projections and deficit spending has been decreased and reflects an improved financial outlook compared to the Adopted Budget on page 71. The District will continue to carefully monitor deficit spending and address budget reductions as needed.

The employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the foreseeable future. In addition, the economy has finished its eighth year of expansion, lasting three years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislature and local governments, including local education agencies, to plan for the next recession.

Accordingly, the District's budget 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.

**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.

## BASIC FINANCIAL STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Foundation</b>
<b><u>Assets</u></b>		
Deposits and Investments (Note 2)	\$ 24,754,381	\$ 530,324
Receivables (Note 3)	1,029,943	20,073
Capital Assets (Note 5)		
Land	992,328	
Sites and Improvements	2,596,771	
Buildings and Improvements	67,758,803	
Furniture and Equipment	1,570,607	
Work-in-Progress	1,168,675	
Less: Accumulated Depreciation	(27,157,916)	
Total Assets	<u>72,713,592</u>	<u>550,397</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension Deferrals (Note 10)	5,002,315	
Bond Refunding (Note 1H)	64,178	
Total Deferred Outflows of Resources	<u>5,066,493</u>	<u>0</u>
<b><u>Liabilities</u></b>		
Accounts Payable and Other Current Liabilities	1,089,002	97,781
Accrued Interest Payable	796,643	
Unearned Revenue (Note 1H)	94,796	
Long-Term Liabilities:		
<i>Portion Due or Payable Within One Year:</i>		
Compensated Absences (Note 1H)	102,961	
General Obligation Bonds		
Current Interest	935,000	
Capital Appreciation	905,886	
Bond Premium	111,982	
Capital Leases	106,525	
<i>Portion Due or Payable After One Year:</i>		
General Obligation Bonds (Note 6)		
Current Interest	45,900,000	
Capital Appreciation	13,778,098	
Bond Premium (Note 1H)	2,019,033	
Capital Leases (Note 8)	298,147	
Other Post Employment Benefits (Note 9)	336,911	
Net Pension Liabilities (Note 10)	23,667,911	
Total Liabilities	<u>90,142,895</u>	<u>97,781</u>
<b><u>Deferred Inflows of Resources</u></b>		
Pension Deferrals (Note 10)	1,960,603	
Total Deferred Inflows of Resources	<u>1,960,603</u>	<u>0</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	5,630,053	
Restricted:		
For Capital Projects	218,700	
For Debt Service (Deficit)	(5,101,867)	
For Educational Programs	153,927	
For Other Purposes	30,460	18,959
Unrestricted (Deficit)	(15,254,686)	433,657
Total Net Position (Deficit)	<u>\$ (14,323,413)</u>	<u>\$ 452,616</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Unit Foundation
<b><u>Governmental Activities</u></b>					
Instruction	\$ 17,701,382		\$ 2,848,279	\$ (14,853,103)	
Instruction-Related Services:					
Supervision of Instruction	352,501		59,270	(293,231)	
Instructional Library and Technology	336,657		50,846	(285,811)	
School Site Administration	1,649,368		62,864	(1,586,504)	
Pupil Services:					
Home-to-School Transportation	307,943		78,501	(229,442)	
Food Services	408,554	\$ 228,061	92,583	(87,910)	
Other Pupil Services	1,909,689		561,602	(1,348,087)	
General Administration:					
Data Processing Services	412,555			(412,555)	
Other General Administration	1,717,140		44,450	(1,672,690)	
Plant Services	2,485,738		236	(2,485,502)	
Ancillary Services	30,581		6,965	(23,616)	
Community Services	22,933		4,630	(18,303)	
Enterprise Activities	15,892			(15,892)	
Interest on Long-Term Debt	2,496,872			(2,496,872)	
Other Outgo	607,879		102,761	(505,118)	
Total Governmental Activities	<u>\$ 30,455,684</u>	<u>\$ 228,061</u>	<u>\$ 3,912,987</u>	<u>(26,314,636)</u>	
<b><u>Component Unit</u></b>					
Foundation	<u>\$ 1,233,658</u>				<u>\$ (1,233,658)</u>
<b><u>General Revenues</u></b>					
Taxes Levied for General Purposes				10,150,810	
Taxes Levied for Debt Service				3,142,998	
Taxes Levied for Specific Purposes				3,806,694	
Federal and State Aid - Unrestricted				7,449,636	
Interest and Investment Earnings				69,176	
Gifts and Contributions					1,156,992
Miscellaneous				609,232	
Total General Revenues				<u>25,228,546</u>	<u>1,156,992</u>
Change in Net Position				(1,086,090)	(76,666)
Net Position (Deficit) - July 1, 2016 (As Restated - Note 18)				<u>(13,237,323)</u>	<u>529,282</u>
Net Position (Deficit) - June 30, 2017				<u>\$ (14,323,413)</u>	<u>\$ 452,616</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Deposits and Investments (Note 2)	\$ 5,726,247	\$ 12,322,588	\$ 6,296,180	\$ 409,366	\$ 24,754,381
Receivables (Note 3)	937,265		510	92,168	1,029,943
Due from Other Funds (Note 4)	52,970			2,876	55,846
Total Assets	<u>\$ 6,716,482</u>	<u>\$ 12,322,588</u>	<u>\$ 6,296,690</u>	<u>\$ 504,410</u>	<u>\$ 25,840,170</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable	\$ 809,421		\$ 233,224	\$ 46,357	\$ 1,089,002
Due to Other Funds (Note 4)	2,876			52,970	55,846
Unearned Revenue (Note 1H)	94,796				94,796
Total Liabilities	<u>907,093</u>		<u>233,224</u>	<u>99,327</u>	<u>1,239,644</u>
Fund Balances: (Note 13)					
Nonspendable	3,000				3,000
Restricted	153,927	\$ 12,322,588	6,063,466	246,160	18,786,141
Assigned	2,170,764			158,923	2,329,687
Unassigned	3,481,698				3,481,698
Total Fund Balances	<u>5,809,389</u>	<u>12,322,588</u>	<u>6,063,466</u>	<u>405,083</u>	<u>24,600,526</u>
Total Liabilities and Fund Balances	<u>\$ 6,716,482</u>	<u>\$ 12,322,588</u>	<u>\$ 6,296,690</u>	<u>\$ 504,410</u>	<u>\$ 25,840,170</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

