

**ROSS SCHOOL DISTRICT
COUNTY OF MARIN
ROSS, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2013

ROSS SCHOOL DISTRICT

JUNE 30, 2013

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ROSS SCHOOL DISTRICT

JUNE 30, 2013

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Governing Board
Ross School District
Ross, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ross School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ross School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 14, the budgetary comparison information on page 51, and schedule of funding progress on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ross School District's basic financial statements. 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 a required part of the basic financial statements.

The accompanying combining fund financial statements and supplementary schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of the Ross School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ross School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 2, 2013

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

This section of Ross 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, 2013. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 16 and 17, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 18 through 21, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as an agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's overall financial status weakened during the course of the year, as total net position decreased 3.8%. (Much of the decline was directly related to the current year recognition of \$765,702 of depreciation expense, which is a non-cash expense that reflects that the District's capital assets are now one year older and considered less valuable from an accounting standpoint.)
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$549,353.
- Capital assets, net of depreciation, increased \$436,991, due to the current year addition of \$1,202,693 of new capital assets and improvements, and the current year recognition of \$765,702 of depreciation expense.
- Total long-term liabilities increased \$58,020, due primarily to an increase in the District's obligation to provide other postemployment benefits.
- The District's P-2 ADA increased from 333 ADA in fiscal year 2011-12, up to 338 ADA in fiscal year 2012-13, an increase of 1.5%.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures and other financing uses exceeded total current year revenues and other financing sources by \$915,968.
- The District's General Fund produced an operating surplus of \$94,995 during fiscal year 2012-13, and reported a \$112,755 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 4% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2012-13, General Fund expenditures and other financing uses totaled \$5,958,788. At June 30, 2013, the District has available reserves of \$1,948,421 in the General Fund, which represents a reserve of 32.7%.

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(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 statement.
 - ❖ Financial relationships, for which the District acts as an agent for the benefit of others to whom the resources belong, are presented in the fiduciary funds statement.

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

Reporting the District as a Whole

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

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

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

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

The basic services provided by the District, such as regular education, special education, and administration are included here, and are primarily financed by property taxes and state formula aid. Non-basic services 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 the Ross School District are the General Fund, Bond Interest and Redemption Fund, and Measure B - 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 one fund of this type, the Self Insurance Fund.

Fiduciary Funds:

The District is the 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 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's total net position decreased from \$14,508,294 at June 30, 2012, down to \$13,958,941 at June 30, 2013, a decrease of 3.8%.

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2012	2013
<u>Assets</u>		
Deposits and Investments	\$ 4,532,981	\$ 3,419,413
Receivables	256,557	298,861
Prepaid Expenses	361,124	348,809
Capital Assets, net	32,695,319	33,132,310
Total Assets	37,845,981	37,199,393
<u>Liabilities</u>		
Current	992,639	903,042
Long-Term	22,345,048	22,337,410
Total Liabilities	23,337,687	23,240,452
<u>Net Assets</u>		
Invested in Capital Assets		
- Net of Related Debt	13,065,196	12,407,703
Restricted for Capital Projects	185,923	367,025
Restricted for Debt Service	(669,935)	(704,569)
Restricted for Educational Programs	87,629	69,857
Restricted for Other Purposes	1,250	8,750
Unrestricted	1,838,231	1,810,175
Total Net Position	\$ 14,508,294	\$ 13,958,941
<i>Table includes financial data of the combined governmental funds and proprietary fund</i>		

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 the amount available in the Bond Interest and Redemption Fund, which will be eliminated by future property tax collections.

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by \$549,353.

<u>Comparative Statement of Changes in Net Position</u>		
	Governmental Activities	
	2012	2013
<u>Program Revenues</u>		
Operating Grants & Contributions	\$ 506,470	\$ 597,812
<u>General Revenues</u>		
Taxes Levied	4,888,973	5,106,561
Federal & State Aid	189,615	231,698
Interest & Investment Earnings	13,624	4,072
Miscellaneous	1,235,676	1,268,480
Total Revenues	6,834,358	7,208,623
<u>Expenses</u>		
Instruction	3,758,767	4,082,912
Instruction-Related Services	1,033,322	782,176
Pupil Services	439,416	412,450
General Administration	901,492	1,103,684
Plant Services	554,146	392,145
Ancillary Services	11,709	11,201
Enterprise Activities	19,507	21,188
Interest on Long-Term Debt	946,500	932,080
Other Outgo	5,883	20,140
Total Expenses	7,670,742	7,757,976
Change in Net Position	\$ (836,384)	\$ (549,353)
<i>Table includes financial data of the combined governmental funds and proprietary fund</i>		

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

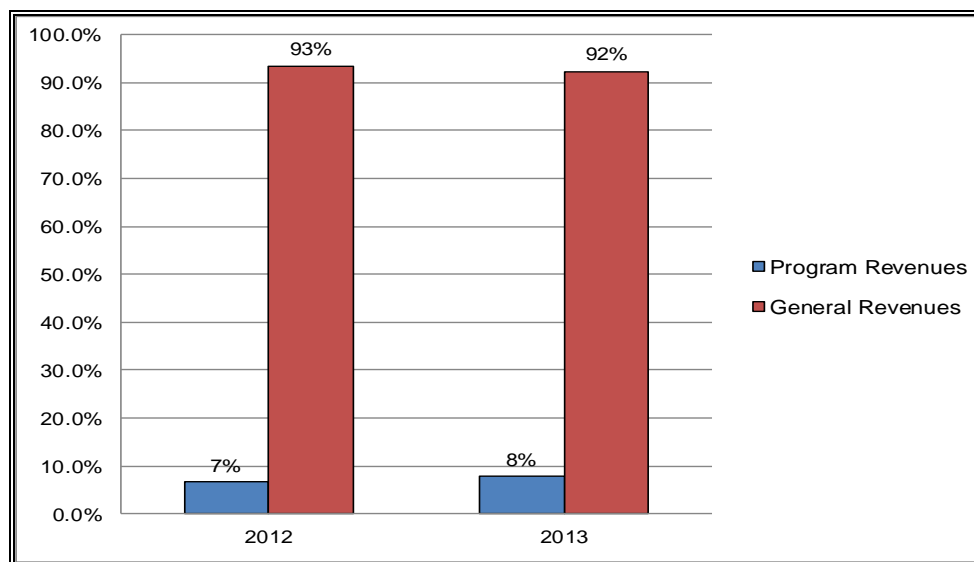
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Costs of Services</u>				
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2012	2013	2012	2013
Instruction	\$ 3,758,767	\$ 4,082,912	\$ 3,369,812	\$ 3,643,187
Instruction-Related Services	1,033,322	782,176	974,009	688,296
Pupil Services	439,416	412,450	389,621	360,176
General Administration	901,492	1,103,684	901,141	1,103,159
Plant Services	554,146	392,145	554,146	392,145
Ancillary Services	11,709	11,201	8,716	7,542
Enterprise Activities	19,507	21,188	14,444	14,266
Interest on Long-Term Debt	946,500	932,080	946,500	932,080
Other Outgo	5,883	20,140	5,883	19,313
Totals	<u>\$ 7,670,742</u>	<u>\$ 7,757,976</u>	<u>\$ 7,164,272</u>	<u>\$ 7,160,164</u>

Table includes financial data of the combined governmental funds and proprietary fund

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 \$7,160,164 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



Program revenues financed 8% of the total cost of providing the services listed above, while the remaining 92% was financed by the general revenues of the District.

