

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

AUDIT REPORT

JUNE 30, 2020

ROSS SCHOOL DISTRICT

JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Statement of Net Position - Fiduciary Funds	22
Notes to the Basic Financial Statements	23
<u>REQUIRED SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	57
Schedule of Changes in Total OPEB Liability and Related Ratios	58
Schedule of the Proportionate Share of the Net Pension Liability - CalSTRS	59
Schedule of the Proportionate Share of the Net Pension Liability - CalPERS	60
Schedule of Contributions - CalSTRS	61
Schedule of Contributions - CalPERS	62
Notes to Required Supplementary Information	63

ROSS SCHOOL DISTRICT

JUNE 30, 2020

TABLE OF CONTENTS (CONCLUDED)

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

FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Governing Board
Ross School District
Ross, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross School District, as of and for the year ended June 30, 2020, 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 unmodified and adverse audit opinions.

Basis for Adverse Opinion on Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District, as of June 30, 2020, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ross School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Matters (Concluded)

Other Information

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

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

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ross School District's 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 7, 2020

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(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 ended June 30, 2020. 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

- During March 2020, the District was closed for the remainder of the 2019-20 school year to address health concerns related to the Covid-19 outbreak.
- The District's overall financial status improved during the course of the year, as total net position increased 1.3%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$91,954.
- Capital assets, net of depreciation, decreased \$733,025 due to current year recognition of depreciation expense.
- Total long-term liabilities increased \$344,212 due primarily to a \$464,710 increase in the District's total OPEB liability.
- On November 13, 2019, the District issued \$2,985,000 of general obligation refunding bonds at an original issue premium of \$523,390, for purposes of refunding \$3,345,000 of the outstanding Election of 2008, Series 2008 General Obligation Bonds. The refunding bonds were issued to lower the debt service requirements of the District and reduce the tax burden on those who own property within the District.
- The District's P-2 average daily attendance (ADA) decreased from 380 ADA in fiscal year 2018-19 down to 367 ADA in fiscal year 2019-20, a decrease of 3.4%.
- The District's General Fund produced an operating surplus of \$282,830 during fiscal year 2019-20 and reported a \$95,631 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 2019-20, General Fund expenditures and other financing uses totaled \$8,423,698. At June 30, 2020, the District had available reserves of \$2,991,018 in the General Fund, which represents a reserve of 35.5%.

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(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, 2020**

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

Proprietary Funds:

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

Fiduciary Funds:

The District is the 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, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's total net position increased from \$7,354,683 at June 30, 2019, up to \$7,446,637 at June 30, 2020, an increase of 1.3%.

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2019	2020
<u>Assets</u>		
Deposits and Investments	\$ 6,772,067	\$ 7,493,087
Receivables	132,065	110,914
Capital Assets, net	29,432,801	28,699,776
Total Assets	<u>36,336,933</u>	<u>36,303,777</u>
<u>Deferred Outflows of Resources</u>		
OPEB Deferrals	71,291	673,808
Pension Deferrals	1,989,060	2,032,907
Deferred Amount on Refunding	223,638	255,356
Total Deferred Outflows of Resources	<u>2,283,989</u>	<u>2,962,071</u>
<u>Liabilities</u>		
Current	1,232,368	1,368,857
Long-Term	29,373,686	29,530,715
Total Liabilities	<u>30,606,054</u>	<u>30,899,572</u>
<u>Deferred Inflows of Resources</u>		
OPEB Deferrals		263,817
Pension Deferrals	660,185	655,822
Total Deferred Outflows of Resources	<u>660,185</u>	<u>919,639</u>
<u>Net Position</u>		
Net Investment in Capital Assets	11,185,378	10,885,409
Restricted	177,370	585,022
Unrestricted (Deficit)	<u>(4,008,065)</u>	<u>(4,023,794)</u>
Total Net Position	<u>\$ 7,354,683</u>	<u>\$ 7,446,637</u>