**Total Fund Balances - Governmental Funds** \$ 24,600,526

Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The amount that capital assets exceeded accumulated depreciation was:

Capital Assets	\$ 74,087,184	
Accumulated Depreciation	(27,157,916)	
		46,929,268

In governmental funds, any gain or loss that results from debt refunding activities is recognized in the current year. In 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 debt refunding, reported as a deferred outflow of resources, was:

64,178

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Net deferred outflows and inflows are:

3,041,712

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Compensated Absences	\$ 102,961	
General Obligation Bonds:		
Current Interest	46,835,000	
Capital Application	14,683,984	
Bond Premium	2,131,015	
Capital Lease	404,672	
Other Post Employment Benefits	336,911	
Net Pension Liability - CalSTRS	18,428,107	
Net Pension Liability - CalPERS	5,239,804	
Total		(88,162,454)

In governmental funds, the unmatured interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at the end of the period was:

(796,643)

**Total Net Position (Deficit) - Governmental Activities** \$ (14,323,413)

**ROSS VALLEY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>					
LCFF Sources:					
State Apportionment / Transfers	\$ 6,560,168				\$ 6,560,168
Local Taxes	10,150,810				10,150,810
Total LCFF Sources	16,710,978				16,710,978
Federal Revenue	572,798			\$ 87,166	659,964
State Revenue	2,104,431	\$ 20,793		36,912	2,162,136
Local Revenue	6,320,532	3,129,371	\$ 50,054	336,559	9,836,516
Total Revenues	<u>25,708,739</u>	<u>3,150,164</u>	<u>50,054</u>	<u>460,637</u>	<u>29,369,594</u>
<b><u>Expenditures</u></b>					
Current:					
Instruction	15,943,492				15,943,492
Supervision of Instruction	317,380				317,380
Instructional Library and Technology	311,253				311,253
School Site Administration	1,493,135				1,493,135
Home-To-School Transportation	284,706				284,706
Food Services				377,725	377,725
Other Pupil Services	1,729,657				1,729,657
Data Processing Services	381,424				381,424
Other General Administration	1,599,271				1,599,271
Plant Services	2,233,350		1,468	54,567	2,289,385
Facilities Acquisition and Construction	181,960		3,489,506	156,254	3,827,720
Ancillary Services	30,007				30,007
Community Services	22,933				22,933
Other Outgo	368,878				368,878
Debt Service:					
Principal Retirement	101,827	1,730,000			1,831,827
Interest and Issuance Costs	21,302	1,791,645			1,812,947
Total Expenditures	<u>25,020,575</u>	<u>3,521,645</u>	<u>3,490,974</u>	<u>588,546</u>	<u>32,621,740</u>
Excess of Revenues Over (Under) Expenditures	<u>688,164</u>	<u>(371,481)</u>	<u>(3,440,920)</u>	<u>(127,909)</u>	<u>(3,252,146)</u>
<b><u>Other Financing Sources (Uses)</u></b>					
Operating Transfers In		5,513		57,030	62,543
Operating Transfers Out	(57,030)			(5,513)	(62,543)
Other Sources		9,823,246			9,823,246
Total Other Financing Sources (Uses)	<u>(57,030)</u>	<u>9,828,759</u>	<u>0</u>	<u>51,517</u>	<u>9,823,246</u>
Net Change in Fund Balances	631,134	9,457,278	(3,440,920)	(76,392)	6,571,100
Fund Balances - July 1, 2016	5,178,255	2,865,310	9,504,386	481,475	18,029,426
Fund Balances - June 30, 2017	<u>\$ 5,809,389</u>	<u>\$ 12,322,588</u>	<u>\$ 6,063,466</u>	<u>\$ 405,083</u>	<u>\$ 24,600,526</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Net Change in Fund Balances - Governmental Funds** \$ 6,571,100

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense during the fiscal year.

Capital Outlays	\$ 3,819,056	
Depreciation Expense	(2,058,629)	
Net		1,760,427

In the statement of activities, certain operating expenses-compensated absences (vacations) are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the amounts used exceeded amounts earned by: (46,727)

Other Post Employment benefits (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: 30,694

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 debt refunding was: (72,677)

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	\$ 870,000	
Capital Appreciation	860,000	
Bond Premium	106,569	
Capital Lease	101,827	1,938,396

Debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as other financing sources. In the government-wide statements, the premium is amortized over the life of the debt. The amount recognized in governmental funds as a premium from debt was: (198,246)

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 premiums or discounts, were: (9,625,000)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on long-term liabilities increased by: (203,914)

Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year was: (752,904)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual employer contributions was: (487,239)

**Change in Net Position of Governmental Activities** \$ (1,086,090)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

**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).

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Ross Valley School District, this includes general operations and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides 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 Yes The Ross Valley Schools Foundation, (the Foundation), a non-profit, public benefit corporation, meets the criteria set forth in GASB 39.

*Component Unit:*

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

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

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

**B. 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. Governmental activities are normally supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

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

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.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

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

**C. Basis of Accounting**

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

**Revenues - Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California District's and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

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

**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.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District maintains the following governmental fund types:

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

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

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

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

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

Major Governmental Funds:

*General Fund* is the general operating fund of the District.

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

*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:

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

*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.