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

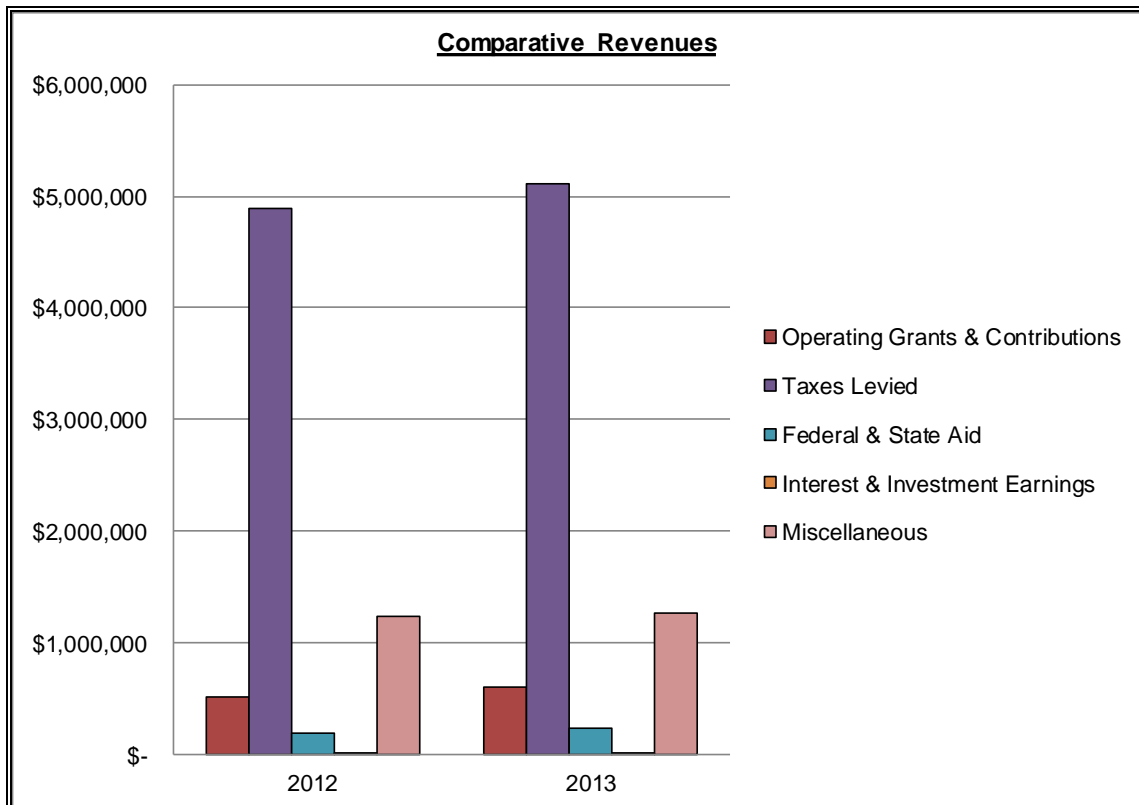
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2012 Amount	Percent of Total	FYE 2013 Amount	Percent of Total
<u>Program Revenues</u>				
Operating Grants & Contributions	\$ 506,470	7.41%	\$ 597,812	8.29%
<u>General Revenues</u>				
Taxes Levied	4,888,973	71.54%	5,106,561	70.84%
Federal & State Aid	189,615	2.77%	231,698	3.21%
Interest & Investment Earnings	13,624	0.20%	4,072	0.06%
Miscellaneous	1,235,676	18.08%	1,268,480	17.60%
Total Revenues	\$ 6,834,358	100.00%	\$ 7,208,623	100.00%

Table includes financial data of the combined governmental funds and proprietary fund



**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

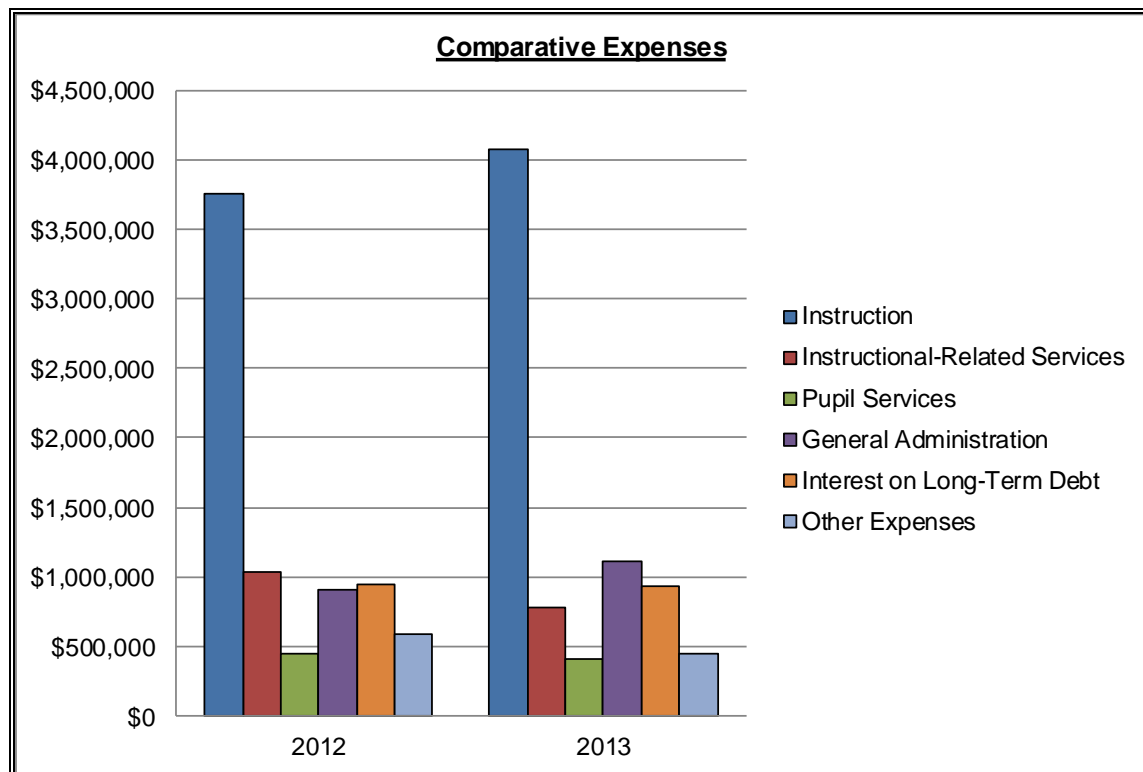
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