Table includes financial data of the combined governmental funds

The unrestricted deficit balances are due primarily to the fact that the District is required to record a liability in its financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year revenues exceeded total current year expenses by \$91,954.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2020</u>
<u>Program Revenues</u>		
Charges for Services		\$ 4,836
Operating Grants & Contributions	\$ 1,053,294	1,010,430
<u>General Revenues</u>		
Taxes Levied	7,227,143	7,369,071
Federal & State Aid	406,012	336,856
Interest & Investment Earnings	99,390	104,078
Miscellaneous	1,481,350	1,532,797
Total Revenues	<u>10,267,189</u>	<u>10,358,068</u>
<u>Expenses</u>		
Instruction	5,332,307	5,599,774
Instruction-Related Services	1,413,786	1,509,759
Pupil Services	446,993	541,972
General Administration	1,238,528	1,205,405
Plant Services	626,997	689,583
Ancillary Services	13,770	13,900
Interest on Long-Term Debt	705,305	577,760
Other Outgo	24,552	127,961
Total Expenses	<u>9,802,238</u>	<u>10,266,114</u>
Changes in Net Position	<u>\$ 464,951</u>	<u>\$ 91,954</u>

Table includes financial data of the combined governmental funds

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

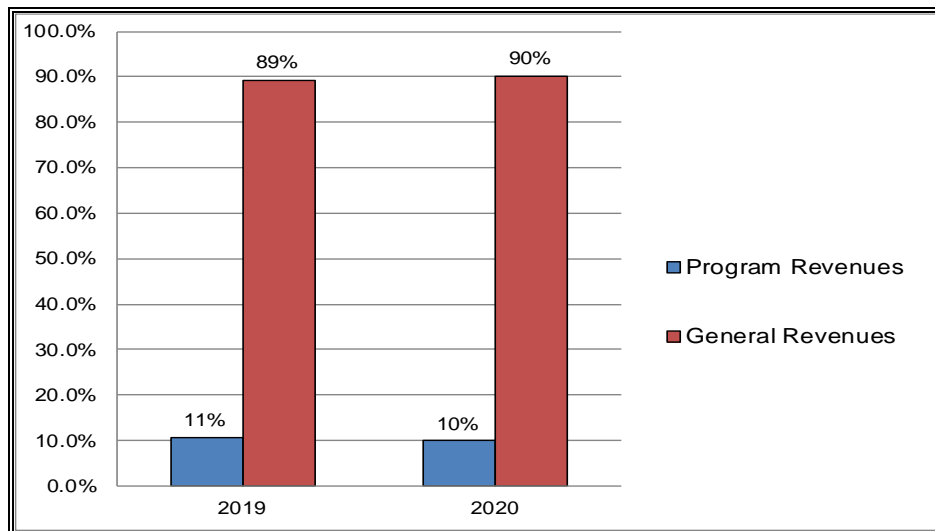
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

	Total Cost of Services		Net Cost of Services	
	2019	2020	2019	2020
	Instruction	\$ 5,332,307	\$ 5,599,774	\$ 4,583,311
Instruction-Related Services	1,413,786	1,509,759	1,237,567	1,309,612
Pupil Services	446,993	541,972	392,113	468,193
General Administration	1,238,528	1,205,405	1,175,706	1,202,786
Plant Services	626,997	689,583	624,808	677,445
Ancillary Services	13,770	13,900	11,525	10,401
Interest on Long-Term Debt	705,305	577,760	705,305	577,760
Other Outgo	24,552	127,961	18,609	127,961
Totals	\$ 9,802,238	\$ 10,266,114	\$ 8,748,944	\$ 9,250,848

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$9,250,848 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



Program revenues financed 10% of the total cost of providing the services listed above, while the remaining 90% 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, 2020**