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

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Non-major Governmental Funds (Concluded):

*Capital Projects - Special Reserve Fund* is used to accumulate funds for major maintenance and capital outlay projects of the District.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 57.

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.

F. Use of Estimates

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

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund 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).

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)**

**1. Deposits and Investments (Concluded)**

The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

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

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

**2. 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/Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

3. Deferred Outflows/Inflows of Resources (Concluded)

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

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.

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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. 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, when material. 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.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

8. Fund Balances

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

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

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

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

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

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

To protect the District against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board intends to maintain a minimum assigned and unassigned fund balance of 10% which includes the 3% State statutory requirement for the reserve for economic uncertainties.

If the assigned and unassigned fund balance falls below the level set by the Board due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

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

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

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

The LCFF creates funding targets based on student characteristics and provides greater flexibility to use these funds to improve student outcomes. For school districts, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that are calculated based on student demographic factors. 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.

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, 2017, consist of the following:

Cash in Revolving Funds	\$ 3,000
County Pool Investments	15,167,136
Investments	<u>9,584,245</u>
Total	<u>\$ 24,754,381</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**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). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**Investments**

Investments consist of treasury notes and government guaranteed participation certificates that were purchased from the proceeds of the sale of the 2017 General Obligation Crossover Refunding Bonds, Series A, will be used to refund, on a crossover basis, a portion of the District's General Obligation Bonds Election of 2010, Series A on August 21, 2021 (the "Crossover Date").

**General Authorization**

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

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

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

General Authorization (Concluded)

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Marin County Investment Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Carrying Value	Fair Value	Weighted Average Days to Maturity
County Pool Investments	\$ 15,167,136	\$ 15,174,933	231

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.

Investment Type	Carrying Value	Fair Value	Rating at June 30, 2017
County Pool Investments	\$ 15,167,136	\$ 15,174,933	AAA/V1

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

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

**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 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. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk.

**Fair Value Measurements**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specific term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Marin County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**Fair Value Measurements (Concluded)**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	<u>\$ 15,174,933</u>	<u>\$ 15,174,933</u>

All assets have been valued using a market approach, with quoted market prices.

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2017 consist of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 440,229		\$ 84,518	\$ 524,747
State Government	111,358		5,146	116,504
Local Governments	102,934		47	102,981
Miscellaneous	<u>282,744</u>	<u>\$ 510</u>	<u>2,457</u>	<u>285,711</u>
Totals	<u>\$ 937,265</u>	<u>\$ 510</u>	<u>\$ 92,168</u>	<u>\$ 1,029,943</u>

**NOTE 4 - 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**

Due from/due to other funds at June 30, 2017 consisted of the following:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 52,970	\$ 2,876
Cafeteria	<u>2,876</u>	<u>52,970</u>
Totals	<u>\$ 55,846</u>	<u>\$ 55,846</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.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 4 - INTERFUND ACTIVITIES (CONCLUDED)**

**B. Interfund Transfers (Concluded)**

Interfund transfers for fiscal year 2016-17 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 57,030
Cafeteria	\$ 57,030	
Bond Interest and Redemption	5,513	
Debt Service		<u>5,513</u>
Totals	<u>\$ 62,543</u>	<u>\$ 62,543</u>

Transfer of \$57,030 from the General Fund to the Cafeteria Fund to support the child nutrition program.

Transfer of \$5,513 from the Debt Service Fund to the Bond Interest and Redemption Fund to close the fund.

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2017, is presented below:

	<u>Balances</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2017</u>
Land	\$ 992,328			\$ 992,328
Sites and Improvements	2,789,879	\$ 188,413	381,521	2,596,771
Buildings and Improvements	64,229,778	3,606,207	77,182	67,758,803
Furniture and Equipment	1,552,857	42,750	25,000	1,570,607
Work-in-Progress	1,186,989	3,776,306	3,794,620	1,168,675
Totals at Historical Cost	<u>70,751,831</u>	<u>7,613,676</u>	<u>4,278,323</u>	<u>74,087,184</u>
Less Accumulated Depreciation for:				
Sites and Improvements	2,577,594	27,698	381,521	2,223,771
Buildings and Improvements	22,256,818	1,910,886	77,182	24,090,522
Furniture and Equipment	748,578	120,045	25,000	843,623
Total Accumulated Depreciation	<u>25,582,990</u>	<u>2,058,629</u>	<u>483,703</u>	<u>27,157,916</u>
Governmental Activities Capital Assets, net	<u>\$ 45,168,841</u>	<u>\$ 5,555,047</u>	<u>\$ 3,794,620</u>	<u>\$ 46,929,268</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,335,723
Instruction-Related Services	176,462
Pupil Services	198,169
General Administration	160,704
Plant Services	<u>187,571</u>
Total	<u>\$ 2,058,629</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 6 - GENERAL OBLIGATION BONDS**

On the November 2, 2010, general election, the registered voters of the District approved Measure A, which authorizes the District to issue up to \$41 million in general obligation bonds to maintain quality local public education, relieve overcrowding, maintain low class size ratios, restore art, music, multipurpose rooms, build science labs, upgrade classroom technology and energy efficiency, and replace portables with permanent classrooms. On May 25, 2011, the District issued Election of 2010, Series A general obligation bonds in the amount of \$10,000,426, with interest rates ranging from 2.0% to 12.0%. On August 15, 2012, the District issued Election of 2010, Series B general obligation bonds in the amount of \$18,300,000, with interest rates ranging from 2.0% to 5.0%. On April 26, 2016, the District issued Election of 2010, Series C general obligation bonds in the amount of \$12,698,735, with interest rates ranging from 1.74% to 4.0%.