	FYE 2012 Amount	Percent of Total	FYE 2013 Amount	Percent of Total
<u>Expenses</u>				
Instruction	\$ 3,758,767	49.00%	\$ 4,082,912	52.63%
Instruction-Related Services	1,033,322	13.47%	782,176	10.08%
Pupil Services	439,416	5.73%	412,450	5.32%
General Administration	901,492	11.75%	1,103,684	14.23%
Interest on Long-Term Debt	946,500	12.34%	932,080	12.01%
Other Expenses	591,245	7.71%	444,674	5.73%
Total Expenses	<u>\$ 7,670,742</u>	<u>100.00%</u>	<u>\$ 7,757,976</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds and proprietary fund



**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Capital Assets</u>		
	Governmental Activities	
	2012	2013
Land	\$ 206,174	\$ 206,174
Sites and Improvements	81,301	81,301
Buildings and Improvements	36,302,174	37,796,362
Furniture and Equipment	307,406	307,406
Work-in-Progress	291,495	0
Subtotals	37,188,550	38,391,243
Less: Accumulated Depreciation	(4,493,231)	(5,258,933)
Capital Assets, net	<u>\$ 32,695,319</u>	<u>\$ 33,132,310</u>

Capital assets, net of depreciation, increased \$436,991, due to the current year addition of \$1,202,693 of new capital assets and improvements, and the current year recognition of \$765,702 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2012	2013
Compensated Absences	\$ 31,025	\$ 33,227
Qualified School Construction Bonds	2,850,000	2,850,000
General Obligation Bonds	19,666,151	19,640,240
Capital Leases	116,537	42,246
Early Retirement Incentives	46,494	75,870
Other Post Employment Benefits	21,212	147,856
Totals	<u>\$ 22,731,419</u>	<u>\$ 22,789,439</u>

Total long-term liabilities increased \$58,020, due primarily to an increase in the District's obligation to provide other postemployment benefits.

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The qualified school construction bonds and general obligation bonds are financed by local taxpayers and represent 99% 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

<u>Comparative Schedule of Fund Balances</u>			
	Fund Balances June 30, 2012	Fund Balances June 30, 2013	Increase (Decrease)
General	\$ 1,933,582	\$ 2,028,577	\$ 94,995
Bond Interest & Redemption	621,207	721,973	100,766
Measure B - Building	1,418,413	374,513	(1,043,900)
QSCB Debt Service	212,370	316,839	104,469
Measure A - QSCB Building	172,096	21	(172,075)
County School Facilities	12	12	0
Capital Projects - Special Reserve	13,815	13,592	(223)
Totals	<u>\$ 4,371,495</u>	<u>\$ 3,455,527</u>	<u>\$ (915,968)</u>

The fund balance of the General Fund increased \$94,995, while the combined fund balances of all other governmental funds decreased \$1,010,963. The significant decrease in the combined fund balance total was due primarily to the current year spending down of Measure B proceeds that were received in prior years.

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 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2013-14 Budget Act and related trailer bills manifests many significant improvements and overdue changes to California Schools funding system. We recognize that these are extraordinary economic times and though the implementation of the new Local Control Funding Formula (LCFF) brings positive changes to most districts, there is still much uncertainty. It is currently very difficult to gauge the future with an eight-year phase-in for full implementation of LCFF and complete details have yet to be released regarding the new funding and accountability requirements. As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

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 Business Manager at Ross School District at (415) 457-2705.

BASIC FINANCIAL STATEMENTS

ROSS SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government Governmental Activities	Component Unit Foundation
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 3,419,413	\$ 1,443,694
Receivables (Note 4)	298,861	
Prepaid Expenses (Note 1J)	348,809	
Capital Assets: (Note 6)		
Land	206,174	
Sites and Improvements	81,301	
Buildings and Improvements	37,796,362	
Furniture and Equipment	307,406	
Less: Accumulated Depreciation	(5,258,933)	
Total Assets	<u>37,199,393</u>	<u>1,443,694</u>
<u>Liabilities</u>		
Accounts Payable and Other Current Liabilities	451,013	21,188
Long-Term Liabilities:		
<i>Portion Due or Payable Within One Year:</i>		
Compensated Absences	33,227	
General Obligation Bonds		
Current Interest	330,000	
Unamortized Bond Premium	14,432	
Capital Leases (Note 9)	42,246	
Early Retirement Incentives	32,124	
<i>Portion Due or Payable After One Year:</i>		
Qualified School Construction Bonds (Note 7)	2,850,000	
General Obligation Bonds (Note 8)		
Current Interest	13,580,000	
Capital Appreciation	5,466,490	
Unamortized Bond Premium	249,318	
Early Retirement Incentives (Note 10)	43,746	
Other Post Employment Benefits (Note 11)	147,856	
Total Liabilities	<u>23,240,452</u>	<u>21,188</u>
<u>Net Position</u>		
Investment in Capital Assets, Net of Related Debt	12,407,703	
Restricted:		
For Capital Projects	367,025	
For Debt Service	(704,569)	
For Educational Programs	69,857	
For Other Purposes	8,750	1,422,506
Unrestricted	<u>1,810,175</u>	
Total Net Position	<u><u>\$ 13,958,941</u></u>	<u><u>\$ 1,422,506</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position	
		Operating Grants and Contributions	Primary Governmental Activities	Component Unit Foundation
<u>Governmental Activities</u>				
Instruction	\$ 4,082,912	\$ 439,725	\$ (3,643,187)	
Instruction-Related Services:				
Supervision of Instruction	19,423	15,118	(4,305)	
Instructional Library and Technology	396,373	78,762	(317,611)	
School Site Administration	366,380		(366,380)	
Pupil Services:				
Food Services	2,208	2,660	452	
Other Pupil Services	410,242	49,614	(360,628)	
General Administration:				
Data Processing Services	17,225		(17,225)	
Other General Administration	1,086,459	525	(1,085,934)	
Plant Services	392,145		(392,145)	
Ancillary Services	11,201	3,659	(7,542)	
Enterprise Activities	21,188	6,922	(14,266)	
Interest on Long-Term Debt	932,080		(932,080)	
Other Outgo	20,140	827	(19,313)	
Total Governmental Activities	<u>\$ 7,757,976</u>	<u>\$ 597,812</u>	<u>(7,160,164)</u>	
<u>Component Unit</u>				
Foundation	<u>\$ 1,127,569</u>			<u>\$ (1,127,569)</u>
<u>General Revenues</u>				
Taxes Levied for General Purposes			3,367,068	
Taxes Levied for Debt Service			1,162,192	
Taxes Levied for Specific Purposes			577,301	
Federal and State Aid - Unrestricted			231,698	
Grants and Contributions - Unrestricted				1,089,375
Interest and Investment Earnings			4,072	2,491
Miscellaneous			1,268,480	
Total General Revenues			<u>6,610,811</u>	<u>1,091,866</u>
<u>Special Item</u>				
Transfer from Ross School Endowment				851,156
Transfer to Marin Community Foundation				(851,156)
Change in Net Position			(549,353)	(35,703)
Net Position - July 1, 2012			14,508,294	1,458,209
Net Position - June 30, 2013			\$ 13,958,941	\$ 1,422,506

