

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

**AUDIT REPORT**

**JUNE 30, 2007**

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2007

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ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2007

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## FINANCIAL SECTION

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Ross Valley School District  
San Anselmo, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ross Valley School District, as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Ross Valley School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the provisions of California Code of Regulations, Title 5, Education, Section 19810, and following; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies 2006-07*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the Ross Valley School District, which consists of all funds that comprise the District's legal entity. The financial statements do not include financial data of the Ross Valley Schools Foundation, Ross Valley School District's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Ross Valley School District, as of June 30, 2007, and the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of June 30, 2007, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007, on our consideration of the Ross Valley School District's internal control over financial reporting and our tests of the District's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 and the budgetary comparison information on page 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 accompanying supplementary information, including the combining statements, the schedule of expenditures of federal awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining schedules listed in the table of contents, are presented for purposes of additional analysis, as required by the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies 2006-07*, and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 7, 2007

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

(PREPARED BY DISTRICT MANAGEMENT)

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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, 2007. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 through 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 20, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

**FINANCIAL HIGHLIGHTS**

- The District's financial status improved slightly during the course of the year, as total net assets increased 1.2%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$116,311.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year revenues exceeded current year expenditures by \$462,158.
- Capital assets, net of depreciation, decreased \$702,016, due to the current year acquisition and/or construction of \$672,965 of new capital assets, and the current year recognition of \$1,374,981 of depreciation expense.
- Total long-term liabilities decreased \$345,009, due primarily to the current year reduction of the District's obligations for general obligation bonds and capital leases.
- The District's P-2 ADA increased from 1,675 ADA in fiscal year 2005-06, up to 1,728 ADA in fiscal year 2006-07, an increase of 3.2%.
- The District's General Fund produced an operating surplus of \$928,879, during fiscal year 2006-07, and recognized a \$434,160 decrease in its available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2006-07, General Fund expenditures and other financing uses totaled \$15,613,631. At June 30, 2007, the District has available reserves of \$2,243,420 in the General Fund, which represents a reserve of 14.4%.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

(PREPARED BY DISTRICT MANAGEMENT)

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**THE FINANCIAL REPORT**

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
  - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
  - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
  - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

**Reporting the District as a Whole**

The District as a whole is reported in the Government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Assets. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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



**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

(PREPARED BY DISTRICT MANAGEMENT)

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**THE FINANCIAL REPORT (CONCLUDED)**

Reporting the District as a Whole (Concluded)

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

*Governmental Activities:*

The basic services provided by the District, such as regular and special education, administration, and special education transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of local revenues, and state and federal programs.

*Business-type Activities:*

The District does not provide any services that should be included in this category.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

*Governmental Funds:*

The major governmental funds of Ross Valley School District are the General Fund, Bond Interest and Redemption Fund, and Building Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

*Proprietary Funds:*

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

*Fiduciary Funds:*

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES

The District's total net assets increased from \$9,985,402 at June 30, 2006, up to \$10,101,713 at June 30, 2007, an increase of 1.2%.

<b><u>Comparative Statement of Net Assets</u></b>		
	Governmental Activities	
	2006	2007
<b><u>Assets</u></b>		
Deposits and Investments	\$ 3,622,094	\$ 3,700,673
Receivables	2,168,992	1,984,632
Prepaid Expenditures	0	500
Capital Assets, net	<u>27,063,844</u>	<u>26,361,828</u>
Total Assets	<u>32,854,930</u>	<u>32,047,633</u>
<b><u>Liabilities</u></b>		
Current	2,617,537	2,148,421
Long-term	<u>20,251,991</u>	<u>19,797,499</u>
Total Liabilities	<u>22,869,528</u>	<u>21,945,920</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets		
- Net of Related Debt	6,238,853	5,548,026
Restricted	1,929,486	2,062,696
Unrestricted	<u>1,817,063</u>	<u>2,490,991</u>
Total Net Assets	<u>\$ 9,985,402</u>	<u>\$ 10,101,713</u>

*Table includes financial data of the combined governmental funds*

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year revenues exceeded total current year expenses by \$116,311.

<b><u>Comparative Statement of Changes in Net Assets</u></b>		
	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2007</u>
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 223,203	\$ 289,584
Operating Grants & Contributions	2,553,937	3,045,333
Capital Grants & Contributions	737,750	0
<b><u>General Revenues</u></b>		
Taxes Levied	6,064,174	6,361,139
Federal & State Aid	6,932,191	7,592,796
Interest & Investment Earnings	186,282	245,595
Miscellaneous	2,099,769	855,704
<b>Total Revenues</b>	<b><u>18,797,306</u></b>	<b><u>18,390,151</u></b>
<b><u>Expenses</u></b>		
Instruction	9,627,516	10,264,609
Instruction-Related Services	2,050,231	1,930,030
Pupil Services	1,020,785	1,017,532
General Administration	1,514,665	1,739,260
Plant Services	3,430,156	2,064,302
Ancillary Services	77,674	71,239
Community Services	0	7,029
Interest on Long-Term Debt	975,929	1,016,553
Other Outgo	129,530	163,286
<b>Total Expenses</b>	<b><u>18,826,486</u></b>	<b><u>18,273,840</u></b>
<b>Change in Net Assets</b>	<b><u>\$ (29,180)</u></b>	<b><u>\$ 116,311</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, 2007**

(PREPARED BY DISTRICT MANAGEMENT)

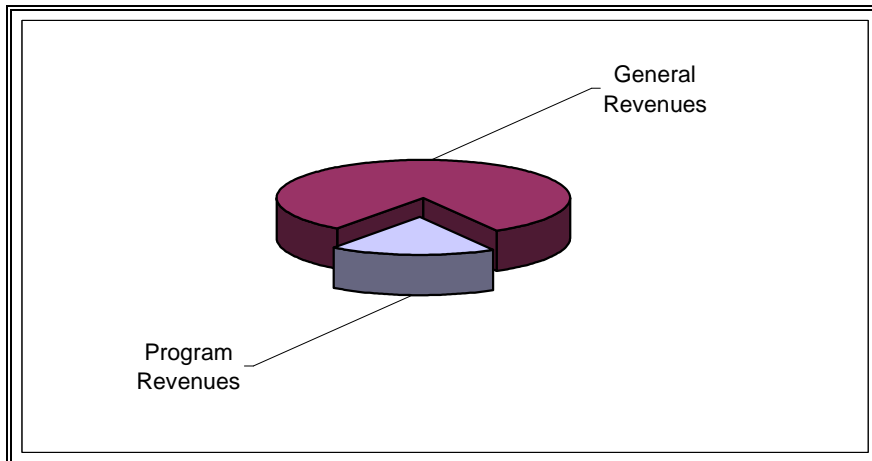
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

	Total Cost of Services		Net Cost of Services	
	2006	2007	2006	2007
Instruction	\$ 9,627,516	\$ 10,264,609	\$ 7,153,502	\$ 8,052,039
Instruction-Related Services	2,050,231	1,930,030	1,836,160	1,777,648
Pupil Services	1,020,785	1,017,532	536,476	452,192
General Administration	1,514,665	1,739,260	1,397,083	1,599,734
Plant Services	3,430,156	2,064,302	3,299,196	1,907,384
Ancillary Services	77,674	71,239	65,220	61,295
Community Services	0	7,029	0	2,985
Interest on Long-Term Debt	975,929	1,016,553	975,929	1,016,553
Other Outgo	129,530	163,286	48,030	69,093
<b>Totals</b>	<b>\$ 18,826,486</b>	<b>\$ 18,273,840</b>	<b>\$ 15,311,596</b>	<b>\$ 14,938,923</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 \$14,938,923 cost represents the financial burden that was placed on the District's general revenues for providing the services listed. Further detail is available on page 15 of this report.