On March 1, 2017, the District issued 2017 General Obligation Crossover Refunding Bonds, Series A in the amount of \$9,625,000, with interest rates ranging from 3.0% to 5.0%, which will be used to refund, on a crossover basis, a portion of the District's General Obligation Bonds Election of 2010, Series A on August 21, 2021 (the "Crossover Date"), and pay for issuance costs and interest expense, related to the new bonds.

The outstanding general obligation debt of the District as of June 30, 2017 is as follows:

**A. Current Interest Bonds**

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2016	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2017
2/2/11	2.00-4.00	8/1/20	\$ 6,150,000	\$ 3,625,000		\$ 635,000	\$ 2,990,000
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	16,090,000		235,000	15,855,000
4/26/16	3.00-4.00	8/1/42	10,310,000	10,310,000			10,310,000
3/1/17	3.00-5.00	8/1/41	9,625,000	0	\$ 9,625,000		9,625,000
Totals			\$ 53,225,000	\$ 38,080,000	\$ 9,625,000	\$ 870,000	\$ 46,835,000

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2017, are as follows:

Year Ended June 30	Principal	Interest	Totals
2018	\$ 935,000	\$ 1,950,455	\$ 2,885,455
2019	905,000	1,948,269	2,853,269
2020	1,000,000	1,912,244	2,912,244
2021	1,150,000	1,870,394	3,020,394
2022	380,000	1,839,794	2,219,794
2023-2027	2,915,000	8,878,556	11,793,556
2028-2032	5,480,000	8,109,269	13,589,269
2033-2037	8,880,000	6,783,672	15,663,672
2038-2042	21,165,000	3,624,763	24,789,763
2043-2047	4,025,000	92,675	4,117,675
Totals	\$ 46,835,000	\$ 37,010,091	\$ 83,845,091

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)**

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

Date Of Issue	Accretion Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2016	Issued Current Year	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2017
6/1/99	5.00-5.38	6/1/24	\$ 3,904,790	\$ 6,813,868		\$ 325,620	\$ 840,000	\$ 6,299,488
7/1/01	5.61	7/1/26	1,704,424	3,898,908		221,772		4,120,680
5/25/11	6.60-12.00	8/1/38	1,160,426	1,676,453		124,601	20,000	1,781,054
4/26/16	1.74-3.79	8/1/33	2,388,735	2,401,851		80,911		2,482,762
Totals			<u>\$ 9,158,375</u>	<u>\$ 14,791,080</u>	<u>\$ 0</u>	<u>\$ 752,904</u>	<u>\$ 860,000</u>	<u>\$ 14,683,984</u>

The outstanding obligation for the capital appreciation bonds at June 30, 2017, was as follows:

Year Ended June 30	Amount of Original Issue (Principal)	Accreted Interest	Totals
2018	\$ 359,682	\$ 546,204	\$ 905,886
2019	328,149	508,573	836,722
2020	317,244	498,831	816,075
2021	309,345	486,414	795,759
2022	316,452	476,036	792,488
2023-2027	3,107,903	3,798,015	6,905,918
2028-2032	1,455,773	184,891	1,640,664
2033-2037	1,359,331	432,002	1,791,333
2038-2042	127,293	71,846	199,139
Totals	<u>\$ 7,681,172</u>	<u>\$ 7,002,812</u>	<u>\$ 14,683,984</u>

The annual requirements to amortize the capital appreciation bonds at June 30, 2017, are as follows:

Year Ended June 30	Principal	Interest	Totals
2018	\$ 359,682	\$ 550,318	\$ 910,000
2019	328,149	556,851	885,000
2020	317,244	592,756	910,000
2021	309,345	625,655	935,000
2022	316,452	663,548	980,000
2023-2027	3,107,903	7,417,097	10,525,000
2028-2032	1,455,773	1,269,227	2,725,000
2033-2037	1,359,331	3,715,669	5,075,000
2038-2042	127,293	742,707	870,000
Totals	<u>\$ 7,681,172</u>	<u>\$ 16,133,828</u>	<u>\$ 23,815,000</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

**NOTE 7 - DEFEASED DEBT**

Certain bond anticipation notes of the District have been defeased by placing the proceeds of refunding bond anticipation notes in irrevocable escrow accounts held and managed by bank trustees, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bond anticipation notes in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased debts are not included in the District's financial statements.

The defeased bond anticipation notes outstanding at June 30, 2017 considered extinguished are as follows:

<u>Defeased Debt</u>	<u>Maturities Refunded</u>	<u>Principal Refunded</u>
Bond Anticipation Notes	2018-19	\$5,710,000

**NOTE 8 - CAPITAL LEASES**

The District leases solar equipment valued at \$1,300,000 under lease agreements that provide for title to pass upon expiration of the lease periods. Future minimum lease payments under these agreements are as follows:

<u>Year Ended June 30</u>	<u>Lease Payments</u>
2018	\$ 123,130
2019	123,130
2020	123,130
2021	<u>71,912</u>
Total	441,302
Less amounts representing interest	<u>(36,630)</u>
Present value of net minimum lease payments	<u>\$ 404,672</u>

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

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

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

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

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

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 \$125.00 per month for calendar year 2016, \$128.00 per month for calendar year 2017, and is scheduled by law to be indexed with medical inflation (CPI) for years 2018 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 previously, 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 previously. 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 0.31% 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 176 active employees and 58 retirees as of July 1, 2016, 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, 2017, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation that resulted in a net OPEB obligation of \$336,911 for the year ended June 30, 2017:

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

*Annual OPEB Cost and Net OPEB Obligation (Concluded):*

Annual required contribution (ARC)	\$	65,120
Interest on net OPEB obligation		14,704
Adjustment to ARC		<u>(14,609)</u>
Annual OPEB cost (expense)		65,215
Contributions for the fiscal year		<u>(95,909)</u>
Decrease in net OPEB obligation		(30,694)
Net OPEB obligation - June 30, 2016		<u>367,605</u>
Net OPEB obligation - June 30, 2017	\$	<u><u>336,911</u></u>