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Bond Interest and Redemption	Measure - B Building	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 1,986,449	\$ 721,973	\$ 388,930	\$ 225,995	\$ 3,323,347
Receivables (Note 4)	194,392			104,469	298,861
Prepaid Expenditures (Note 1J)			7,500		7,500
Total Assets	<u>\$ 2,180,841</u>	<u>\$ 721,973</u>	<u>\$ 396,430</u>	<u>\$ 330,464</u>	<u>\$ 3,629,708</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 152,264		\$ 21,917		\$ 174,181
Total Liabilities	<u>152,264</u>		<u>21,917</u>		<u>174,181</u>
Fund Balances: (Note 13)					
Nonspendable	1,250		7,500		8,750
Restricted	69,857	\$ 721,973	367,013	\$ 316,872	1,475,715
Assigned	9,049			13,592	22,641
Unassigned	1,948,421				1,948,421
Total Fund Balances	<u>2,028,577</u>	<u>721,973</u>	<u>374,513</u>	<u>330,464</u>	<u>3,455,527</u>
Total Liabilities and Fund Balances	<u>\$ 2,180,841</u>	<u>\$ 721,973</u>	<u>\$ 396,430</u>	<u>\$ 330,464</u>	<u>\$ 3,629,708</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds	\$	3,455,527
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Amounts reported for governmental activities in the statement of net position are different due to the following:

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

Capital Assets	\$ 38,391,243	
Accumulated Depreciation	<u>(5,258,933)</u>	
		33,132,310

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. The net position of the internal service fund is:

96,066

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

Deferred Charges - Costs of Issuance	341,309
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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	\$ 33,227	
Qualified School Construction Bonds	2,850,000	
General Obligation Bonds:		
Current Interest	13,910,000	
Capital Application	5,466,490	
Bond Premium	263,750	
Capital Leases	42,246	
Early Retirement Incentives	75,870	
Other Post Employment Benefits	<u>147,856</u>	
		(22,789,439)

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:

(276,832)

Total Net Position - Governmental Activities	\$	<u>13,958,941</u>
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ROSS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Measure - B Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Revenue Limit Sources:					
State Apportionment	\$ 67,510				\$ 67,510
Local Taxes	3,367,068				3,367,068
Total Revenue Limit Sources	3,434,578				3,434,578
Federal Revenue	102,950			\$ 1,955	104,905
State Revenue	187,181	\$ 3,176			190,357
Local Revenue	2,317,574	1,159,669	\$ 1,278	192	3,478,713
Total Revenues	6,042,283	1,162,845	1,278	2,147	7,208,553
<u>Expenditures</u>					
Instruction	3,462,883				3,462,883
Supervision of Instruction	17,227				17,227
Instructional Library and Technology	351,565				351,565
School Site Administration	324,962				324,962
Food Services	2,208				2,208
Other Pupil Services	363,866				363,866
Data Processing Services	15,278				15,278
Other General Administration	845,376				845,376
Plant Services	342,385		5,432		347,817
Facilities Acquisition and Construction			1,028,246	174,445	1,202,691
Ancillary Services	11,201				11,201
Enterprise Activities	21,188				21,188
Debt Service:					
Principal Retirement	74,291	255,000			329,291
Interest and Issuance Costs	4,033	665,560		37,050	706,643
Other Outgo	325				325
Total Expenditures	5,836,788	920,560	1,033,678	211,495	8,002,521
Excess of Revenues Over (Under) Expenditures	205,495	242,285	(1,032,400)	(209,348)	(793,968)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	11,500			143,725	155,225
Operating Transfers Out	(122,000)	(141,519)	(11,500)	(2,206)	(277,225)
Total Other Financing Sources (Uses)	(110,500)	(141,519)	(11,500)	141,519	(122,000)
Net Change in Fund Balances	94,995	100,766	(1,043,900)	(67,829)	(915,968)
Fund Balances - July 1, 2012	1,933,582	621,207	1,418,413	398,293	4,371,495
Fund Balances - June 30, 2013	\$ 2,028,577	\$ 721,973	\$ 374,513	\$ 330,464	\$ 3,455,527

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS 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, 2013

Net Change in Fund Balances - Governmental Funds \$ (915,968)

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

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

Capital Outlays	\$ 1,202,693	
Depreciation Expense	(765,702)	
		436,991

In the statement of activities, certain operating expenses-compensated absences (vacations) are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the amounts earned exceeded amounts used by: (2,202)

Other Post Employment benefits (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (126,644)

Early Retirement Incentives: In governmental funds, early retirement incentives are measured by the amounts paid during the period. In the statement of activities, early retirement incentives are measured by the amounts earned. The difference between early retirement incentives paid and early retirement incentives earned was: (29,376)

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

Cost of Issuance		(19,815)
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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	\$ 255,000	
Bond Premium	14,432	
Capital Leases	74,291	
		343,723

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: 3,652

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: (243,521)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, internal service activities are reported as governmental in the statement of activities. The current year increase in the net position of internal service fund was: 3,807

Change in Net Position of Governmental Activities \$ (549,353)

ROSS SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

	Governmental Activities
	Internal Service Fund
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 96,066
Total Assets	96,066
<u>Net Position</u>	
Restricted	96,066
Total Net Position	\$ 96,066

ROSS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Governmental Activities
	Internal Service Fund
<u>Operating Expenses</u>	
Contract Services	\$ 118,263
Operating (Loss)	(118,263)
<u>Non-Operating Revenues</u>	
Interest Income	70
Transfer In	122,000
Total Non-Operating Revenues	122,070
Change in Net Assets	3,807
Net Position - July 1, 2012	92,259
Net Position - June 30, 2013	\$ 96,066

**ROSS SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Governmental Activities
	Internal Service Fund
<i>Cash Flows used by Operating Activities:</i>	
Cash Paid for Contracted Services	\$ (118,263)
<i>Cash Flows From Noncapital Financing Activities:</i>	
Transfer In from Other Fund	122,000
<i>Cash Flows From Investing Activities:</i>	
Interest Income	70
Net Increase in Deposits and Investments	3,807
Deposits and Investments Balance - July 1, 2012	92,259
Deposits and Investments Balance - June 30, 2013	\$ 96,066
<i>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</i>	
Operating (Loss)	\$ (118,263)

ROSS SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Funds	Total Fiduciary Funds
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 5,124	\$ 5,124
Total Assets	5,124	5,124
<u>Liabilities</u>		
Due to Student Groups	5,124	5,124
Total Liabilities	5,124	5,124
<u>Net Position</u>		
Restricted	0	0
Total Net Position	\$ 0	\$ 0

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Ross 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 Governing Board elected by registered voters of the District, which comprises an area in Marin County. The District was established in 1891 and serves students in kindergarten through grade eight.

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

The financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit.

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

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

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

Component units include legally separate organizations (whether governmental, not-for-profit, or for-profit organizations) for which elected officials of the primary government are financially accountable. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. 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 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

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

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

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

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

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

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

The District has determined that the Ross School Foundation (the Foundation) meets the criteria set forth in GASB 39. Another potential component unit, the Ross School Endowment, was evaluated and did not meet the criteria for inclusion.

