

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

AUDIT REPORT

JUNE 30, 2012

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2012

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ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2012

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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 the Ross Valley School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. The assets, liabilities, net assets, fund balance, revenues, expenses (expenditures) of the discretely presented component unit were not available.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of the District, as of June 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of omitting the discretely presented component unit as discussed above, 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012 on our consideration of the Ross Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, the budgetary comparison information on page 47, and the schedule of funding progress on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ross Valley School District's financial statements as a whole. The accompanying combining fund financial statements and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2012

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

This section of Ross Valley School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. 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 and 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 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's overall financial status improved during the year, as total net assets increased 14.0%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$910,071.
- Capital assets, net of depreciation, increased \$1,967,394, due to the current year acquisition and/or construction of \$3,264,238 of new capital assets, and the current year recognition of \$1,296,844 of depreciation expense.
- Total long-term liabilities decreased \$567,628, due primarily to the current year reduction of the District's obligation for general obligation bonds.
- The District's P-2 average daily attendance (ADA) increased from 1,992 ADA in fiscal year 2010-11, up to 2,124 ADA in fiscal year 2011-12, an increase of 132 ADA or 6.6%.
- The District's General Fund produced an operating surplus of \$689,299 during fiscal year 2011-12, and recognized a \$122,575 increase in its available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2011-12, General Fund expenditures and other financing uses totaled \$17,940,220. At June 30, 2012, the District had available reserves of \$2,905,591 which represents a reserve of 16.2%.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

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

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

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

Reporting the District as a Whole

The District as a whole is reported in the Government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net 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, 2012
(PREPARED BY DISTRICT MANAGEMENT)**

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 a separate fiduciary statement. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(PREPARED BY DISTRICT MANAGEMENT)**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net assets increased from \$6,479,057 at June 30, 2011, up to \$7,389,128 at June 30, 2012, an increase of 14.0%.

<u>Comparative Statement of Net Assets</u>		
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2012</u>
<u>Assets</u>		
Deposits and Investments	\$ 12,906,977	\$ 11,396,668
Receivables	2,805,103	3,049,928
Prepaid Expenses	491,055	501,122
Capital Assets, net	<u>21,519,970</u>	<u>23,487,364</u>
Total Assets	<u>37,723,105</u>	<u>38,435,082</u>
<u>Liabilities</u>		
Current	3,285,801	4,533,503
Long-term	<u>27,958,247</u>	<u>26,512,451</u>
Total Liabilities	<u>31,244,048</u>	<u>31,045,954</u>
<u>Net Assets</u>		
Invested in Capital Assets		
- Net of Related Debt	6,511,049	6,533,977
Restricted for Capital Projects	127,443	150,464
Restricted for Debt Service	(3,337,227)	(3,188,923)
Restricted for Educational Programs	349,603	452,259
Restricted for Other Purposes	3,000	76,975
Unrestricted	<u>2,825,189</u>	<u>3,364,376</u>
Total Net Assets	<u>\$ 6,479,057</u>	<u>\$ 7,389,128</u>

Table includes financial data of the combined governmental funds

The deficit balance presented above for Restricted for Debt Service represents the difference between the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds and accrued interest on the District's long-term liabilities, and the amount available in the Bond Interest and Redemption Fund. This deficit will be eliminated by future property tax collections.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(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 \$910,071.

<u>Comparative Statement of Changes in Net Assets</u>		
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2012</u>
<u>Program Revenues</u>		
Charges for Services	\$ 412,628	\$ 538,035
Operating Grants & Contributions	2,426,404	3,153,490
<u>General Revenues</u>		
Taxes Levied	6,802,910	8,921,624
Federal & State Aid	9,244,399	8,986,947
Interest & Investment Earnings	23,990	27,566
Miscellaneous	515,856	462,026
Total Revenues	19,426,187	22,089,688
<u>Expenses</u>		
Instruction	11,867,085	12,678,641
Instruction-Related Services	1,916,157	1,909,474
Pupil Services	1,263,959	1,474,176
General Administration	1,458,534	1,504,866
Plant Services	1,579,553	1,892,459
Ancillary Services	53,295	20,599
Interest on Long-Term Debt	918,097	1,415,409
Other Outgo	217,766	283,993
Total Expenses	19,274,446	21,179,617
Changes in Net Assets	\$ 151,741	\$ 910,071