Program revenues financed 20% of the total cost of providing the services listed above, while the remaining 80% 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, 2007**

(PREPARED BY DISTRICT MANAGEMENT)

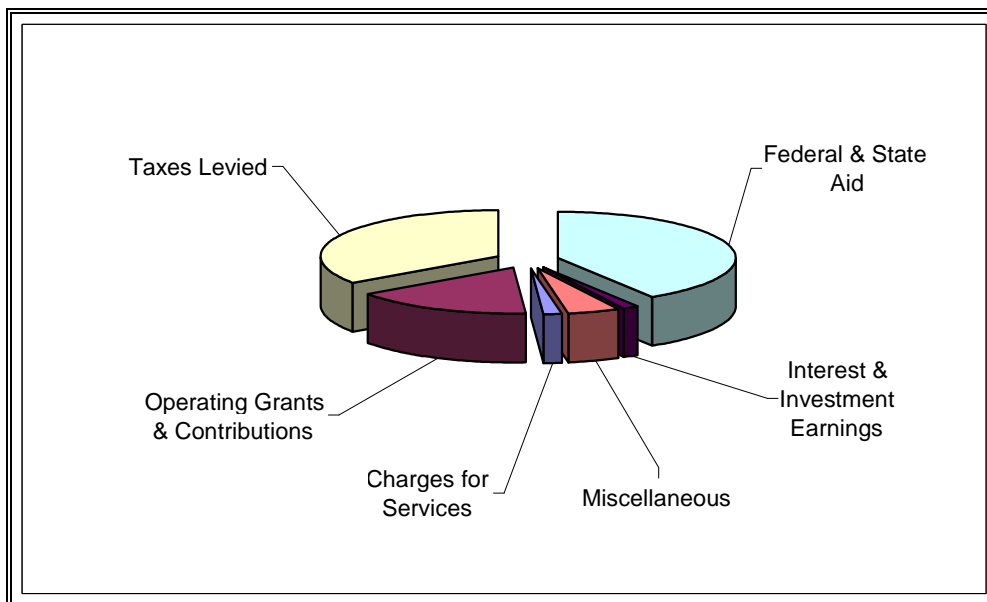
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

**Summary of Revenues For Governmental Functions**

	FYE 2006 Amount	Percent of Total	FYE 2007 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 223,203	1.19%	\$ 289,584	1.57%
Operating Grants & Contributions	2,553,937	13.59%	3,045,333	16.56%
Capital Grants & Contributions	737,750	3.92%	0	0.00%
<u>General Revenues</u>				
Taxes Levied	6,064,174	32.26%	6,361,139	34.59%
Federal & State Aid	6,932,191	36.88%	7,592,796	41.29%
Interest & Investment Earnings	186,282	0.99%	245,595	1.34%
Miscellaneous	2,099,769	11.17%	855,704	4.65%
<b>Total Revenues</b>	<b>\$ 18,797,306</b>	<b>100.00%</b>	<b>\$ 18,390,151</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, 2007**

(PREPARED BY DISTRICT MANAGEMENT)

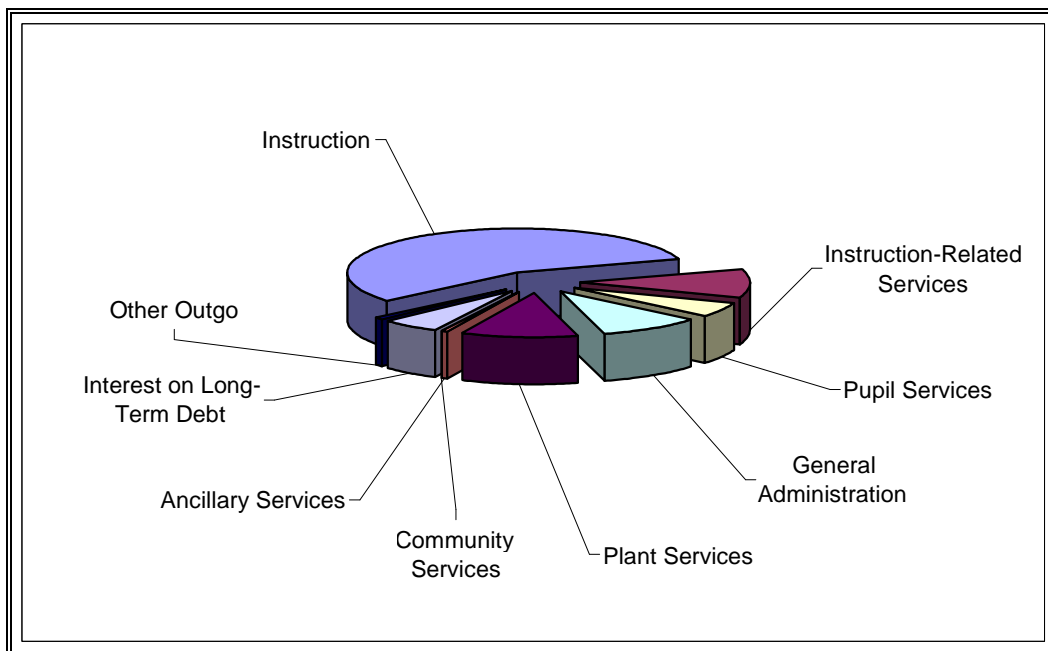
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

**Schedule of Expenses For Governmental Functions**

	<u>FYE 2006 Amount</u>	<u>Percent of Total</u>	<u>FYE 2007 Amount</u>	<u>Percent of Total</u>
<u>Expenses</u>				
Instruction	\$ 9,627,516	51.14%	\$ 10,264,609	56.17%
Instruction-Related Services	2,050,231	10.89%	1,930,030	10.56%
Pupil Services	1,020,785	5.42%	1,017,532	5.57%
General Administration	1,514,665	8.05%	1,739,260	9.52%
Plant Services	3,430,156	18.22%	2,064,302	11.30%
Ancillary Services	77,674	0.41%	71,239	0.39%
Community Services	0	0.00%	7,029	0.04%
Interest on Long-Term Debt	975,929	5.18%	1,016,553	5.56%
Other Outgo	129,530	0.69%	163,286	0.89%
<b>Total Expenses</b>	<b><u>\$ 18,826,486</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 18,273,840</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, 2007**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Comparative Schedule of Capital Assets</u></b>		
	Governmental Activities	
	2006	2007
Land	\$ 1,115,813	\$ 1,115,813
Sites and Improvements	2,575,043	2,575,043
Buildings and Improvements	34,359,490	34,716,157
Furniture and Equipment	475,634	513,323
Work-in-Progress	12,878	291,487
Subtotals	38,538,858	39,211,823
Less: Accumulated Depreciation	(11,475,014)	(12,849,995)
Capital Assets, net	<u>\$ 27,063,844</u>	<u>\$ 26,361,828</u>

Capital assets, net of depreciation, decreased \$702,016, due to the current year acquisition and/or construction of \$672,965 of new capital assets, and the current year recognition of \$1,374,981 of depreciation expense.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2006	2007
Compensated Absences	\$ 59,639	\$ 79,730
General Obligation Bonds	19,638,462	19,349,691
Capital Leases	1,393,222	1,316,893
Totals	<u>\$ 21,091,323</u>	<u>\$ 20,746,314</u>

Total long-term liabilities decreased \$345,009, due primarily to the current year reduction of the District's obligations for general obligation bonds and capital leases.