Component Unit:

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

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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Implementation of New Accounting Pronouncements

In June of 2011, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 63 (GASB 63) *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, with required implementation for the District during the year ended June 30, 2013. The objective of GASB 63 is to identify net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. There was no effect on beginning net position/fund balance as a result of implementing GASB 63.

C. Basis of Presentation

Government-wide Financial Statements:

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

The effect of interfund activity, within the governmental 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 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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Fund Financial Statements:

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position for proprietary funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for Other Post Employment Benefit (OPEB) premiums. The principal expenses of the internal service fund are payments to OPEB insurance vendors. Non-operating revenues of the internal service fund generally consist of interest income earned within the internal service fund, and direct transfers made from other District funds.

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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

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 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.

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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting

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

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

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

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

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.

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

Measure B - Building Fund is used to account for the acquisition of major governmental capital facilities and buildings financed by the sale of bonds authorized by Measure B.

Non-major Governmental Funds:

QSCB Debt Service Fund is used to account for the accumulation of resources set aside for future retirement of the outstanding qualified school construction bonds.

Measure A - QSCB Building Fund is used to account for the acquisition of major governmental capital facilities and buildings financed by the sale of qualified school construction bonds authorized by Measure A.

County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

Capital Projects - Special Reserve Fund is used to account for various maintenance and capital outlay projects and AB87 funding.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Proprietary Funds:

Internal Service Funds are used to account for services rendered on a cost reimbursement basis within the District. The District maintains one internal service fund, the Self Insurance Fund, which is used to accumulate resources to pay for the current and future costs of providing retiree benefits.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintain a student body fund, which is used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body, and a graduation fund, which is used to account for parent donations for the student body graduation party.

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 51.

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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows for the District's proprietary fund, the District considers all highly liquid investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

J. Assets, Liabilities and Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

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

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

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.

Prepaid expenses include the costs of issuance associated with the general obligation bonds issued since the implementation of Governmental Accounting Standards Board Statement No. 34 (GASB 34). These costs will be amortized annually over the life of the obligation.

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

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	20
Buildings and Improvements	50
Furniture and Equipment	5-10

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 will be amortized over the life of the bond obligation.

5. Compensated Absences

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

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

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums as well as issuance costs, when applicable, are deferred and amortized over the life of the bonds.

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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

7. 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 15, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local 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. Since the total computed entitlement is generally less than the allocated property tax revenues, the District continues to be funded under the basic aid provision.

8. Fund Balance Classification

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

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

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Assets, Liabilities and Equity (Concluded)

8. Fund Balance Classification (Concluded)

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

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. In accordance with board policy, the Chief Business Official has been given this authority.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District intends to work towards maintaining a Reserve for Economic Uncertainties of at least 40% of the General Fund's annual total expenditures and other financing uses.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Total Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks				\$ 5,124
Cash in Revolving Fund	\$ 1,250		\$ 1,250	
County Pool Investments	3,109,727	\$ 96,066	3,205,793	
Investment	<u>212,370</u>		<u>212,370</u>	
Totals	<u>\$ 3,323,347</u>	<u>\$ 96,066</u>	<u>\$ 3,419,413</u>	<u>\$ 5,124</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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash in Revolving Fund

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

County Pool Investments

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

Investment

Investments consist of government securities held at Bank of New York Mellon Trust Company, as trustee for the District, and is reserved for future retirement of the outstanding qualified school construction bonds. This investment is recorded in these financial statements at fair value.

General Authorization

Limitations 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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates.

The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 3,205,793	\$ 3,205,516	\$ 2,773,731	\$ 432,062

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	\$ 3,205,793	\$ 3,205,516			\$ 3,205,793

Concentration of Credit Risk

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

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 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Deposits

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

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2013, the District does not have any investments that are held by counterparties.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

	<u>Excess Expenditures</u>
General Fund:	
Employee Benefits	\$ 3,528

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 46,555		\$ 46,555
State Government	95,700		95,700
Local Governments	26,546	\$ 104,469	131,015
Miscellaneous	25,591		25,591
Totals	<u>\$ 194,392</u>	<u>\$ 104,469</u>	<u>\$ 298,861</u>

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - INTERFUND ACTIVITIES

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

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 2012-13 were as follows:

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 11,500	\$ 122,000
Bond Interest & Redemption		141,519
Measure - B Building		11,500
QSCB Debt Service	141,519	
Measure - A QSCB Building	2,206	
Capital Projects - Special Reserve		2,206
	<u>155,225</u>	<u>277,225</u>
Subtotals	155,225	277,225
 <u>Proprietary Fund</u>		
Self-Insurance	<u>122,000</u>	<u> </u>
Totals	<u>\$ 277,225</u>	<u>\$ 277,225</u>

Transfer of \$122,000 from General Fund to Self-Insurance Fund to provide funding to pay future retiree health benefit costs.

Transfer of \$141,519 from Bond Interest & Redemption Fund to QSCB Debt Service Fund to provide funds to satisfy the debt service requirements of the qualified school construction bond.

Transfer of \$11,500 from Measure - B Building Fund to General Fund to reimburse bond related expenditures previously paid by the General Fund.

Transfer of \$2,206 from Capital Projects - Special Reserve Fund to Measure - A QSCB Building Fund to reimburse expenditures.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013, is shown below:

	Balances July 1, 2012	Additions	Deletions	Balances June 30, 2013
Land	\$ 206,174			\$ 206,174
Sites and Improvements	81,301			81,301
Buildings and Improvements	36,302,174	\$ 1,494,188		37,796,362
Furniture and Equipment	307,406			307,406
Work-in-Progress	291,495		\$ 291,495	0
Totals at Historical Cost	37,188,550	1,494,188	291,495	38,391,243
Less Accumulated Depreciation for:				
Sites and Improvements	81,301			81,301
Buildings and Improvements	4,227,443	704,641		4,932,084
Furniture and Equipment	184,487	61,061		245,548
Total Accumulated Depreciation	4,493,231	765,702	0	5,258,933
Governmental Activities				
Capital Assets, net	\$ 32,695,319	\$ 728,486	\$ 291,495	\$ 33,132,310

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 461,807
Supervision of Instruction	2,196
Instructional Library and Technology	44,808
School Site Administration	41,418
Other Pupil Services	46,376
Data Processing Services	1,947
Other General Administration	122,820
Plant Services	44,330
Total Depreciation Expense	\$ 765,702

NOTE 7 - QUALIFIED SCHOOL CONSTRUCTION BONDS

On May 17, 2010, the District issued \$2,850,000 of Qualified School Construction Bonds (QSCBs), pursuant to an authorization granted by voters of the District on June 3, 2008. The QSCBs are payable from ad valorem taxes imposed upon all property subject to taxation by the District. The QSCBs are tax credit bonds pursuant to Sections 54A and 54F of the Internal Revenue Code. Accordingly, a tax credit equal to 5.47% per annum will be provided to the owner of the QSCBs in lieu of traditional interest payments. In addition, a 1.3% per annum supplemental interest payment will be paid to the owner of the QSCBs quarterly.