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, 2017	\$ 65,215	147.1%	\$ 336,911
June 30, 2016	91,840	107.3%	367,605
June 30, 2015	91,639	112.2%	374,276

*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.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. In the July 1, 2016, 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 6%, which grades down to an ultimate rate of 5% by the 2<sup>nd</sup> year.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 10 - RETIREMENT PLANS**

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, deferred inflows, and pension expenses of resources in the accompanying government-wide financial statements as follows:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expenses</u>
CalSTRS	\$ 18,428,107	\$ 3,505,213	\$ 1,710,729	\$ 2,773,259
CalPERS	5,239,804	1,497,102	249,874	591,153
Totals	<u>\$ 23,667,911</u>	<u>\$ 5,002,315</u>	<u>\$ 1,960,603</u>	<u>\$ 3,364,412</u>

**A. California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public-school teachers and certain other employees of the public-school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established the plan and CalSTRS as the administrator. The benefit terms of the plan may be amended through legislation. CalSTRS issues a stand-alone comprehensive annual financial report available to the public that can be found on the CalSTRS website.

**Benefits Provided**

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs and to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity of the STRP.

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided (Concluded)

The Defined Benefit Program provides retirement benefits based on a members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service a member could earn in a school year.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service a member could earn in a school year.

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Contributions (Concluded)

Members: Pursuant to Chapter 47, Statutes of 2014 (AB 1469 - Bonta), the CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, the member contribution rate was 9.205% of applicable member earnings for fiscal year 2016-17. The rate imposed on CalSTRS 2% at 62 members is based assuming no change in the normal cost of benefits.

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469 - Bonta), the employer contribution rate was 12.58% of applicable member earnings for fiscal year 2016-17. The District contributed \$1,472,412 to the plan for the fiscal year ended June 30, 2017.

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469 - Bonta, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2017 was 4.311%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 8.828% for the fiscal year ended June 30, 2017.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District was as follows:

District's proportionate share of the net pension liability	\$ 18,428,107
State's proportionate share of the net pension liability associated with the District	10,490,793
Total net pension liability attributed to District	\$ 28,918,900

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on a District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. The District's proportionate share of the net pension liability as of June 30, 2015 and June 30, 2016 was as follows:

Proportion - June 30, 2015	0.02470%
Proportion - June 30, 2016	0.02280%
Change - Increase (Decrease)	-0.00190%

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$2,773,259, which includes \$963,991 of support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 1,472,412	
Differences between expected and actual experience		\$ 468,027
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	552,195	1,242,702
Net differences between projected and actual earnings on plan investments	1,480,606	
Totals	\$ 3,505,213	\$ 1,710,729

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2018	\$ (155,692)
2019	(155,692)
2020	695,241
2021	367,097
2022	(182,413)
2023	(246,469)

Differences between expected and actual experience, changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2016. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return <sup>1</sup>	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

<sup>1</sup> Net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.5% assumed investment rate of return for funding purposes, which is net of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS specific experience through June 30, 2015. RP2000 series tables are an industry standard set of mortality rates published in 2000 by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis and June 30, 2015 Actuarial Program Valuations for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016, are summarized in the following table:

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions (Concluded)

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return / Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash / Liquidity	2%	-1.00%
Total	100%	

\* 20-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases as per AB 1469 - Bonta. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the current discount rate of 7.60%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	Discount Rate 1% Decrease 6.60%	Discount Rate Current Rate 7.60%	Discount Rate 1% Increase 8.60%
District's proportionate share of the net pension liability	\$ 26,522,202	\$ 18,428,107	\$ 11,705,622

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Concluded)

Pension Plan's Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

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 the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 13.888% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2017 was \$440,770.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported a liability of \$5,239,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2015 and June 30, 2016 was as follows:

Proportion - June 30, 2015	0.0266%
Proportion - June 30, 2016	0.0265%
Change - Increase (Decrease)	-0.0001%

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$591,153. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 440,770	
Differences between expected and actual experience	230,121	
Changes of assumptions		\$ 161,812
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	13,605	88,062
Net differences between projected and actual earnings on plan investments	812,606	
Totals	\$ 1,497,102	\$ 249,874

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

Year Ended June 30	
2018	\$ 51,821
2019	138,355
2020	404,083
2021	212,199

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2016. Differences between projected and actual earnings on plan investments are netted and reduced over a closed 5-year period.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies
Investment Rate of Return	7.65%
Post Retirement Benefit Increase (1)	

(1) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - RETIREMENT PLANS (CONCLUDED)

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%) than the current rate:

	Discount Rate 1% Decrease 6.65%	Discount Rate Current Rate 7.65%	Discount Rate 1% Increase 8.65%
District's proportionate share of the net pension liability	\$ 7,817,817	\$ 5,239,804	\$ 3,093,101

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

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. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 11 - 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 \$963,991 to CalSTRS (8.602365% of creditable compensation subject to CalSTRS). These contributions are recorded in the General Fund as revenue and expenditures. The District is not legally responsible for these contributions.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2017, is shown below:

	Balances July 1, 2016	Additions	Deductions	Balances June 30, 2017	Due within One Year
Compensated Absences	\$ 56,234	\$ 102,961	\$ 56,234	\$ 102,961	\$ 102,961
General Obligation Bonds:					
Current Interest	38,080,000	9,625,000	870,000	46,835,000	935,000
Capital Appreciation	14,791,080	752,904	860,000	14,683,984	905,886
Bond Premium	2,039,338	198,246	106,569	2,131,015	111,982
Capital Leases	506,499		101,827	404,672	106,525
Other Post Employment Benefits	367,605	65,215	95,909	336,911	
Net Pension Liability - CalSTRS	16,660,602	1,767,505		18,428,107	
Net Pension Liability - CalPERS	3,916,534	1,323,270		5,239,804	
Totals	<u>\$ 76,417,892</u>	<u>\$ 13,835,101</u>	<u>\$ 2,090,539</u>	<u>\$ 88,162,454</u>	<u>\$ 2,162,354</u>

Compensated absences, capital leases, and other post employment benefits are obligations of the General Fund, the net pension liabilities are obligations of the General Fund and Cafeteria Fund, and general obligation bonds are obligations of the Bond Interest and Redemption Fund.