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, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

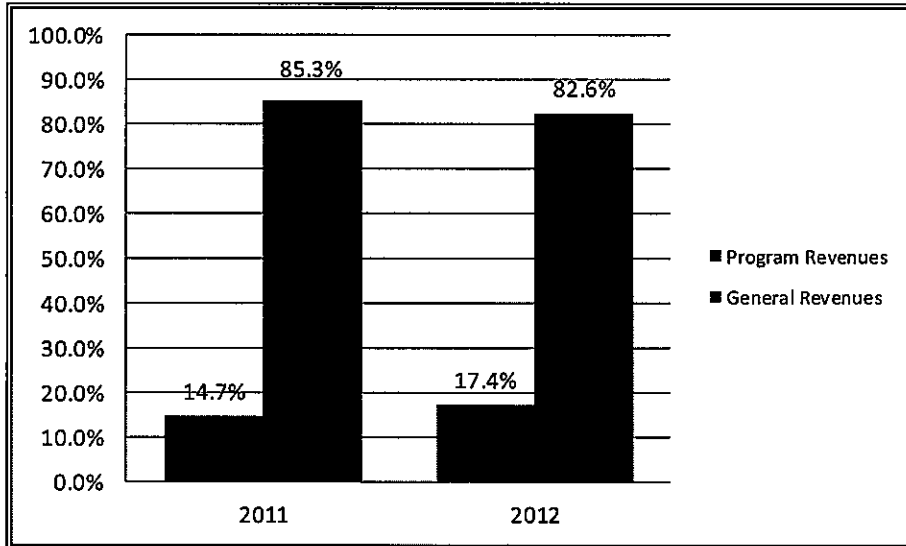
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

	Total Cost of Services		Net Cost of Services	
	2011	2012	2011	2012
Instruction	\$ 11,867,085	\$ 12,678,641	\$ 10,248,058	\$ 10,473,490
Instruction-Related Services	1,916,157	1,909,474	1,773,196	1,703,556
Pupil Services	1,263,959	1,474,176	514,971	614,850
General Administration	1,458,534	1,504,866	1,354,348	1,333,033
Plant Services	1,579,553	1,892,459	1,507,442	1,805,662
Ancillary Services	53,295	20,599	37,518	7,951
Interest on Long-Term Debt	918,097	1,415,409	918,097	1,415,409
Other Outgo	217,766	283,993	81,784	134,141
Totals	\$ 19,274,446	\$ 21,179,617	\$ 16,435,414	\$ 17,488,092

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 \$17,488,092 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2011-12, program revenues financed 17.4% of the total cost of providing the services listed above, while the remaining 82.6% was financed by the general revenues of the District.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