In accordance with the QSCB purchase agreement, the District is required to make annual sinking fund deposits, which began in May 2010 and will end in March 2027. The amount of the required deposits will be computed on an annual basis to ensure that the required deposit, plus the sinking fund investment earnings, will be sufficient to satisfy the annual sinking fund balance requirements that are specified in the purchase agreement. The financial activity of the sinking fund is reflected in the QSCB Debt Service Fund in these financial statements.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 - QUALIFIED SCHOOL CONSTRUCTION BONDS (CONCLUDED)

The future debt service requirements and tax credits of the QSCBs, as of June 30, 2013, exclusive of the annual sinking fund deposits, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	<u>Tax</u> <u>Credit</u>
2014	\$ 0	\$ 37,050	\$ 37,050	\$ 155,895
2015	0	37,050	37,050	155,895
2016	0	37,050	37,050	155,895
2017	0	37,050	37,050	155,895
2018	0	37,050	37,050	155,895
2019-2023	0	185,250	185,250	779,475
2024-2028	<u>2,850,000</u>	<u>148,200</u>	<u>2,998,200</u>	<u>623,580</u>
Totals	<u>\$ 2,850,000</u>	<u>\$ 518,700</u>	<u>\$ 3,368,700</u>	<u>\$ 2,182,530</u>

NOTE 8 - GENERAL OBLIGATION BONDS

The outstanding general obligation debt of the District as of June 30, 2013 is as follows:

A. Current Interest Bonds

<u>Date</u> <u>of</u> <u>Issue</u>	<u>Interest</u> <u>Rate %</u>	<u>Maturity</u> <u>Date</u>	<u>Amount of</u> <u>Original</u> <u>Issue</u>	<u>Bonds</u> <u>Outstanding</u> <u>July 1, 2012</u>	<u>Issued</u> <u>Current</u> <u>Year</u>	<u>Redeemed</u> <u>Current</u> <u>Year</u>	<u>Bonds</u> <u>Outstanding</u> <u>June 30, 2013</u>
8/1/06	4.50-6.00	8/1/31	\$ 11,000,000	\$ 10,380,000		\$ 255,000	\$ 10,125,000
8/1/08	4.00-5.00	8/1/33	<u>3,900,000</u>	<u>3,785,000</u>			<u>3,785,000</u>
Totals			<u>\$ 14,900,000</u>	<u>\$ 14,165,000</u>	<u>\$ 0</u>	<u>\$ 255,000</u>	<u>\$ 13,910,000</u>

The annual requirements to amortize the current interest general obligation bonds, as of June 30, 2013, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 330,000	\$ 649,623	\$ 979,623
2015	425,000	629,610	1,054,610
2016	75,000	616,647	691,647
2017	95,000	612,873	707,873
2018	100,000	608,473	708,473
2019-2023	355,000	3,016,225	3,371,225
2024-2028	3,400,000	2,733,591	6,133,591
2029-2033	8,645,000	1,003,755	9,648,755
2034-2038	<u>485,000</u>	<u>11,640</u>	<u>496,640</u>
Totals	<u>\$ 13,910,000</u>	<u>\$ 9,882,437</u>	<u>\$ 23,792,437</u>

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds

The outstanding obligation for the capital appreciation bonds at June 30, 2013 is as follows:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Bonds Outstanding July 1, 2012</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Bonds Outstanding June 30, 2013</u>
8/1/06	4.27-4.88	8/1/25	<u>\$ 3,999,941</u>	<u>\$ 5,222,969</u>	<u>\$ 243,521</u>	<u>\$ 0</u>	<u>\$ 5,466,490</u>

The outstanding obligation for capital appreciation bonds at June 30, 2013, is as follows:

<u>Year Ended June 30</u>	<u>Rate %</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2014		\$ 0	\$ 0	\$ 0
2015		0	0	0
2016	4.27	287,948	0	384,494
2017	4.30	307,850	104,184	412,034
2018	4.34	325,109	111,103	436,212
2019-2023	4.43-4.77	1,835,350	673,695	2,509,045
2024-2028	4.78-4.88	1,243,684	481,021	1,724,705
Totals		<u>\$ 3,999,941</u>	<u>\$ 1,370,003</u>	<u>\$ 5,466,490</u>

The annual requirements to amortize the capital appreciation bonds at June 30, 2013, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 0	\$ 0	\$ 0
2015	0	0	0
2016	287,948	132,052	420,000
2017	307,850	162,150	470,000
2018	325,109	194,891	520,000
2019-2023	1,835,350	1,659,650	3,495,000
2024-2028	1,243,684	1,691,316	2,935,000
Totals	<u>\$ 3,999,941</u>	<u>\$ 3,840,059</u>	<u>\$ 7,840,000</u>

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - CAPITAL LEASES

The District has entered into lease agreements to purchase computer equipment valued at \$318,085. All of these agreements provide for title to pass upon expiration of the lease terms.

Future minimum lease payments under these agreements are as follows:

Year Ended <u>June 30</u>	Lease <u>Payments</u>
2014	\$ 43,509
Less amount representing interest	<u>(1,263)</u>
Present value of net minimum lease payments	<u>\$ 42,246</u>

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

NOTE 10 - EARLY RETIREMENT INCENTIVES

In addition to benefits described in Notes 11 and 14, the District offered two early retirement incentive programs. In prior years, the District offered service credit for eligible certificated employees which increased by two years. In fiscal year 2012-13, the District offered its own one-time only retirement incentive to certificated employees who met the specific conditions that enabled them to participate in the program. The estimated future payments to provide these benefits are as follows:

Year Ended <u>June 30</u>	Early Retirement <u>Incentives</u>
2014	\$ 33,589
2015	33,100
2016	<u>12,111</u>
Total Payments	78,800
Less amounts representing interest	<u>(2,930)</u>
Present value of net minimum payments	<u>\$ 75,870</u>

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Descriptions: The District provides medical, dental, vision, and life insurance coverage to certificated and classified employees who elect to retire after the age of 55 with at least 10 years of service in the District and are eligible for pension benefits from either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The District and retirees share in the cost of benefits as follows:

Retirees hired prior to April 1, 1986, (Tier 1) receive 100% District paid health and welfare benefits for life up to the active employee benefit level. Retirees hired on or after April 1, 1986 and prior to June 30, 1999, (Tier 2) receive 100% District paid benefits up to the active benefit level up to age 65, and a 50% benefit reduction after age 65. Retirees hired after June 30, 1999, (Tier 3) receive 100% District paid benefits up to the active benefit level until age 65.

Retirees who do not qualify under the previous plan provisions, can possibly receive the CalPERS unequal employer monthly contribution and self-pay the remainder of the monthly premium.

The retiree is responsible for self-paying 100% of premiums in excess of the District contribution for his/her coverage and is responsible for self-paying 100% of all premiums for uncovered spouses or dependents of any age.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

The number of participants as of July 1, 2012, the effective date of the triennial OPEB valuation is as follows.