**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

(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 93% 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, 2006	Fund Balances June 30, 2007	Increase (Decrease)
General	\$ 2,383,502	\$ 3,312,381	\$ 928,879
Deferred Maintenance	150,694	134,020	(16,674)
Cafeteria	0	3,020	3,020
Bond Interest & Redemption	1,105,711	1,143,047	37,336
Capital Facilities	166,251	40,449	(125,802)
Building	430,864	66,293	(364,571)
County School Facilities	30	0	(30)
	<b>\$ 4,237,052</b>	<b>\$ 4,699,210</b>	<b>\$ 462,158</b>

The combined fund balances of all District funds increased \$462,158, while the fund balance of the General Fund increased \$928,879.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time.



**ROSS VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

(PREPARED BY DISTRICT MANAGEMENT)

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**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 District expects an increase of 38 ADA (2.2%) during fiscal year 2007-08
- The State's economic condition is another major factor affecting the District's future. Although education funding has improved during the past year, recent history has shown that the financial condition of the State can change very rapidly. Since the financial well being of the District is tied in large measure to the state funding formula, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several 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

**ROSS VALLEY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 3,700,673
Receivables (Note 4)	1,984,632
Prepaid Expenses (Note 11)	500
Capital Assets: (Note 6)	
Land	1,115,813
Sites and Improvements	2,575,043
Buildings and Improvements	34,716,157
Furniture and Equipment	513,323
Work-in-Progress	291,487
Less: Accumulated Depreciation	(12,849,995)
Total Assets	32,047,633
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	1,184,124
Deferred Revenue (Note 11)	15,482
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences	79,730
General Obligation Bonds	780,000
Capital Leases	89,085
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 7)	18,569,691
Capital Leases (Note 8)	1,227,808
Total Liabilities	21,945,920
<b><u>Net Assets</u></b>	
Investment in Capital Assets, Net of Related Debt	5,548,026
Restricted:	
For Capital Projects	40,449
For Debt Service	1,143,047
For Educational Programs	738,660
For Other Purposes	140,540
Unrestricted	2,490,991
Total Net Assets	\$ 10,101,713

**ROSS VALLEY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b><u>Governmental Activities</u></b>					
Instruction	\$ 10,264,609	\$ 31,321	\$ 2,181,249		\$ (8,052,039)
Instruction-Related Services:					
Supervision of Instruction	328,536		94,216		(234,320)
Instructional Library and Technology	339,242	2,478	47,951		(288,813)
School Site Administration	1,262,252		7,737		(1,254,515)
Pupil Services:					
Home-to-School Transportation	248,759	5,210	175,332		(68,217)
Food Services	332,572	220,543	65,861		(46,168)
Other Pupil Services	436,201		98,394		(337,807)
General Administration:					
Data Processing Services	330,426				(330,426)
Other General Administration	1,408,834	438	139,088		(1,269,308)
Plant Services	2,064,302	16,026	140,892		(1,907,384)
Ancillary Services	71,239	715	9,229		(61,295)
Community Services	7,029	530	3,514		(2,985)
Interest on Long-Term Debt	1,016,553				(1,016,553)
Other Outgo	163,286	12,323	81,870		(69,093)
Total Governmental Activities	<u>\$ 18,273,840</u>	<u>\$ 289,584</u>	<u>\$ 3,045,333</u>	<u>\$ 0</u>	<u>(14,938,923)</u>
<b><u>General Revenues</u></b>					
Taxes Levied for General Purposes					3,213,911
Taxes Levied for Debt Service					1,250,559
Taxes Levied for Specific Purposes					1,896,669
Federal and State Aid - Unrestricted					7,592,796
Interest and Investment Earnings					245,595
Miscellaneous					855,704
Total General Revenues					<u>15,055,234</u>
Change in Net Assets					116,311
Net Assets - July 1, 2006					<u>9,985,402</u>
Net Assets - June 30, 2007					<u>\$ 10,101,713</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Deposits and Investments (Note 2)	\$ 2,123,098	\$ 1,143,047	\$ 225,824	\$ 208,704	\$ 3,700,673
Receivables (Note 4)	1,962,066		2,237	20,329	1,984,632
Due from Other Funds (Note 5)	14,781			2,196	16,977
Prepaid Expenditures (Note 11)			500		500
Total Assets	<u>\$ 4,099,945</u>	<u>\$ 1,143,047</u>	<u>\$ 228,561</u>	<u>\$ 231,229</u>	<u>\$ 5,702,782</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable	\$ 769,886		\$ 162,268	\$ 38,959	\$ 971,113
Due to Other Funds (Note 5)	2,196			14,781	16,977
Deferred Revenue (Note 11)	15,482				15,482
Total Liabilities	<u>787,564</u>		<u>162,268</u>	<u>53,740</u>	<u>1,003,572</u>
Fund Balances: (Note 10)					
Reserved	741,660	\$ 1,143,047	500		1,885,207
Unreserved:					
Designated	951,846				951,846
Undesignated	1,618,875		65,793	177,489	1,862,157
Total Fund Balances	<u>3,312,381</u>	<u>1,143,047</u>	<u>66,293</u>	<u>177,489</u>	<u>4,699,210</u>
Total Liabilities and Fund Balances	<u>\$ 4,099,945</u>	<u>\$ 1,143,047</u>	<u>\$ 228,561</u>	<u>\$ 231,229</u>	<u>\$ 5,702,782</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 ASSETS  
JUNE 30, 2007**

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**Total Fund Balances - Governmental Funds** \$ 4,699,210

Amounts reported for governmental activities in the statement of net assets 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 cost of assets is \$39,211,823, and the accumulated depreciation is \$12,849,995. 26,361,828

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: (213,011)

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	\$ 79,730	
General Obligation Bonds	19,349,691	
Capital Leases	1,316,893	
		(20,746,314)