**NOTE 13 - FUND BALANCES**

The District's fund balances at June 30, 2017 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	\$ 3,000				\$ 3,000
Restricted:					
Categorical Programs	145,356			\$ 88,477	233,833
Local Programs	8,571				8,571
Food Service Programs				27,460	27,460
Capital Projects			\$ 6,063,466	130,223	6,193,689
Debt Service		\$ 12,322,588			12,322,588
Total Restricted	<u>153,927</u>	<u>12,322,588</u>	<u>6,063,466</u>	<u>246,160</u>	<u>18,786,141</u>
Assigned:					
Fund 01 Assignments	1,743,675				1,743,675
Deferred Maintenance	427,089				427,089
Capital Projects				158,923	158,923
Total Assigned	<u>2,170,764</u>	<u>0</u>	<u>0</u>	<u>158,923</u>	<u>2,329,687</u>
Unassigned:					
Reserve for Economic Uncertainties	747,290				747,290
Remaining Unassigned Balances	2,734,408				2,734,408
Total Unassigned	<u>3,481,698</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,481,698</u>
Total Fund Balances	<u>\$ 5,809,389</u>	<u>\$ 12,322,588</u>	<u>\$ 6,063,466</u>	<u>\$ 405,083</u>	<u>\$ 24,600,526</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

**NOTE 14 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016-17, 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 15 - JOINT VENTURES**

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

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

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

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

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

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

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

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

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

NOTE 15 - JOINT VENTURES (CONCLUDED)

C. Schools Excess Liability Fund (SELF)

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 16 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Brookside Multi-Purpose Room	\$ 5,454,617	Mar-2018

NOTE 17 - ECONOMIC DEPENDENCY

During the year, the District received \$3,806,694 of parcel tax revenue that is subject to voter approval, and \$897,565 from the Ross Valley Schools Foundation, a non-profit education foundation, that is subject to voluntary public contributions to the organization.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

**NOTE 18 - RESTATEMENT OF NET POSITION**

The July 1, 2016 Net Position of the discretely presented component unit has been restated to reflect the inclusion of the financial balances and activities of Yes The Ross Valley Schools Foundation as a component of the reporting entity of the Ross Valley School District.

The effect of the restatement on the government-wide financial statements is as follows:

<u>Component Unit - Foundation</u>	<u>Statement of Activities</u>
Net Position - July 1, 2016 (as originally stated)	\$ 0
Understatement of Net Position	<u>529,282</u>
Net Position - July 1, 2016 (as restated)	<u>\$ 529,282</u>

**NOTE 19 - FUTURE GASB IMPLEMENTATION**

In June 2015, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District in fiscal year 2017-18. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and establishes new accounting and financial reporting requirements for OPEB plans

**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 January 12, 2018, 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.



REQUIRED 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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers	\$ 6,445,711	\$ 5,014,668	\$ 6,560,168	\$ 1,545,500
Local Sources	10,266,673	11,671,407	10,150,810	(1,520,597)
Total LCFF Sources	16,712,384	16,686,075	16,710,978	24,903
Federal Revenue	601,181	673,898	572,798	(101,100)
Other State Revenue	578,706	2,080,818	2,104,431	23,613
Other Local Revenue	6,060,798	6,267,237	6,320,532	53,295
Total Revenues	23,953,069	25,708,028	25,708,739	711
<b><u>Expenditures</u></b>				
Current:				
Certificated Salaries	11,643,953	11,965,732	11,801,733	163,999
Classified Salaries	3,756,946	3,553,892	3,488,025	65,867
Employee Benefits	4,561,165	5,466,368	5,385,760	80,608
Books and Supplies	770,277	1,151,622	1,009,163	142,459
Services and Other				
Operating Expenditures	2,650,182	3,013,025	2,661,927	351,098
Capital Outlay	131,200	182,000	181,960	40
Debt Service:				
Principal Retirement	127,967	127,967	101,827	26,140
Interest and Fiscal Charges	43,441	43,441	21,302	22,139
Other Expenditures	355,000	368,783	368,878	(95)
Total Expenditures	24,040,131	25,872,830	25,020,575	852,255
Excess of Revenues Over (Under) Expenditures	(87,062)	(164,802)	688,164	852,966
<b><u>Other Financing (Uses)</u></b>				
Operating Transfers Out	(36,337)	(66,941)	(57,030)	9,911
Net Change in Fund Balances	(123,399)	(231,743)	631,134	\$ 862,877
Fund Balances - July 1, 2016	5,178,255	5,178,255	5,178,255	
Fund Balances - June 30, 2017	\$ 5,054,856	\$ 4,946,512	\$ 5,809,389	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

<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>
7/1/16	\$ 0	\$ 1,437,402	\$ 1,437,402	0%	\$ 14,574,837	9.9%
7/1/14	0	1,561,792	1,561,792	0%	12,637,747	12.4%
7/1/12	0	1,460,776	1,460,776	0%	11,848,859	12.3%

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS \*

JUNE 30, 2017

---

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2017	0.0228%	\$ 18,428,107	\$ 10,490,793	\$ 28,918,900	\$ 11,355,014	162.29%	70.04%
2016	0.0247%	16,660,602	8,811,622	25,472,224	11,486,194	145.05%	74.02%
2015	0.0237%	13,822,760	8,346,779	22,169,539	10,535,612	131.20%	76.52%

\* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS \*

JUNE 30, 2017

---

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2017	0.0265%	\$ 5,239,804	\$ 3,182,882	164.62%	73.90%
2016	0.0266%	3,916,534	2,941,619	133.14%	79.43%
2015	0.0266%	3,018,677	2,791,348	108.14%	83.38%

\* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - CALSTRS \***  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2017	\$ 1,472,412	\$ 1,472,412	\$ -	\$ 11,704,388	12.58%
2016	1,219,722	1,219,722	-	11,367,400	10.73%
2015	997,213	997,213	-	11,229,876	8.88%

\* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - CALPERS \***  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2017	\$ 440,770	\$ 440,770	\$ -	\$ 3,173,747	13.888%
2016	401,345	401,345	-	3,387,735	11.847%
2015	346,248	346,248	-	2,941,534	11.771%

\* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

**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.

The excess of expenditures over appropriations in the General Fund as of June 30, 2017 were as follows:

	<u>Excess Expenditures</u>
Other Expenditures	\$ 95

The District incurred unanticipated expenditures in excess of appropriations in the above expenditure classification for which the budget was not revised.

**B. 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.

**C. Schedule of the Proportionate Share of the Net Pension Liability**

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

D. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

NOTE 2 - SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

A. Benefit Changes

There have been no changes to benefit terms since the previous valuation for either CalSTRS or CalPERS.

B. Changes of Assumptions

There have been no changes in assumptions since the previous valuation for either CalSTRS or CalPERS.

SUPPLEMENTARY INFORMATION SECTION



**ROSS VALLEY SCHOOL DISTRICT**  
**ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

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 2020
Amy Stock	Clerk	December 2018
Annelise Bauer	Member	December 2020
Wesley Pratt	Member	December 2018
Mark Reagan	Member	December 2020

ADMINISTRATION

Rick Bagley, Ed. D.  
Superintendent

Midge Hoffman  
Chief Business Official

**ROSS VALLEY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>Cafeteria</u>	<u>Debt Service</u>	<u>Capital Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Assets</u></b>					
Deposits and Investments	\$ 5,400		\$ 156,566	\$ 247,400	\$ 409,366
Receivables	89,711		2,457		92,168
Due from Other Funds	2,876				2,876
Total Assets	<u>\$ 97,987</u>	<u>\$ 0</u>	<u>\$ 159,023</u>	<u>\$ 247,400</u>	<u>\$ 504,410</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable	\$ 17,557		\$ 28,800		\$ 46,357
Due to Other Funds	52,970				52,970
Total Liabilities	<u>70,527</u>		<u>28,800</u>		<u>99,327</u>
Fund Balances:					
Restricted	27,460		130,223	\$ 88,477	246,160
Assigned				158,923	158,923
Total Fund Balances	<u>27,460</u>		<u>130,223</u>	<u>247,400</u>	<u>405,083</u>
Total Liabilities and Fund Balances	<u>\$ 97,987</u>	<u>\$ 0</u>	<u>\$ 159,023</u>	<u>\$ 247,400</u>	<u>\$ 504,410</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**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, 2017**

	<u>Cafeteria</u>	<u>Debt Service</u>	<u>Capital Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Revenues</u></b>					
Federal Revenue	\$ 87,166				\$ 87,166
State Revenue	5,321			\$ 31,591	36,912
Local Revenue	228,157	\$ 610	\$ 106,886	906	336,559
Total Revenues	<u>320,644</u>	<u>610</u>	<u>106,886</u>	<u>32,497</u>	<u>460,637</u>
<b><u>Expenditures</u></b>					
Current:					
Food Services	377,725				377,725
Plant Services			57,740	(3,173)	54,567
Facilities Acquisition and Construction			156,254		156,254
Total Expenditures	<u>377,725</u>	<u>0</u>	<u>213,994</u>	<u>(3,173)</u>	<u>588,546</u>
Excess of Revenues Over (Under) Expenditures	<u>(57,081)</u>	<u>610</u>	<u>(107,108)</u>	<u>35,670</u>	<u>(127,909)</u>
<b><u>Other Financing Sources (Uses)</u></b>					
Operating Transfers In	57,030				57,030
Operating Transfers Out		(5,513)			(5,513)
Total Other Financing Sources (Uses)	<u>57,030</u>	<u>(5,513)</u>	<u>0</u>	<u>0</u>	<u>51,517</u>
Net Change in Fund Balances	(51)	(4,903)	(107,108)	35,670	(76,392)
Fund Balances - July 1, 2016	<u>27,511</u>	<u>4,903</u>	<u>237,331</u>	<u>211,730</u>	<u>481,475</u>
Fund Balances - June 30, 2017	<u>\$ 27,460</u>	<u>\$ 0</u>	<u>\$ 130,223</u>	<u>\$ 247,400</u>	<u>\$ 405,083</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<b>P-2 Report</b>			
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	<b>Total</b>
Regular	896.65	716.92	512.62	2,126.19
Extended Year Special Education	1.15	0.30	0.05	1.50
Special Education - NPS / LCI	1.93	4.56	1.35	7.84
Extended Year Special Education NPS / LCI	0.26	0.41	0.18	0.85
<b>Totals</b>	<b>899.99</b>	<b>722.19</b>	<b>514.20</b>	<b>2,136.38</b>

	<b>Annual Report</b>			
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	<b>Total</b>
Regular	896.82	717.51	510.40	2,124.73
Extended Year Special Education	1.15	0.30	0.05	1.50
Special Education - NPS / LCI	1.93	4.48	1.69	8.10
Extended Year Special Education NPS / LCI	0.26	0.41	0.18	0.85
<b>Totals</b>	<b>900.16</b>	<b>722.70</b>	<b>512.32</b>	<b>2,135.18</b>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