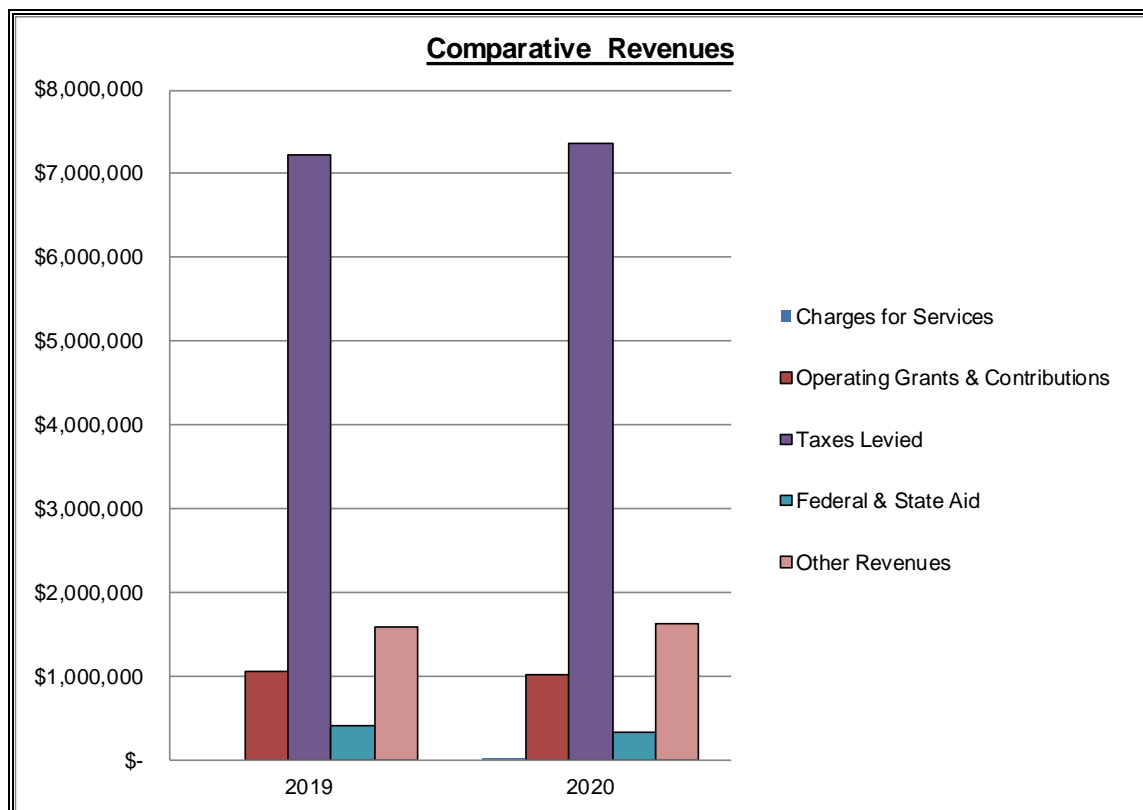
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Summary of Revenues For Governmental Functions</u>				
	<u>FYE 2019 Amount</u>	<u>Percent of Total</u>	<u>FYE 2020 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Charges for Services			\$ 4,836	0.05%
Operating Grants & Contributions	\$ 1,053,294	10.26%	1,010,430	9.76%
<u>General Revenues</u>				
Taxes Levied	7,227,143	70.39%	7,369,071	71.14%
Federal & State Aid	406,012	3.95%	336,856	3.25%
Other Revenues	<u>1,580,740</u>	<u>15.40%</u>	<u>1,636,875</u>	<u>15.80%</u>
Total Revenues	<u>\$ 10,267,189</u>	<u>100.00%</u>	<u>\$ 10,358,068</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