**Total Net Assets - Governmental Activities** \$ 10,101,713

**ROSS VALLEY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>General</b>	
	<b>District</b>	<b>Component Unit</b>
<b><u>Revenues</u></b>		
Revenue Limit Sources:		
State Apportionment	\$ 6,409,903	
Local Taxes	3,213,911	
Total Revenue Limit Sources	9,623,814	
Federal Revenue	603,785	
State Revenue	2,230,125	
Local Revenue	3,627,404	\$ 457,382
Total Revenues	16,085,128	457,382
<b><u>Expenditures</u></b>		
Instruction	9,435,163	
Supervision of Instruction	301,988	
Instructional Library and Technology	311,829	
School Site Administration	1,160,254	
Home-To-School Transportation	228,658	
Food Services		
Other Pupil Services	400,953	
Data Processing Services	303,725	
Other General Administration	1,271,900	
Plant Services	1,664,239	
Facilities Acquisition and Construction	45,421	
Ancillary Services	71,239	
Community Services	7,029	
Debt Service:		
Principal Retirement	76,329	
Interest and Issuance Costs	76,211	
Other Outgo	163,286	
Total Expenditures	15,518,224	0
Excess of Revenues Over (Under) Expenditures	566,904	457,382
<b><u>Other Financing Sources (Uses)</u></b>		
Operating Transfers In	457,382	
Operating Transfers Out	(95,407)	(457,382)
Total Other Financing Sources (Uses)	361,975	(457,382)
Net Change in Fund Balances	928,879	0
Fund Balances - July 1, 2006	2,383,502	0
Fund Balances - June 30, 2007	\$ 3,312,381	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
			\$ 6,409,903
			<u>3,213,911</u>
			9,623,814
		\$ 59,387	663,172
\$ 13,386		75,716	2,319,227
1,264,223	\$ 74,862	<u>360,067</u>	<u>5,783,938</u>
<u>1,277,609</u>	<u>74,862</u>	<u>495,170</u>	<u>18,390,151</u>
			9,435,163
			301,988
			311,829
			1,160,254
			228,658
		305,698	305,698
			400,953
			303,725
		3,000	1,274,900
		73,190	1,737,429
	682,595	105,013	833,029
			71,239
			7,029
715,000			791,329
525,273			601,484
<u>1,240,273</u>	<u>682,595</u>	<u>486,901</u>	<u>17,927,993</u>
37,336	(607,733)	8,269	462,158
	243,162	95,407	795,951
		(243,162)	(795,951)
<u>0</u>	<u>243,162</u>	<u>(147,755)</u>	<u>0</u>
37,336	(364,571)	(139,486)	462,158
1,105,711	430,864	316,975	4,237,052
<u>\$ 1,143,047</u>	<u>\$ 66,293</u>	<u>\$ 177,489</u>	<u>\$ 4,699,210</u>

**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, 2007**

**Net Change in Fund Balances - Governmental Funds** \$ 462,158

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 depreciation expense exceeded capital outlays during the year:

Capital Outlays	\$ 672,965	
Depreciation Expense	<u>(1,374,981)</u>	(702,016)

In the statement of activities, certain operating expenses-compensated absences (vacations), and post employment benefits 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 earned exceeded the amounts used by:

(20,091)

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	\$ 715,000	
Capital Leases	<u>76,329</u>	791,329

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 decreased by:

11,160

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:

(426,229)

**Change in Net Assets of Governmental Activities** \$ 116,311



**ROSS VALLEY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2007**

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	Agency Funds	Total Fiduciary Funds
<b><u>Assets</u></b>		
Deposits and Investments (Note 2)	\$ 24,394	\$ 24,394
Total Assets	24,394	24,394
<b><u>Liabilities</u></b>		
Due to Student Groups	24,394	24,394
Total Liabilities	24,394	24,394
<b><u>Net Assets</u></b>		
Restricted	0	0
Total Net Assets	\$ 0	\$ 0

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Accounting Policies**

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

**B. Reporting Entity**

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship. The District has determined that there are no entities, with financial activities that benefited the District, during fiscal year 2006-07, which should be included within its financial reporting entity under GASB 14.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of the component units' relationship with the District. The District has determined that the Ross Valley Schools Foundation meets the criteria set forth in GASB 39. However, audited financial statements were not available for inclusion in the District's financial statements. Accordingly, only the financial activities of the Ross Valley Schools Foundation that flow through the District are presented on page 20 under the caption "Component Unit".

The District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

**C. Basis of Presentation**

*Government-wide Financial Statements:*

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units.

The 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.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**C. Basis of Presentation (Concluded)**

*Government-wide Financial Statements (Concluded):*

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

*Fund Financial Statements:*

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

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting**

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a 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 60 days after year-end.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**D. Basis of Accounting (Concluded)**

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

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.

Deferred Revenue:

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

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. Fund Accounting**

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

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Major Governmental Funds:

*General Fund* is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund. The financial activities of the General Fund have been divided into two separate columns on the Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances. The first column reflects revenues received from *District* sources along with all expenditures of the General Fund. The second column reflects revenues received for General Fund purposes that are provided by the District's *Component Unit*. This presentation has been included to illustrate the District's heavy reliance on Ross Valley Schools Foundation's support for providing its educational programs.

*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:

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains two non-major special revenue funds:

1. *Deferred Maintenance Fund* is used for the purpose of major repairs or replacement of District property.
2. *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.

*Capital Projects Funds* are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains three non-major capital projects funds:

1. *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provision of the California Environmental Quality Act (CEQA).
2. *County School Facilities Fund* is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).
3. *Special Reserve Fund* was established to account for expenditures and insurance reimbursements for items related to the Wade Thomas fire of December 7, 2004.

Fiduciary Funds:

*Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund for the student body activities at the White Hill Middle School. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 43.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (See Note 3).

G. Use of Estimates

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

H. Encumbrances

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

I. Assets, Liabilities and Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$100,000 by the Federal Depository Insurance Corporation (FDIC).

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).

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

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

I. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

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

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

2. Prepaid Expenses/Expenditures

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

Reported prepaid expenses are equally offset by a net assets reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	10-36
Buildings and Improvements	30-35
Furniture and Equipment	6-15

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Deferred revenue includes the premiums associated with the bonds issued, when applicable, which are amortized over the life of the bond obligation.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

I. Assets, Liabilities and Equity (Continued)

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, when applicable, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

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

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



**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

I. Assets, Liabilities and Equity (Concluded)

8. Revenue Limit/Property Tax (Concluded)

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

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the applicable attendance period ADA to derive the District's total entitlement.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks	\$ 29,805	\$ 24,394
Cash in Revolving Fund	3,000	
County Pool Investments	<u>3,667,868</u>	<u>                    </u>
Total Deposits and Investments	<u>\$ 3,700,673</u>	<u>\$ 24,394</u>

Cash on Hand and in Banks

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

Cash in Revolving Fund

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

County Pool Investments

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

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

General Authorization

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

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

Segmented Time Distribution

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

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	\$ 3,667,868	\$ 3,679,179	\$ 2,906,068	\$ 761,800

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 3,667,868	\$ 3,679,179			\$ 3,667,868

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. However, the District does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the District.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2007, the District does not have a bank balance that is exposed to custodial credit risk.

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2007, the District does not have any investments that are held by counterparties.

Derivative Investments

The District does not directly invest in any derivative investments. Information relating to the use of derivative investments by the Marin County Treasury was not available.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess of expenditures over appropriations in individual funds are as follows:

	<u>Excess Expenditures</u>
<u>General Fund:</u>	
Classified Salaries	\$ 32,051
Capital Outlay	12,395
Debt Service:	
Interest and Fiscal Charges	74,211

The District incurred unanticipated expenditures in each of the above expenditure classifications for which the budget was not revised.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2007 consist of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government				
Categorical Programs	<u>\$ 203,902</u>		<u>\$ 16,083</u>	<u>\$ 219,985</u>
State Government				
State Aid	1,093,298			1,093,298
Categorical Programs	138,783		962	139,745
Lottery	98,519			98,519
Other Allowances	<u>94,208</u>			<u>94,208</u>
Total State	1,424,808		962	1,425,770
Local Governments	165,312			165,312
Interest	48,986	\$ 2,237	3,284	54,507
Miscellaneous	<u>119,058</u>			<u>119,058</u>
Totals	<u>\$ 1,962,066</u>	<u>\$ 2,237</u>	<u>\$ 20,329</u>	<u>\$ 1,984,632</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Due From/Due To Other Funds**

Individual fund interfund receivable and payable balances at June 30, 2007 were as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 14,781	\$ 2,196
Cafeteria		14,686
Special Reserve	<u>2,196</u>	<u>95</u>
Totals	<u>\$ 16,977</u>	<u>\$ 16,977</u>

**B. Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2006-07 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General - District	\$ 457,382	\$ 95,407
General - Component Unit		457,382
Deferred Maintenance	73,093	
Cafeteria	22,314	
Capital Facilities		243,131
Building	243,162	
County School Facilities	<u>                    </u>	<u>31</u>
Totals	<u>\$ 795,951</u>	<u>\$ 795,951</u>

Transfer of \$73,093 from General Fund to Deferred Maintenance Fund to match state allocation.