Active employees	45
Retired employees	<u>21</u>
Total	<u>66</u>

Funding Policy: The District currently pays for post employment healthcare benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2013, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation that resulted in a Net OPEB Obligation of \$147,856 for the year ended June 30, 2013.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

Annual OPEB Cost and Net OPEB Obligation (Concluded):

Normal cost with interest to end of year	\$ 105,100
Amortization of UAAL with interest to end of year	<u>140,186</u>
Annual required contribution (ARC)	245,286
Interest on Net OPEB Obligation	848
Adjustment to ARC	<u>(1,227)</u>
Annual OPEB cost (expense)	244,907
Contributions for the fiscal year	<u>(118,263)</u>
Increase in Net OPEB Obligation	126,644
Net OPEB Obligation - June 30, 2012	<u>21,212</u>
Net OPEB Obligation - June 30, 2013	<u><u>\$ 147,856</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years was as shown on the next page.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 244,907	48.3%	\$ 147,856
June 30, 2012	126,200	94.5%	21,212
June 30, 2011	118,000	103.3%	14,259

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the liabilities were computed using the projected unit credit method with a 30-year level dollar open period amortization. The actuarial assumptions utilized a 4% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial healthcare cost trend rate of 8%, which grades down to an ultimate rate of 5% by the 3rd year.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2013, is shown below.

	Balances July 1, 2012	Additions	Deductions	Balances June 30, 2013	Due within One Year
Compensated Absences	\$ 31,025	\$ 33,227	\$ 31,025	\$ 33,227	\$ 33,227
Qualified School Construction Bonds	2,850,000			2,850,000	
General Obligation Bonds:					
Current Interest	14,165,000		255,000	13,910,000	330,000
Capital Appreciation	5,222,969	243,521		5,466,490	
Bond Premium	278,182		14,432	263,750	14,432
Capital Leases	116,537		74,291	42,246	42,246
Early Retirement Incentives	46,494	61,500	32,124	75,870	32,124
Other Post Employment Benefits	21,212	244,907	118,263	147,856	
Totals	<u>\$ 22,731,419</u>	<u>\$ 583,155</u>	<u>\$ 525,135</u>	<u>\$ 22,789,439</u>	<u>\$ 452,029</u>

NOTE 13 - FUND BALANCES

The District's fund balances at June 30, 2013 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Measure - B Building Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 1,250				\$ 1,250
Restricted	69,857	\$ 721,973	\$ 374,513	\$ 316,872	1,483,215
Assigned	9,049			13,592	22,641
Unassigned					
Economic Uncertainties	<u>1,948,421</u>				<u>1,948,421</u>
Total Fund Balances	<u>\$ 2,028,577</u>	<u>\$ 721,973</u>	<u>\$ 374,513</u>	<u>\$ 330,464</u>	<u>\$ 3,455,527</u>

NOTE 14 - 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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$228,681, \$198,693, and \$208,249, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417%. 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, 2013, 2012, and 2011, were \$99,608, \$98,296, and \$89,499, respectively, and equal 100% of the required contributions for each year.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, employees were required to contribute 4.2% of their gross earnings from July 2012 through December 2012, and 6.2% from January 2013 through June 2013.

NOTE 15 - 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 California State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions to CalSTRS of \$139,993 (5.1755% of creditable compensation subject to CalSTRS).

NOTE 16 - 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 2012-13, the District participated in one joint power authority (JPA) 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 17 - JOINT VENTURE

The District participates in a joint venture under a joint powers agreement with Marin Schools Insurance Authority (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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 18 - ECONOMIC DEPENDENCY

During fiscal year 2012-13, the District received \$577,031 of parcel tax revenue that is subject to voter approval.

NOTE 19 - SIGNIFICANT TRANSACTIONS WITH COMPONENT UNIT

As of June 30, 2013, the balance of account receivables of the District included \$21,188 due from the Foundation for reimbursement for salaries and benefits for an employee who is employed by the District but works primarily for the Foundation.

The Foundation also donated \$1,085,000 to the District during the fiscal year 2012-13, which is included in Miscellaneous Revenue of the District on the Statement of Activities reported on page 17.

NOTE 20 - 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 21 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 2, 2013, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

SUPPLEMENTARY INFORMATION SECTION

ROSS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionment		\$ 67,400	\$ 67,510	\$ 110
Local Sources	\$ 3,360,778	3,353,762	3,367,068	13,306
Total Revenue Limit Sources	3,360,778	3,421,162	3,434,578	13,416
Federal Revenue	81,104	99,138	102,950	3,812
Other State Revenue	176,933	183,313	187,181	3,868
Other Local Revenue	2,103,999	2,319,963	2,317,574	(2,389)
Total Revenues	5,722,814	6,023,576	6,042,283	18,707
<u>Expenditures</u>				
Certificated Salaries	2,803,486	2,813,951	2,810,581	3,370
Classified Salaries	911,263	932,926	924,512	8,414
Employee Benefits	980,379	951,123	954,651	(3,528)
Books and Supplies	148,678	340,275	333,180	7,095
Services and Other				
Operating Expenditures	802,338	779,016	735,215	43,801
Debt Service:				
Principal Retirement	3,125	4,033	4,033	
Interest and Fiscal Charges	81,457	74,291	74,291	
Other Expenditures		325	325	
Total Expenditures	5,730,726	5,895,940	5,836,788	59,152
Excess of Revenues Over (Under) Expenditures	(7,912)	127,636	205,495	77,859
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In		11,500	11,500	
Operating Transfers Out	(118,000)	(122,000)	(122,000)	
Total Other Financing Sources (Uses)	(118,000)	(110,500)	(110,500)	0
Net Change in Fund Balances	(125,912)	17,136	94,995	\$ 77,859
Fund Balances - July 1, 2012	1,933,582	1,933,582	1,933,582	
Fund Balances - June 30, 2013	\$ 1,807,670	\$ 1,950,718	\$ 2,028,577	

**ROSS SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	QSCB Debt Service	Measure - A QSCB Building	County School Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
<u>Assets</u>					
Deposits and Investments	\$ 212,370	\$ 21	\$ 12	\$ 13,592	\$ 225,995
Receivables	104,469				104,469
Total Assets	<u>\$ 316,839</u>	<u>\$ 21</u>	<u>\$ 12</u>	<u>\$ 13,592</u>	<u>\$ 330,464</u>
<u>Fund Balances</u>					
Restricted	\$ 316,839	\$ 21	\$ 12		\$ 316,872
Assigned				\$ 13,592	13,592
Total Fund Balances	<u>316,839</u>	<u>21</u>	<u>12</u>	<u>13,592</u>	<u>330,464</u>
Total Liabilities and Fund Balances	<u>\$ 316,839</u>	<u>\$ 21</u>	<u>\$ 12</u>	<u>\$ 13,592</u>	<u>\$ 330,464</u>