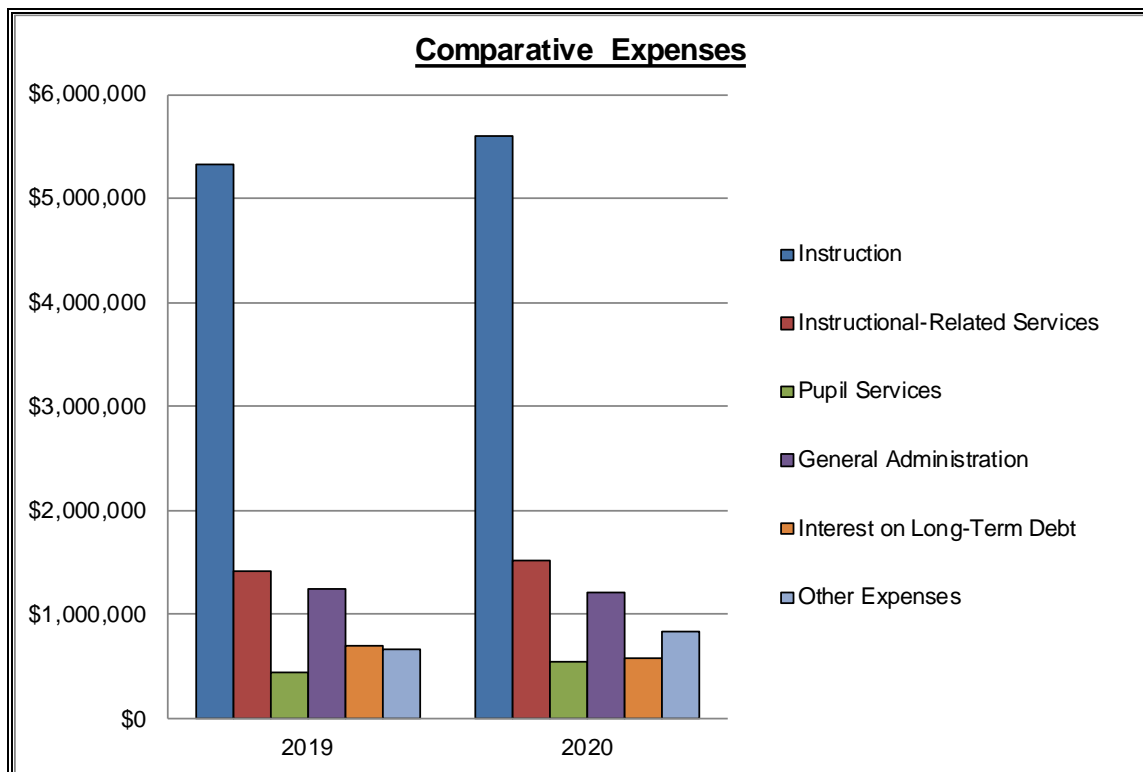
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Schedule of Expenses For Governmental Functions</u>					
	FYE 2019 Amount	Percent of Total	FYE 2020 Amount	Percent of Total	
<u>Expenses</u>					
Instruction	\$ 5,332,307	54.40%	\$ 5,599,774	54.55%	
Instruction-Related Services	1,413,786	14.42%	1,509,759	14.71%	
Pupil Services	446,993	4.56%	541,972	5.28%	
General Administration	1,238,528	12.64%	1,205,405	11.74%	
Interest on Long-Term Debt	705,305	7.20%	577,760	5.63%	
Other Expenses	665,319	6.79%	831,444	8.10%	
Total Expenses	\$ 9,802,238	100.00%	\$ 10,266,114	100.00%	

Table includes financial data of the combined governmental funds



**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(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	
	2019	2020
Land	\$ 206,174	\$ 206,174
Sites and Improvements	81,301	81,301
Buildings and Improvements	38,466,140	38,466,140
Furniture and Equipment	345,691	345,691
Subtotals	39,099,306	39,099,306
Less: Accumulated Depreciation	(9,666,505)	(10,399,530)
Capital Assets, net	<u>\$ 29,432,801</u>	<u>\$ 28,699,776</u>

Capital assets, net of depreciation, decreased \$733,025 due to current year recognition of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2019	2020
Compensated Absences	\$ 13,443	\$ 9,013
Qualified School Construction Bonds	2,850,000	2,850,000
General Obligation Bonds	17,875,099	17,412,577
Total OPEB Liability	2,126,682	2,591,392
Net Pension Liability - CalSTRS	5,457,890	5,591,092
Net Pension Liability - CalPERS	1,860,444	2,073,696
Totals	<u>\$ 30,183,558</u>	<u>\$ 30,527,770</u>

Total long-term liabilities increased \$344,212 due primarily to a \$464,710 increase in the District's total OPEB liability.