Transfer of \$22,314 from the General Fund to the Cafeteria Fund to supplement cash flow.

Transfer of \$243,131 from Capital Facilities Fund to Building Fund to pay for building constructed due to increased enrollment.

Transfer of \$457,382 contribution from General - Component Unit Fund to General - District Fund to support District programs.

Transfer of \$31 from County School Facilities Fund to Building Fund to close fund.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2007, is presented below:

	Balances July 1, 2006	Additions	Deletions	Balances June 30, 2007
Land	\$ 1,115,813			\$ 1,115,813
Sites and Improvements	2,575,043			2,575,043
Buildings and Improvements	34,359,490	\$ 356,667		34,716,157
Furniture and Equipment	475,634	37,689		513,323
Work-in-Progress	12,878	672,965	\$ 394,356	291,487
Totals at Historical Cost	<u>38,538,858</u>	<u>1,067,321</u>	<u>394,356</u>	<u>39,211,823</u>
Less Accumulated Depreciation for:				
Sites and Improvements	2,310,462	36,041		2,346,503
Buildings and Improvements	8,875,615	1,293,755		10,169,370
Furniture and Equipment	288,937	45,185		334,122
Total Accumulated Depreciation	<u>11,475,014</u>	<u>1,374,981</u>	<u>0</u>	<u>12,849,995</u>
Governmental Activities Capital Assets, net	<u>\$ 27,063,844</u>	<u>\$ (307,660)</u>	<u>\$ 394,356</u>	<u>\$ 26,361,828</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:		
Instruction		\$ 829,446
Supervision of Instruction		26,548
Instructional Library and Technology		27,413
School Site Administration		101,998
Home-To-School Transportation		20,101
Food Services		26,874
Other Pupil Services		35,248
Data Processing Services		26,701
Other General Administration		113,843
Plant Services		<u>166,809</u>
Total Depreciation Expense		<u>\$ 1,374,981</u>

**NOTE 7 - GENERAL OBLIGATION BONDS**

**A. Current Interest Bonds**

The outstanding general obligation debt of the District as of June 30, 2007 was as follows:

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2006	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2007
6/1/99	4.30-4.60	8/1/12	\$ 5,895,000	\$ 4,090,000		\$ 460,000	\$ 3,630,000
7/1/01	4.25-5.00	8/1/20	<u>8,295,000</u>	<u>7,680,000</u>		<u>255,000</u>	<u>7,425,000</u>
Totals			<u>\$ 14,190,000</u>	<u>\$ 11,770,000</u>	<u>\$ 0</u>	<u>\$ 715,000</u>	<u>\$ 11,055,000</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)**

**A. Current Interest Bonds (Concluded)**

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2007, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	780,000	493,264	1,273,264
2009	845,000	458,220	1,303,220
2010	920,000	420,036	1,340,036
2011	1,000,000	378,478	1,378,478
2012	1,080,000	332,971	1,412,971
2013-2017	3,380,000	1,115,144	4,495,144
2018-2022	<u>3,050,000</u>	<u>320,000</u>	<u>3,370,000</u>
Totals	<u>\$ 11,055,000</u>	<u>\$ 3,518,113</u>	<u>\$ 14,573,113</u>

**B. Capital Appreciation Bonds**

<u>Date Of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2006</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2007</u>
6/1/99	5.00-5.38	6/1/24	\$ 3,904,790	\$ 5,626,384	\$ 298,697		\$ 5,925,081
7/1/01	5.61	7/1/26	<u>1,704,424</u>	<u>2,242,078</u>	<u>127,532</u>		<u>2,369,610</u>
Totals			<u>\$ 5,609,214</u>	<u>\$ 7,868,462</u>	<u>\$ 426,229</u>	<u>\$ 0</u>	<u>\$ 8,294,691</u>

The outstanding obligation for the Series 1999 capital appreciation bonds at June 30, 2007, was as follows:

<u>Maturity Year</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Outstanding June 30, 2007</u>
2008-2012		\$ 0	\$ 0	\$ 0
2013-2017	5.00-5.25	1,463,201	734,521	2,197,722
2018-2022	5.25-5.35	1,590,724	832,300	2,423,024
2023-2027	5.38	<u>850,865</u>	<u>453,470</u>	<u>1,304,335</u>
Totals		<u>\$ 3,904,790</u>	<u>\$ 2,020,291</u>	<u>\$ 5,925,081</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)**

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

The annual requirements to amortize the Series 1999 capital appreciation bonds at June 30, 2007, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008-2012	\$ 0	\$ 0	\$ 0
2013-2017	1,463,201	1,761,799	3,225,000
2018-2022	1,590,724	2,964,276	4,555,000
2023-2027	<u>850,865</u>	<u>2,199,135</u>	<u>3,050,000</u>
Totals	<u>\$ 3,904,790</u>	<u>\$ 6,925,210</u>	<u>\$ 10,830,000</u>

The outstanding obligation for the Series 2001 capital appreciation bonds at June 30, 2007, was as follows:

<u>Maturity</u> <u>Year</u>	<u>Interest</u> <u>Rate %</u>	<u>Amount of</u> <u>Original Issue</u> <u>(Principal)</u>	<u>Accreted</u> <u>Interest</u>	<u>Outstanding</u> <u>June 30, 2007</u>
2008-2012		\$ 0	\$ 0	\$ 0
2013-2017		0	0	0
2018-2022		0	0	0
2023-2027	5.61	<u>1,704,424</u>	<u>665,186</u>	<u>2,369,610</u>
Totals		<u>\$ 1,704,424</u>	<u>\$ 665,186</u>	<u>\$ 2,369,610</u>

The annual requirements to amortize the Series 2001 capital appreciation bonds at June 30, 2007, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008-2012	\$ 0	\$ 0	\$ 0
2013-2017	0	0	0
2018-2022	0	0	0
2023-2027	<u>1,704,424</u>	<u>5,075,576</u>	<u>6,780,000</u>
Totals	<u>\$ 1,704,424</u>	<u>\$ 5,075,576</u>	<u>\$ 6,780,000</u>



**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 8 - CAPITAL LEASES**

The District leases office equipment and solar equipment valued at \$74,813 and \$2,101,683, respectively, under lease agreements which provide for title to pass upon expiration of the lease periods. Future minimum lease payments under these agreements are as follows:

Year Ended <u>June 30</u>	Lease <u>Payments</u>
2008	\$ 145,059
2009	130,930
2010	130,930
2011	130,930
2012	130,930
2013-2017	636,950
2018-2022	<u>441,300</u>
Total	1,747,029
Less amounts representing interest	<u>(430,136)</u>
Present value of net minimum lease payments	<u>\$ 1,316,893</u>