<b><u>Grade Level</u></b>	<b><u>Minutes Required</u></b>	<b><u>2016-17 Actual Minutes</u></b>	<b><u>Number of Days Traditional Calendar</u></b>	<b><u>Number of Days Multitrack Calendar</u></b>	<b><u>Status</u></b>
Kindergarten	36,000	38,350	180	N/A	In Compliance
Grade 1	50,400	55,500	180	N/A	In Compliance
Grade 2	50,400	55,500	180	N/A	In Compliance
Grade 3	50,400	55,500	180	N/A	In Compliance
Grade 4	54,000	55,500	180	N/A	In Compliance
Grade 5	54,000	55,500	180	N/A	In Compliance
Grade 6	54,000	65,173	180	N/A	In Compliance
Grade 7	54,000	65,173	180	N/A	In Compliance
Grade 8	54,000	65,173	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

**ROSS VALLEY SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund
June 30, 2017 Annual Financial and Budget Report Fund Balances	\$ 5,382,300	\$ 427,089	\$ 2,732,830
Adjustments and Reclassifications Increasing (Decreasing) Fund Balances:			
Understatement of Cash in County Treasury			5,513
Understatement of Investments			9,584,245
Reclassifications of Fund Balances	427,089	(427,089)	
Net Adjustments and Reclassifications	427,089	(427,089)	9,589,758
June 30, 2017 Audited Financial Statements Fund Balances	<u>\$ 5,809,389</u>	<u>\$ 0</u>	<u>\$12,322,588</u>

Auditor's Comments

The fund balances of the General Fund and Deferred Maintenance Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

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, 2017.

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	GENERAL FUND			
	(Budget)* 2017-18	2016-17	2015-16	2014-15
Revenues and Other Financial Sources	\$ 22,862,317	\$ 25,708,739	\$ 25,523,168	\$ 22,664,446
Expenditures	24,184,436	25,020,575	24,310,618	23,196,556
Other Uses and Transfers Out	124,570	57,030	39,213	130,856
Total Outgo	24,309,006	25,077,605	24,349,831	23,327,412
Change in Fund Balance	(1,446,689)	631,134	1,173,337	(662,966)
Ending Fund Balance	\$ 4,362,700	\$ 5,809,389	\$ 5,178,255	\$ 4,004,918
Available Reserves	\$ 1,449,792	\$ 3,481,698	\$ 4,326,642	\$ 1,740,941
Reserve for Economic Uncertainties **	\$ 729,271	\$ 747,290	\$ 731,782	\$ 703,647
Available Reserves as a Percentage of Total Outgo	6.0%	13.9%	17.8%	7.5%
Average Daily Attendance at P-2	1,987	2,136	2,227	2,224
Total Long-Term Liabilities	\$ 86,000,100	\$ 88,162,454	\$ 76,417,892	\$ 66,547,977

\* The fiscal year 2017-18 budget information is presented for analytical purposes only and has not been audited.

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

The fund balance of the General Fund increased \$1,804,471 (45.1%) over the past two years. The fiscal year 2017-18 budget projects a decrease of \$1,446,689 (24.9%). 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 incurred an operating deficit of \$662,966 during fiscal year 2014-15, and produced operating surpluses of \$1,173,337 and \$631,134 during fiscal years 2015-16 and 2016-17, respectively.

Average daily attendance has decreased 88 ADA over the past two years. The District anticipates a decrease of 149 ADA for the fiscal year 2017-18.

Total long-term liabilities increased \$21,614,477 over the past two years, due primarily to the issuance of general obligation bonds and general obligation refunding bonds, during fiscal years 2015-16 and 2016-17, respectively.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

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

**A. 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.

**B. 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.

**C. 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.

**D. 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.

**E. 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 *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2017.

**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 *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, 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 that could have a direct and material effect on the District's state programs 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 Performed</u>
<b>Local Education Agencies Other Than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
<b>Charter Schools:</b>	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the independent study program because the average daily attendance 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, 2017.

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 *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

January 12, 2018



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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Ross Valley School District  
San Anselmo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2018. Our report includes a reference to other auditors who audited the financial statements of Yes The Ross Valley Schools Foundation, as described in our report on Ross Valley School District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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.

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. 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

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

January 12, 2018

## FINDINGS AND QUESTIONED COSTS SECTION



ROSS VALLEY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

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

**Financial Statements**

Type of auditor's report issued:		Unmodified	
Internal control over financial reporting:			
Material weaknesses identified?	_____ Yes	_____ X No	
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ X None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ X No	

**State Awards**

Any audit findings required to be reported in accordance with the <i>2016-17 Guide for Annual Audit of K-12 Local Educational Agencies and State Compliance Reporting</i> ?	_____ Yes	_____ X No	
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, 2017**

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

There are no matters to report for the fiscal year ended June 30, 2017.

**ROSS VALLEY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

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

There are no matters to report for the fiscal year ended June 30, 2017.

**ROSS VALLEY SCHOOL DISTRICT  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<b><u>FINANCIAL STATEMENT</u></b>		
<b>2016 - 001 / 30000</b>		
<b>SIGNIFICANT DEFICIENCY</b>		
<b><u>CASH DISBURSEMENTS</u></b>		
The District should establish appropriate procedures to prevent duplicate payments for the same invoice	Implemented	
<b><u>STATE AWARDS</u></b>		
<b>2016 - 002 / 70000</b>		
<b><u>UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS</u></b>		
The District should establish procedures to ensure that unduplicated counts reported on the CALPADS "1.18 – FRPM / English Learner / Foster Youth - Student List" report are supported by appropriate documentation.	Implemented	