ROSS SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	QSCB Debt Service	Measure - A QSCB Building	County School Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
<u>Revenues</u>					
Federal Revenue				\$ 1,955	\$ 1,955
Local Revenue		\$ 164		28	192
Total Revenues		164		1,983	2,147
<u>Expenditures</u>					
Facilities Acquisition and Construction		174,445			174,445
Debt Service:					
Interest and Issuance Costs	\$ 37,050				37,050
Total Expenditures	37,050	174,445		0	211,495
Excess of Revenues Over (Under) Expenditures	(37,050)	(174,281)		1,983	(209,348)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	141,519	2,206			143,725
Operating Transfers Out				(2,206)	(2,206)
Total Other Financing Sources (Uses)	141,519	2,206		(2,206)	141,519
Net Change in Fund Balances	104,469	(172,075)		(223)	(67,829)
Fund Balances - July 1, 2012	212,370	172,096	\$ 12	13,815	398,293
Fund Balances - June 30, 2013	\$ 316,839	\$ 21	\$ 12	\$ 13,592	\$ 330,464

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
7/1/12	\$ 0	\$ 2,424,106	\$ 2,424,106	0%	\$ 3,753,694	64.6%
7/1/09	0	2,085,000	2,085,000	0%	3,312,488	62.9%

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT
ORGANIZATION/GOVERNING BOARD/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

ORGANIZATION

The Ross School District was established in 1867 and comprises an area located in Marin County. The District currently operates one school serving grades kindergarten through eight. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Whit Gaither	President	December 2013
Bob Dickinson	Vice President	December 2013
Todd Blake	Member	December 2013
John Longley	Member	December 2015
Ann Sutro	Member	December 2015

ADMINISTRATION

Chi Kim
Superintendent

Deborah Wolfe
Chief Business Official

ROSS SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Second Period <u>Report</u>	Annual <u>Report</u>
<u>Elementary</u>		
Kindergarten	37.53	37.71
First through Third	119.46	119.96
Fourth through Sixth	101.86	102.59
Seventh and Eighth	78.70	78.93
Special Education - Nonpublic	<u>0.00</u>	<u>0.05</u>
Totals	<u><u>337.55</u></u>	<u><u>339.24</u></u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Adjusted 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Required</u>	<u>Adjusted 1986-87 Minutes Required</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	35,200	34,222	36,000	35,000	46,895	180	N/A	In Compliance
Grade 1	46,200	44,917	50,400	49,000	54,450	180	N/A	In Compliance
Grade 2	46,200	44,917	50,400	49,000	54,450	180	N/A	In Compliance
Grade 3	46,200	44,917	50,400	49,000	54,450	180	N/A	In Compliance
Grade 4	54,560	53,044	54,000	52,500	56,880	180	N/A	In Compliance
Grade 5	54,560	53,044	54,000	52,500	56,880	180	N/A	In Compliance
Grade 6	54,560	53,044	54,000	52,500	61,848	180	N/A	In Compliance
Grade 7	55,710	54,163	54,000	52,500	61,848	180	N/A	In Compliance
Grade 8	55,710	54,163	54,000	52,500	61,848	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Education:			
Passed through California			
Department of Education (CDE):			
NCLB: Title I - Basic Grants	84.001	14329	\$ 25,434
NCLB: Title II - Enhancing Education Through Technology	84.318	14334	97
NCLB: Title II - Improving Teacher Quality	84.367	14341	9,029
NCLB: Title III - Immigrant Education	84.365A	14346	900
NCLB: Title III - Limited English Proficiency	84.365A	10084	423
Passed through Marin County SELPA:			
Special Education - IDEA Part B Basic Local Assistance	84.027	13379	61,018
Special Education - IDEA Part B Mental Health Allocation Plan	84.027	14468	<u>6,049</u>
Total			<u>\$ 102,950</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Deferred Maintenance Fund
June 30, 2013 Annual Financial and Budget Report Fund Balances	\$ 2,019,528	\$ 9,049
Reclassification Increasing (Decreasing) Fund Balances:		
Reclassification of Fund Balances	9,049	(9,049)
June 30, 2013 Audited Financial Statements Fund Balances	<u>\$ 2,028,577</u>	<u>\$ 0</u>

Auditor's Comments

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

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2013.

ROSS SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	GENERAL FUND			
	(Budget)* 2013-14	2012-13	2011-12	2010-11
Revenues and Other Financial Sources	\$ 6,062,392	\$ 6,053,783	\$ 5,872,838	\$ 5,843,543
Expenditures	5,911,773	5,836,788	5,772,099	5,551,056
Other Uses and Transfers Out	135,868	122,000	118,654	107,000
Total Outgo	6,047,641	5,958,788	5,890,753	5,658,056
Change in Fund Balance	14,751	94,995	(17,915)	185,487
Ending Fund Balance	\$ 2,043,328	\$ 2,028,577	\$ 1,933,582	\$ 1,951,497
Available Reserves	\$ 1,962,988	\$ 1,948,421	\$ 1,835,666	\$ 1,844,037
Reserve for Economic Uncertainties **	\$ 1,962,988	\$ 1,948,421	\$ 1,835,666	\$ 1,844,037
Available Reserves as a Percentage of Total Outgo	32.5%	32.7%	31.2%	32.6%
Average Daily Attendance at P-2	340	338	333	341
Total Long-Term Liabilities	\$ 22,337,410	\$ 22,789,439	\$ 22,731,419	\$ 22,630,858

* The fiscal year 2013-14 budget information is presented for analytical purposes only and has not been audited.

** Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$77,080 (3.9%) over the past two years. The fiscal year 2013-14 budget projects an increase of \$14,751 (0.7%). For a district this size, the state recommends available reserves of at least 4% of total general fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of \$17,915 during fiscal year 2011-12 and produced operating surpluses of \$94,995 and \$185,487 during fiscal years 2012-13 and 2010-11, respectively.

Average daily attendance has decreased 3 ADA over the past two years. The District's fiscal year 2013-14 budget is based on an increase of 2 ADA.

Total long-term liabilities increased \$158,581 over the past two years.

ROSS SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

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

B. Combining Statements

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

C. Schedule of Funding Progress

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the District is required to present a Schedule of Funding Progress which shows the funding progress of the District's OPEB plan for the most recent valuation and the two preceding valuations. The information required to be disclosed includes the valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll and the ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll.

D. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

E. Schedule of Instructional Time

The District received revenue limit funding under the Basic Aid Provision and therefore did not receive incentive funding for increasing instructional time as provided by the incentive for longer day 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.

F. Schedule of Expenditures of Federal Awards

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

ROSS SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

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

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

H. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Ross School District
Ross, California

Report on State Compliance

We have audited Ross School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13* for the year ended June 30, 2013.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Ross School District's compliance based on our compliance 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 the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13*, prescribed in the California Code of Regulations, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Ross School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations applicable in the following areas. However, our audit does not provide a legal determination of Ross School District's compliance with those requirements.

<u>Description</u>	<u>Procedures in Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

<u>Description</u>	<u>Procedures In Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
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 K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	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	4	Not Applicable

Opinion on Compliance

In our opinion, Ross School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2013.

This report is intended solely for the information and use 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 2, 2013

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**

Governing Board
Ross School District
Ross, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Ross School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 2, 2013

FINDINGS AND QUESTIONED COSTS SECTION

ROSS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
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	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

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:	Unmodified		

ROSS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2013.

ROSS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2013.

ROSS SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

There were no matters reported in the prior audit report.