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

**NOTE 9 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2007, is shown below.

	Balances <u>July 1, 2006</u>	Additions	Deductions	Balances <u>June 30, 2007</u>	Due within <u>One Year</u>
Compensated Absences	\$ 59,639	\$ 79,730	\$ 59,639	\$ 79,730	\$ 79,730
General Obligation Bonds					
Current Interest	11,770,000		715,000	11,055,000	780,000
Capital Appreciation	7,868,462	426,229		8,294,691	
Capital Leases	<u>1,393,222</u>		<u>76,329</u>	<u>1,316,893</u>	<u>89,085</u>
Totals	<u>\$ 21,091,323</u>	<u>\$ 505,959</u>	<u>\$ 850,968</u>	<u>\$ 20,746,314</u>	<u>\$ 948,815</u>

**NOTE 10 - FUND BALANCES**

A. Reservations of fund balances as of June 30, 2007 were as follows:

	General <u>Fund</u>	Bond Interest & Redemption <u>Fund</u>	Building <u>Fund</u>	Totals
Revolving Fund	\$ 3,000			\$ 3,000
Prepaid Expenditures			\$ 500	500
Restricted Programs	738,660			738,660
Debt Service	<u>                    </u>	<u>\$ 1,143,047</u>	<u>                    </u>	<u>1,143,047</u>
Totals	<u>\$ 741,660</u>	<u>\$ 1,143,047</u>	<u>\$ 500</u>	<u>\$ 1,885,207</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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NOTE 10 - FUND BALANCES (CONCLUDED)

A. Reservations of fund balances as of June 30, 2007 were as follows (Concluded):

Reserved for Revolving Fund represents the portion of the ending fund balance represented by the revolving fund cash.

Reserved for Prepaid Expenditures represents the portion of the ending fund balance represented by prepaid expenditures.

Reserved for Restricted Programs reflects unspent program revenues that are legally restricted for future use.

Restricted program balances at June 30, 2007 were as follows:

English Language Learners	\$ 2,436
Lottery Instructional Materials	188,827
School Safety and Violence Prevention	4,200
Arts & Music	27,748
Arts, Music & Physical Education	71,224
Supplemental School Counseling	30,000
Economic Impact Aid	38,751
Gifted and Talented Education	12,179
Instructional Materials Realignment	34,010
School and Library Improvement	455
School Site Discretionary	93,537
District Discretionary	34,524
Instructional / Library Materials	1,672
Routine Restricted Maintenance	31,550
Local Programs	<u>167,547</u>
Total	<u>\$ 738,660</u>

Reserved for Debt Service represents the fund balance of the Bond Interest and Redemption Fund, which is reserved for future payment of interest and redemption of bond principal.

B. Designations of fund balance as of June 30, 2007 were as follows:

	<u>General Fund</u>
Economic Uncertainties	\$ 624,545
Mandated Costs	223,696
Donations	14,609
Energy Grant	8,746
Lottery	<u>80,250</u>
Total	<u>\$ 951,846</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**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 (STRS) for K-12 Education. These payments consist of state general fund contributions to STRS of \$332,935 (4.517% of salaries subject to STRS).

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

**A. State Teachers' Retirement System (STRS)**

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-07 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$608,084, \$583,050, and \$566,264, respectively, and equal 100% of the required contributions for each year.

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

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)**

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2006-07 was 9.124%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$227,948, \$225,539, and \$233,544, respectively, and equal 100% of the required contributions for each year.

**C. Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) 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 an employee vest immediately. The District contributes 6.2% of an employee's gross earnings. An employee is required to contribute 6.2% of his or her gross earnings.

**NOTE 13 - 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 2006-07, the District participated in two joint power authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years.

**NOTE 14 - JOINT VENTURES**

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

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

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

MPTA is audited on an annual basis. Audited financial statements can be obtained by contacting MPTA's management.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 14 - JOINT VENTURES (CONCLUDED)**

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

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

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

MSIA is audited on an annual basis. Audited financial statements can be obtained by contacting MSIA's management.

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

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

SELF is governed by a board consisting of an elected representative for each of six California divisions; the District is a member of one of these divisions. SELF's governing board controls the operations of SELF, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in SELF.

SELF is audited on an annual basis. Audited financial statements can be obtained by contacting SELF's management.

**NOTE 15 - OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 12, the District offers medical and dental coverage to certificated and classified employees with 10 years of service in the District who elect to retire after the age of 55. The District also contributes the CalPERS required contribution. Based on the most recent actuarial study, performed in January 2005, the outstanding obligation for providing these benefits was projected to be \$893,000. The District recognizes the costs of these benefits when there is a cash outlay (the pay as-you-go method) rather than recording the cost for post employment benefits as they are earned by the active employees (the actuarial method). During fiscal year 2006-07, the District paid \$24,139 to provide these benefits for 58 eligible retirees.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**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.

**NOTE 17 - ECONOMIC DEPENDENCY**

During the year, the District received \$1,896,669 of parcel tax revenue that is subject to voter approval, and \$457,382 from the Ross Valley Schools Foundation, a non-profit charitable organization, that is subject to voluntary public contributions to the organization.

**NOTE 18 - FUTURE GASB IMPLEMENTATION**

In July of 2004, the Governmental Accounting Standards Board issued GASB Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, with required implementation for the District during fiscal year 2008-09. The new statement will significantly change the way state and local governments report their "other post employment benefits" to the public. As a result of GASB 45, state and local governments will be required to (1) recognize the cost of these benefits in periods when the related services were rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past services and to what extent those benefits have been funded, (3) and provide information useful in assessing potential demands on the employer's cash flow.

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, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
Revenue Limit Sources:				
State Apportionment	\$ 6,115,946	\$ 6,484,076	\$ 6,409,903	\$ (74,173)
Local Sources	3,375,308	3,144,145	3,213,911	69,766
Total Revenue Limit Sources	9,491,254	9,628,221	9,623,814	(4,407)
Federal Revenue	597,776	678,560	603,785	(74,775)
Other State Revenue	1,644,897	2,172,593	2,230,125	57,532
Other Local Revenue	3,503,111	3,711,936	4,084,786	372,850
Total Revenues	15,237,038	16,191,310	16,542,510	351,200
<b><u>Expenditures</u></b>				
Certificated Salaries	7,661,029	7,982,650	7,736,069	246,581
Classified Salaries	2,391,199	2,507,285	2,539,336	(32,051)
Employee Benefits	2,466,690	2,457,785	2,326,490	131,295
Books and Supplies	638,584	1,095,125	761,402	333,723
Services and Other				
Operating Expenditures	1,807,739	1,893,860	1,800,038	93,822
Capital Outlay	32,481	29,668	42,063	(12,395)
Debt Service:				
Principal Retirement	228,820	155,000	76,329	78,671
Interest and Fiscal Charges	18,000	2,000	76,211	(74,211)
Other Expenditures	159,771	186,718	160,286	26,432
Total Expenditures	15,404,313	16,310,091	15,518,224	791,867
Excess of Revenues Over (Under) Expenditures	(167,275)	(118,781)	1,024,286	1,143,067
<b><u>Other Financing (Uses)</u></b>				
Operating Transfers Out	(89,700)	(104,765)	(95,407)	9,358
Net Change in Fund Balances	(256,975)	(223,546)	928,879	\$ 1,152,425
Fund Balances - July 1, 2006	2,383,502	2,383,502	2,383,502	
Fund Balances - June 30, 2007	\$ 2,126,527	\$ 2,159,956	\$ 3,312,381	