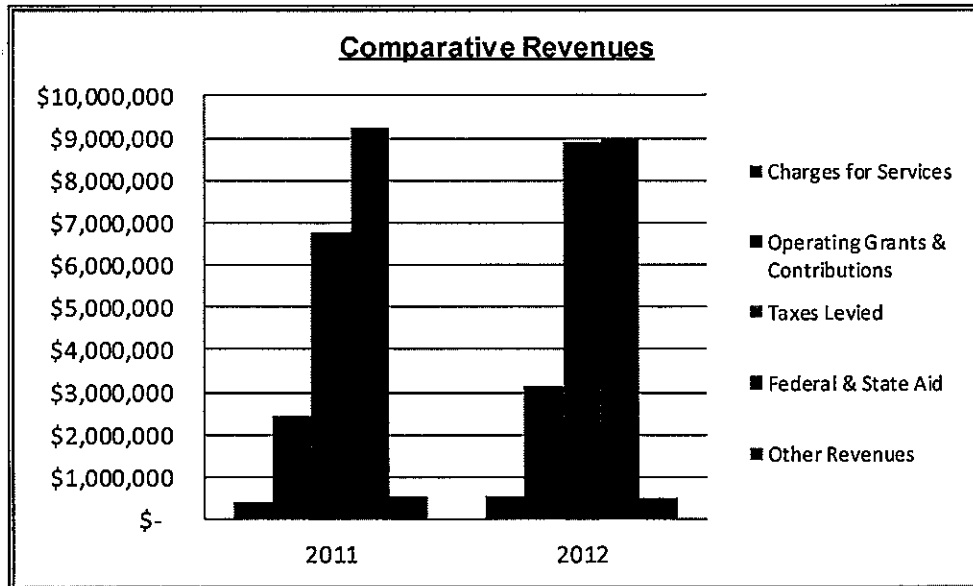
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Summary of Revenues For Governmental Functions</u>				
	<u>FYE 2011 Amount</u>	<u>Percent of Total</u>	<u>FYE 2012 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 412,628	2.12%	\$ 538,035	2.44%
Operating Grants & Contributions	2,426,404	12.49%	3,153,490	14.28%
<u>General Revenues</u>				
Taxes Levied	6,802,910	35.02%	8,921,624	40.39%
Federal & State Aid	9,244,399	47.59%	8,986,947	40.68%
Other Revenues	539,846	2.78%	489,592	2.22%
Total Revenues	<u>\$ 19,426,187</u>	<u>100.00%</u>	<u>\$ 22,089,688</u>	<u>100.00%</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, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

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

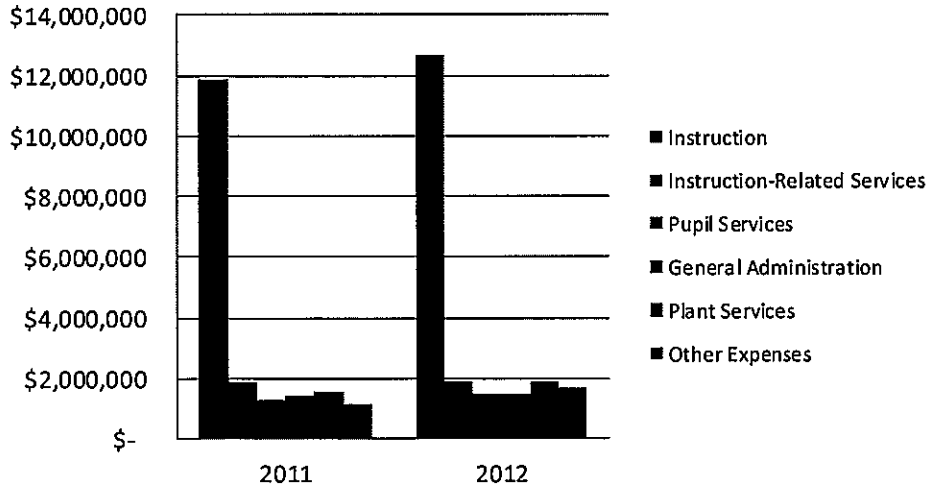
GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2011 Amount</u>	<u>Percent of Total</u>	<u>FYE 2012 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 11,867,085	61.57%	\$ 12,678,641	59.86%
Instruction-Related Services	1,916,157	9.94%	1,909,474	9.02%
Pupil Services	1,263,959	6.56%	1,474,176	6.96%
General Administration	1,458,534	7.57%	1,504,866	7.11%
Plant Services	1,579,553	8.20%	1,892,459	8.94%
Other Expenses	1,189,158	6.17%	1,720,001	8.12%
Total Expenses	\$ 19,274,446	100.00%	\$ 21,179,617	100.00%

Table includes financial data of the combined governmental funds

Comparative Expenses



**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Capital Assets</u>		
	Governmental Activities	
	2011	2012
Land	\$ 992,328	\$ 992,328
Sites and Improvements	2,592,218	2,592,218
Buildings and Improvements	34,716,157	34,716,157
Furniture and Equipment	584,788	584,788
Work-in-Progress	794,449	4,058,687
Subtotals	39,679,940	42,944,178
Less: Accumulated Depreciation	(18,159,970)	(19,456,814)
Capital Assets, net	<u>\$ 21,519,970</u>	<u>\$ 23,487,364</u>