ROSS VALLEY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	<b>Deferred Maintenance</b>	<b>Cafeteria</b>
<b><u>Assets</u></b>		
Deposits and Investments	\$ 132,436	\$ 481
Receivables	1,584	17,878
Due from Other Funds		
Total Assets	\$ 134,020	\$ 18,359
<b><u>Liabilities and Fund Balances</u></b>		
Liabilities:		
Accounts Payable		\$ 653
Due to Other Funds		14,686
Total Liabilities		15,339
Fund Balances:		
Undesignated	\$ 134,020	3,020
Total Fund Balances	134,020	3,020
Total Liabilities and Fund Balances	\$ 134,020	\$ 18,359

<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
\$ 39,882 867		\$ 35,905	\$ 208,704 20,329 2,196
<u>\$ 40,749</u>	<u>\$ 0</u>	<u>\$ 38,101</u>	<u>\$ 231,229</u>
\$ 300		\$ 38,006 95	\$ 38,959 14,781
<u>300</u>		<u>38,101</u>	<u>53,740</u>
<u>40,449</u>			<u>177,489</u>
<u>40,449</u>		<u>0</u>	<u>177,489</u>
<u>\$ 40,749</u>	<u>\$ 0</u>	<u>\$ 38,101</u>	<u>\$ 231,229</u>

**ROSS VALLEY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>Deferred Maintenance</b>	<b>Cafeteria</b>
<b><u>Revenues</u></b>		
Federal Revenue		\$ 59,387
State Revenue	\$ 71,543	4,173
Local Revenue	3,843	222,844
	75,386	286,404
Total Revenues		
<b><u>Expenditures</u></b>		
Food Services		305,698
Other General Administration		
Plant Services	65,560	
Facilities Acquisition and Construction	99,593	
	165,153	305,698
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	(89,767)	(19,294)
<b><u>Other Financing Sources (Uses)</u></b>		
Operating Transfers In	73,093	22,314
Operating Transfers Out		
	73,093	22,314
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	(16,674)	3,020
Fund Balances - July 1, 2006	150,694	
Fund Balances - June 30, 2007	\$ 134,020	\$ 3,020

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
			\$ 59,387
			75,716
\$ 125,749	\$ 1	\$ 7,630	360,067
<u>125,749</u>	<u>1</u>	<u>7,630</u>	<u>495,170</u>
			305,698
3,000			3,000
5,420		7,630	73,190
<u>8,420</u>	<u>0</u>	<u>7,630</u>	<u>105,013</u>
			486,901
117,329	1	0	8,269
<u>117,329</u>	<u>1</u>	<u>0</u>	<u>8,269</u>
			95,407
(243,131)	(31)		(243,162)
<u>(243,131)</u>	<u>(31)</u>	<u>0</u>	<u>(147,755)</u>
(125,802)	(30)	0	(139,486)
166,251	30	0	316,975
<u>\$ 40,449</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 177,489</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS - STUDENT BODY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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	<b>Balances</b> <b>July 1, 2006</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances</b> <b>June 30, 2007</b>
<b><u>Assets</u></b>				
Deposits and Investments	\$ 29,125	\$ 120,774	\$ 125,505	\$ 24,394
<b><u>Liabilities</u></b>				
Due to Student Groups	\$ 29,125	\$ 120,774	\$ 125,505	\$ 24,394

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT**  
**ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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>
Lori Lopin	President	November 2007
Gina Feiner	Clerk	November 2010
Conn Hickey	Member	November 2007
Jeanne Thompson	Member	November 2010
Sharon Sagar	Member	November 2007

ADMINISTRATION

Cheryl Crawley  
Superintendent

Kathleen Clow  
Business Manager

ROSS VALLEY SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Elementary</u>		
Kindergarten	234	235
First through Third	572	574
Fourth through Sixth	535	535
Seventh and Eighth	371	371
Special Education	16	16
Totals	1,728	1,731
 <u>Supplemental Hours</u>		
Elementary		14,186

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Required</u>	<u>2006-07 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	32,400	36,000	50,400	180	N/A	In Compliance
Grade 1	45,900	50,400	54,300	180	N/A	In Compliance
Grade 2	45,900	50,400	54,300	180	N/A	In Compliance
Grade 3	45,900	50,400	54,300	180	N/A	In Compliance
Grade 4	54,480	54,000	54,720	180	N/A	In Compliance
Grade 5	54,480	54,000	54,720	180	N/A	In Compliance
Grade 6	54,480	54,000	65,160	180	N/A	In Compliance
Grade 7	56,625	54,000	65,384	180	N/A	In Compliance
Grade 8	56,625	54,000	65,384	180	N/A	In Compliance



ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Agriculture:			
Passed through California			
Department of Education (CDE):			
National School Lunch	10.555	13524	\$ 59,387
U.S. Department of Education:			
Passed through CDE:			
NCLB: Title I - Basic Grant	84.010	14329	200,737
NCLB: Title V - Innovative Education Strategies	84.298	14354	2,405
NCLB: Title II - Improving Teacher Quality	84.367	14341	113,450
NCLB: Title II - Enhancing Education Through Technology	84.318	14334	2,293
NCLB: Title IV - Drug Free Schools	84.186	14347	6,530
NCLB: Title III - Limited English Proficiency	84.365	10043	6,188
Special Education - Local Assistance	84.027	13379	<u>272,182</u>
Total			<u>\$ 663,172</u>

**ROSS VALLEY SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Auditor's Comments

The audited financial statements of all funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2007.

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	GENERAL FUND			
	(Budget)* 2007-08	2006-07	2005-06	2004-05
Revenues and Other Financial Sources	\$ 16,540,008	\$ 16,542,510	\$ 14,801,794	\$ 15,356,164
Expenditures	16,415,122	15,518,224	14,635,971	15,127,126
Other Uses and Transfers Out	107,536	95,407	155,449	100,334
Total Outgo	16,522,658	15,613,631	14,791,420	15,227,460
Change in Fund Balance	17,350	928,879	10,374	128,704
Ending Fund Balance	\$ 3,329,731	\$ 3,312,381	\$ 2,383,502	\$ 2,373,128
Available Reserves	\$ 2,508,513	\$ 2,243,420	\$ 1,809,260	\$ 1,839,101
Designated for Economic Uncertainties	\$ 660,906	\$ 624,545	\$ 607,717	\$ 610,709
Undesignated Fund Balance	\$ 1,847,607	\$ 1,618,875	\$ 1,201,543	\$ 1,228,392
Available Reserves as a Percentage of Total Outgo	15.2%	14.4%	12.2%	12.1%
Average Daily Attendance at P-2	1,766	1,728	1,675	1,690
Total Long-Term Liabilities	\$ 19,797,499	\$ 20,746,314	\$ 21,091,323	\$ 21,382,556

\* The amounts reported for the 2007-08 budget are presented for analytical purposes only and have not been audited.

The fund balance of the General Fund increased \$939,253 (39.6%) over the past two years. The fiscal year 2007-08 budget projects an increase of \$17,350 (.5%). For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses of \$128,704, \$10,374, and \$928,879 during fiscal years 2004-05, 2005-06, and 2006-07, respectively.

Average daily attendance has increased 38 ADA over the past two years. The District projects an increase of 38 ADA during fiscal year 2007-08.

Total long-term liabilities have decreased \$636,242 over the past two years, due primarily to the reduction of the District's obligation for general obligation bonds and capital leases.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

**B. Combining Statements**

Combining statements are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

**C. Schedule of 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.

**D. Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

**E. Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of federal awards includes the federal grant activities of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**F. 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.

**G. 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.

**ROSS VALLEY SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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NOTE 2 - EXCESS SICK LEAVE

No excess sick leave, as defined in Education Code Section 22170.5(c), was expressly authorized or accrued by District employees who were members of the California State Teachers Retirement System during fiscal year 2006-07.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Education  
Ross Valley School District  
San Anselmo, California

We have audited the basic financial statements of Ross Valley School District, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 7, 2007. Our audit was conducted 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 Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2006-07*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable
Adult Education	9	Not Applicable
Regional Occupational Centers and Programs	6	Not Applicable
Instructional Time for School Districts	6	Yes
Instructional Time for County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Not Applicable
Instructional Materials Program:		
General Requirements	12	Yes
Grades K-8	1	Yes
Grades 9-12	1	Not Applicable
Ratios of Administrative Employees to Teachers	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes

<u>Description</u>	<u>Procedures In Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Alternative Pension Plans	2	Not Applicable
Excess Sick Leave	3	Yes
Notice of Right To Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools With Only One School Serving Grades K-3	4	Not Applicable
Contemporaneous Records of Attendance For Charter Schools	1	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	3	Not Applicable

We did not perform tests for independent study because the ADA claimed by the District does not exceed the threshold that requires testing.

Based on our audit, we found that, for the items tested, the Ross Valley School District complied with the state laws and regulations of the state programs referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Ross Valley School District had not complied with the state laws and regulations.

This report is intended for the information of the District's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
 Certified Public Accountants

December 7, 2007



**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

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

Board of Education  
Ross Valley School District  
San Anselmo, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

The control deficiencies that we consider to be significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Financial Reporting (Concluded)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we identified significant deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The significant deficiencies that we consider to be material weaknesses are explicitly identified and described in the accompanying Schedule of Findings and Questioned Costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's responses to the findings are included in the accompanying Schedule of Findings and Questioned Costs. However, we did not audit the responses and, accordingly, we express no opinion on them.

This report is intended for the information of the District's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 7, 2007

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Ross Valley School District  
San Anselmo, California

Compliance

We have audited the compliance of Ross Valley School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements, applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on Ross Valley School District's compliance based on our audit.

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

In our opinion, Ross Valley School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Ross Valley School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended for the information of the District's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 7, 2007

FINDINGS AND QUESTIONED COSTS SECTION

ROSS VALLEY SCHOOL DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

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

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

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

<u>CFDA Numbers</u>	<u>Federal Program</u>
84.027	Special Education - Local Assistance
84.010	NCLB: Title I

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

Auditee qualified as low-risk auditee?

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

Internal control over state programs:

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

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

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**07 - 1 / 30000**

**MATERIAL WEAKNESS**

**FINANCIAL REPORTING**

**Criteria:** Each year, school districts are responsible for preparing complete and accurate financial statements, footnote disclosures, and management's discussion and analysis, which are prepared in accordance with governmental generally accepted accounting principles. This financial reporting responsibility extends beyond the preparation of the traditional fund financial statements, and includes financial statements that are required to be presented in accordance with Governmental Accounting Standards Board Statement 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Accordingly, school districts should have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis, are prepared and reviewed prior to the arrival of the independent auditors.

**Condition:** Similar to the vast majority of California school districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis, which conform to GASB 34 and the applicable governmental generally accepted accounting principals, are prepared and reviewed prior to the arrival of the independent auditors.

**Questioned Costs:** None. This is an informational comment only.

**Context:** This condition has always existed at the District, and is now being reported for the first time in accordance with the requirements of Statement on Auditing Standards No. 112 (SAS 112) which became effective for financial statements with periods ending on or after December 15, 2006.

**Effect:** When appropriate financial reporting policies and procedures, are not established, there is more than a remote likelihood that a material misstatement of the financial statements may occur and not be prevented or detected by the District's system of internal control.

**Cause:** Similar to the vast majority of California school district's, the District does not have the financial resources or specialized personnel, available to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis, which conform to GASB 34 and the applicable governmental generally accepted accounting principals, are prepared and reviewed prior to the arrival of the independent auditors.

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

FINANCIAL REPORTING (CONCLUDED)

Recommendation: Due to the nature of school finance and the specific types of financial activities processed by the District, management and the governing board should weigh the cost of eliminating this control weakness against the benefits to be received. If it is determined that the District cannot fully remediate the control weakness, management should work to develop alternative procedures that can help to mitigate the financial reporting risk of the District.

District Response: The District has determined that the cost of fully eliminating the control weakness outweighs the benefits to be received. However, management will work to develop alternative procedures that can help to mitigate the financial reporting risk of the District.



**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**07 - 2 / 30000**

**MATERIAL WEAKNESS**

**SEGREGATION OF DUTIES**

**Criteria:** An effective system of internal control requires that employees who have access to district assets do not also have access to accounting records that are used to maintain control over the assets. In addition, all significant financial transactions or financial reporting activities should be reviewed and approved by another informed employee, who was not actively involved in the initial financial transactions or financial reporting activities.

**Condition:** Due to the limited size of the business office staff, an appropriate segregation of duties between employees who have access to assets and those employees who maintain accounting records used to manage the assets cannot always be maintained. In addition, financial transactions and financial reporting activities are not always reviewed and approved by another informed employee, who was not actively involved in the initial financial transactions or financial reporting activities.

**Questioned Costs:** None. This is an informational comment only.

**Context:** This condition has always existed at the District, and is now being reported for the first time in accordance with the requirements of Statement on Auditing Standards No. 112 (SAS 112) which became effective for financial statements with periods ending on or after December 15, 2006.

**Effect:** When an appropriate segregation of duties is not maintained, and when financial transactions and financial reporting activities are not independently reviewed and approved, there is more than a remote likelihood that a material misstatement of the financial statements may occur and not be prevented or detected by the District's system of internal control.

**Cause:** The District does not always have adequate staffing of specialized personnel to ensure that an appropriate segregation of duties is maintained, and financial transactions and financial reporting activities are independently reviewed and approved.

**Recommendation:** Due to the nature of school finance and the specific types of financial activities processed by the District, management and the governing board should weigh the cost of eliminating this control weakness against the benefits to be received. If it is determined that the District cannot fully remediate the control weakness, management should work to develop alternative procedures that can help to mitigate the financial reporting risk of the District.

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)**

SEGREGATION OF DUTIES (CONCLUDED)

District Response:

The District has determined that the cost of fully eliminating the control weakness outweighs the benefits to be received. However, management will work to develop alternative procedures that can help to mitigate the financial reporting risk of the District.

**ROSS VALLEY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

There are no matters to report for the fiscal year ended June 30, 2007.

ROSS VALLEY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

There are no matters to report for the fiscal year ended June 30, 2007.

**ROSS VALLEY SCHOOL DISTRICT  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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There were no matters reported in the prior year audit report.