Capital assets, net of depreciation, increased \$1,967,394, due to the current year acquisition and/or construction of \$3,264,238 of new capital assets, and the current year recognition of \$1,296,844 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2011	2012
Compensated Absences	\$ 48,737	\$ 37,173
General Obligation Bonds	27,791,354	27,345,894
Capital Leases	1,009,477	913,828
Other Post Employment Benefits	442,065	427,110
Totals	<u>\$ 29,291,633</u>	<u>\$ 28,724,005</u>

Total long-term liabilities decreased \$567,628, due primarily to the current year reduction of the District's obligation for general obligation bonds. The general obligation bonds are financed by local taxpayers and represent 95% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current debt issues.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The capital leases are financed by the General Fund and represent 3% of the District's total long-term liabilities.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The fund balance of the General Fund increased \$689,299 during fiscal year 2011-12, while the combined fund balances of the other District governmental funds decreased \$2,144,225, due primarily to the bond related expenditures in the Building Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. As of the P-1 attendance reporting period, the District expects an increase of 27 ADA (1.3%) during fiscal year 2012-13. Enrollment growth is expected to continue into the future per the Districts' enrollment projections.
- On November 2, 2010, voters within the District approved the issuance of up to \$41,000,000 in facility bonds. The proceeds of the bonds will be used to upgrade and expand school facilities during fiscal year 2012-13 and beyond. Of this amount, \$10,000,426 was issued in May 2011 and another \$18,300,000 in August 2012. A final bond issuance is anticipated during the 2013-14 or 2014-15 fiscal year.
- The fiscal crisis of 2008 has brought unprecedented financial challenges to all state and federal governments, including California public school districts. However, it appears the economy is improving, with the State of California Legislative Analyst Office projecting funding increases for schools beginning with the 2013-14 fiscal year. Nonetheless, until the economy demonstrates such a recovery is occurring with consistency, management will continue to plan carefully and prudently to provide the resources to meet student needs. The District has an excellent track record in what has proven to be a continuous cycle of lean and prosperous years for education finances.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Ross Valley School District, 110 Shaw Drive, San Anselmo, CA 94960.

ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 11,396,668
Receivables (Note 4)	3,049,928
Prepaid Expenses (Note 1H)	501,122
Capital Assets: (Note 6)	
Land	992,328
Sites and Improvements	2,592,218
Buildings and Improvements	34,716,157
Furniture and Equipment	584,788
Work-in-Progress	4,058,687
Less: Accumulated Depreciation	(19,456,814)
Total Assets	38,435,082
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	2,035,747
Deferred Revenue (Note 1H)	286,202
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	37,173
General Obligation Bonds (Note 7)	
Current Interest	1,975,000
Capital Leases (Note 8)	100,381
Other Post Employment Benefits (Note 9)	99,000
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 7)	
Current Interest	13,315,000
Capital Appreciation	12,055,894
Capital Leases (Note 8)	813,447
Other Post Employment Benefits (Note 9)	328,110
Total Liabilities	31,045,954
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	6,533,977
Restricted:	
For Capital Projects	150,464
For Debt Service	(3,188,923)
For Educational Programs	452,259
For Other Purposes	76,975
Unrestricted	3,364,376
Total Net Assets	\$ 7,389,128

ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
<u>Governmental Activities</u>					
Instruction	\$ 12,678,641	\$ 12,055	\$ 2,193,096		\$ (10,473,490)
Instruction-Related Services:					
Supervision of Instruction	209,351		83,280		(126,071)
Instructional Library and Technology	417,245	502	48,955		(367,788)
School Site Administration	1,282,878	3	73,178		(1,209,697)
Pupil Services:					
Home-to-School Transportation	264,580	418	129,662		(134,500)
Food Services	703,691	514,638	119,325		(69,728)
Other Pupil Services	505,905		95,283		(410,622)
General Administration:					
Data Processing Services	123,404				(123,404)
Other General Administration	1,381,462	2,358	169,475		(1,209,629)
Plant Services	1,892,459	2,706	84,091		(1,805,662)
Ancillary Services	20,599	417	12,231		(7,951)
Interest on Long-Term Debt	1,415,409				(1,415,409)
Other Outgo	283,993	4,938	144,914		(134,141)
Total Governmental Activities	\$ 21,179,617	\$ 538,035	\$ 3,153,490	\$ 0	(17,488,092)
<u>General Revenues</u>					
Taxes Levied for General Purposes					3,850,534
Taxes Levied for Debt Service					2,726,044
Taxes Levied for Specific Purposes					2,345,046
Federal and State Aid - Unrestricted					8,986,947
Interest and Investment Earnings					27,566
Miscellaneous					462,026
Total General Revenues					18,398,163
Change in Net Assets					910,071
Net Assets - July 1, 2011					6,479,057
Net Assets - June 30, 2012					\$ 7,389,128

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 2,341,268	\$ 2,380,122	\$ 6,507,203	\$ 168,075	\$ 11,396,668
Receivables (Note 4)	3,018,847			31,081	3,049,928
Due from Other Funds (Note 5)	24,366			3	24,369
Prepaid Expenditures (Note 1H)	50,000				50,000
Total Assets	\$ 5,434,481	\$ 2,380,122	\$ 6,507,203	\$ 199,159	\$ 14,520,965
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 1,060,439		\$ 692,163	\$ 354	\$ 1,752,956
Due to Other Funds (Note 5)	3			24,366	24,369
Deferred Revenue (Note 1H)	40,121				40,121
Total Liabilities	1,100,563		692,163	24,720	1,817,446
Fund Balances: (Note 11)					
Nonspendable	53,000				53,000
Restricted	452,259	\$ 2,380,122	5,815,040	174,439	8,821,860
Assigned	923,068				923,068
Unassigned	2,905,591				2,905,591
Total Fund Balances	4,333,918	2,380,122	5,815,040	174,439	12,703,519
Total Liabilities and Fund Balances	\$ 5,434,481	\$ 2,380,122	\$ 6,507,203	\$ 199,159	\$ 14,520,965

**ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Fund Balances - Governmental Funds \$ 12,703,519

Amounts reported for governmental activities in the statement of net assets are different from amounts reported in governmental funds due to the following:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:

Capital Assets	\$ 42,944,178	
Accumulated Depreciation	<u>(19,456,814)</u>	
Net		23,487,364

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs, reported as prepaid expenses at year-end consist of:

Costs of Issuance	180,204	
Bond Refunding	<u>270,918</u>	
Total		451,122

Unamortized premiums: In governmental funds, bond premiums are recognized as revenues in the period they are received. In the government-wide statements, premiums are amortized over the life of the debt. Unamortized premiums, reported as deferred revenue on the statement of net assets are: (246,081)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owed at the end of the period was: (282,791)

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

Compensated Absences	37,173	
General Obligation Bonds:		
Current Interest	15,290,000	
Capital Appreciation	12,055,894	
Capital Leases	913,828	
Other Post Employment Benefits	<u>427,110</u>	
Total		<u>(28,724,005)</u>

Total Net Assets - Governmental Activities \$ 7,389,128

**ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Revenue Limit Sources:					
State Apportionment	\$ 7,240,426				\$ 7,240,426
Local Taxes	3,850,535				3,850,535
Total Revenue Limit Sources	11,090,961				11,090,961
Federal Revenue	1,009,810			\$ 116,358	1,126,168
State Revenue	2,015,157	\$ 25,092		8,637	2,048,886
Local Revenue	4,513,591	2,705,521	\$ 21,358	552,760	7,793,230
Total Revenues	<u>18,629,519</u>	<u>2,730,613</u>	<u>21,358</u>	<u>677,755</u>	<u>22,059,245</u>
<u>Expenditures</u>					
Instruction	11,848,656				11,848,656
Supervision of Instruction	195,399				195,399
Instructional Library and Technology	389,439				389,439
School Site Administration	1,197,383				1,197,383
Home-To-School Transportation	246,948				246,948
Food Services				656,795	656,795
Other Pupil Services	472,190				472,190
Data Processing Services	115,180				115,180
Other General Administration	1,280,301			9,096	1,289,397
Plant Services	1,765,144		1,645		1,766,789
Facilities Acquisition and Construction	(13)		3,262,594	12,772	3,275,353
Ancillary Services	20,599				20,599
Debt Service:					
Principal Retirement	95,649	1,090,000			1,185,649
Interest and Issuance Costs	45,356	564,978			610,334
Other Outgo	244,060				244,060
Total Expenditures	<u>17,916,291</u>	<u>1,654,978</u>	<u>3,264,239</u>	<u>678,663</u>	<u>23,514,171</u>
Excess of Revenues Over (Under) Expenditures	<u>713,228</u>	<u>1,075,635</u>	<u>(3,242,881)</u>	<u>(908)</u>	<u>(1,454,926)</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In				23,929	23,929
Operating Transfers Out	(23,929)				(23,929)
Total Other Financing Sources (Uses)	<u>(23,929)</u>	<u>0</u>	<u>0</u>	<u>23,929</u>	<u>0</u>
Net Change in Fund Balances	689,299	1,075,635	(3,242,881)	23,021	(1,454,926)
Fund Balances - July 1, 2011	3,644,619	1,304,487	9,057,921	151,418	14,158,445
Fund Balances - June 30, 2012	<u>\$ 4,333,918</u>	<u>\$ 2,380,122</u>	<u>\$ 5,815,040</u>	<u>\$ 174,439</u>	<u>\$ 12,703,519</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances - Governmental Funds **\$ (1,454,926)**

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

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Capital Outlays	\$ 3,264,238	
Depreciation Expense	(1,296,844)	
Net		1,967,394

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was:

11,564

Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs accrued and employer contributions was:

14,955

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The debt issue costs amortized for the period is:

Costs of Issuance	6,417	
Bond Refunding	33,516	
Total		(39,933)

Amortization of debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing sources in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is:

30,443

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

General Obligation Bonds - Current Interest	1,090,000	
Capital Leases	95,649	
Total		1,185,649

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, interest expense is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was:

(160,535)

Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was:

(644,540)

Change in Net Assets of Governmental Activities **\$ 910,071**

ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 8,875	\$ 8,875
<u>Liabilities</u>		
Due to Student Groups	<u>8,875</u>	<u>8,875</u>
<u>Net Assets</u>		
Total Net Assets	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Ross Valley School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Education elected by registered voters of the District, which comprises an area in Marin County. The District serves students in kindergarten through grade eight.

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

The governmental financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete

The nucleus of a financial reporting entity is usually a primary government. Governmental Accounting Standards Board (GASB) Statement No. 14 (GASB 14), *The Financial Reporting Entity*, defines a *primary government* as any state government, general-purpose local government, or special-purpose government that meets all of the following criteria:

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

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

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

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways and indicates that an organization has a financial benefit or burden relationship with a primary government if any one of the following conditions exist:

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

In addition, GASB 14 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary governments are such that excluding them would render the financial reporting entity's financial statements misleading or incomplete.

Based on the GASB 14 criteria and definitions, the District is the primary government and there are no material potential component units which should be included in the Financial Reporting Entity in these financial statements.

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

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

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

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

B. 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 effect of interfund activity, within the governmental and business type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Fund Financial Statements:

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements (Concluded):

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.

C. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Deferred Revenue:

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

Expenses/Expenditures:

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

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

D. Fund Accounting

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

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

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

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

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

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

Major Governmental Funds:

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

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

The *Building Fund* is used to account for the acquisition and/or construction of major capital facilities and buildings financed from the sale of general obligation bonds.

Non-major Governmental Funds:

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

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

Fiduciary Funds:

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

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 47.

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