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(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 57% 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, 2019	Fund Balances June 30, 2020	Increase (Decrease)
General	\$ 3,823,172	\$ 4,106,002	\$ 282,830
Bond Interest & Redemption	1,056,334	1,174,321	117,987
QSCB Debt Service	1,330,790	1,509,037	178,247
Deferred Maintenance	423,654	572,451	148,797
Capital Facilities	37,940	43,693	5,753
Totals	<u>\$ 6,671,890</u>	<u>\$ 7,405,504</u>	<u>\$ 733,614</u>

During fiscal year 2019-20, the fund balance of the General Fund increased \$282,830 and the combined fund balances of all other governmental funds increased \$450,784.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. The original budget, approved at the end of June, is based on May Revise figures, and updated 45 days after the State approves its final budget. Over the course of the year, the District revised the annual operating budget on numerous occasions. The significant budget adjustments fell into the following categories:

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

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has settled negotiations for certificated, classified, confidential and principals for the 2020-21 school year, consisting of a 3% increase to each of the salary schedules. The appropriate AB1200 public disclosure documents were approved by the board and submitted to the County Office. The increases will be covered from the General Fund on-going revenues, coming mainly from the District's property tax revenues. The District, as part of its public disclosure, provided multi-year projections going out 8 years, far past the state required 3 years. The District was able to demonstrate no deficit spending in any of the multi-year projections.

During the 2020-21 school year, the District will continue to be impacted by the on-going health concerns associated with Covid-19. Since the virus is still very contagious, the District has already modified most of its operational procedures as most aspects of its operations were directly affected by Covid-19. However, due to the unknown nature of the virus and the everchanging guidance provided by the California Department of Education, further procedural modifications will likely be necessary. In addition, State and Local economies have also been severely impacted by Covid-19, which may adversely affect future school funding and student enrollment.

Accordingly, based on the above factors, the District's budget should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Chief Business Official at Ross School District at (415) 457-2705.

BASIC FINANCIAL STATEMENTS

ROSS SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 7,493,087
Receivables (Note 3)	110,914
Capital Assets, Not Depreciated (Note 5)	206,174
Capital Assets, Net of Accumulated Depreciation	28,493,602
Total Assets	36,303,777
<u>Deferred Outflows of Resources</u>	
OPEB Deferrals (Note 9)	673,808
Pension Deferrals (Note 10)	2,032,907
Bond Refunding	255,356
Total Deferred Outflows of Resources	2,962,071
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	198,497
Accrued Interest Payable	173,305
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences	9,013
General Obligation Bonds	
Current Interest	215,000
Capital Appreciation	692,157
Bond Premium	80,885
<i>Portion Due or Payable After One Year:</i>	
Qualified School Construction Bonds (Note 6)	2,850,000
General Obligation Bonds (Note 7)	
Current Interest	11,650,000
Capital Appreciation	3,879,888
Bond Premium	894,647
Total OPEB Liability (Note 9)	2,591,392
Net Pension Liabilities (Note 10)	7,664,788
Total Liabilities	30,899,572
<u>Deferred Inflows of Resources</u>	
OPEB Deferrals (Note 9)	263,817
Pension Deferrals (Note 10)	655,822
Total Deferred Inflows of Resources	919,639
<u>Net Position</u>	
Net Investment in Capital Assets	10,885,409
Restricted:	
For Capital Projects	43,693
For Debt Service	317,199
For Educational Programs	222,880
For Other Purposes	1,250
Unrestricted	(4,023,794)
Total Net Position	\$ 7,446,637

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Functions	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
<u>Governmental Activities</u>					
Instruction	\$ 5,599,774	\$ 2,382	\$ 720,702		\$ (4,876,690)
Instruction-Related Services:					
Supervision of Instruction	135,903	248	35,462		(100,193)
Instructional Library and Technology	643,358	2,016	130,192		(511,150)
School Site Administration	730,498		32,229		(698,269)
Pupil Services:					
Home-to-School Transportation	55,994				(55,994)
Food Services	5,672		2,480		(3,192)
Other Pupil Services	480,306		71,299		(409,007)
General Administration:					
Data Processing Services	18,931				(18,931)
Other General Administration	1,186,474	7	2,612		(1,183,855)
Plant Services	689,583	125	12,013		(677,445)
Ancillary Services	13,900	58	3,441		(10,401)
Interest on Long-Term Debt	577,760				(577,760)
Other Outgo	127,961				(127,961)
Total Governmental Activities	<u>\$ 10,266,114</u>	<u>\$ 4,836</u>	<u>\$ 1,010,430</u>	<u>\$ 0</u>	<u>(9,250,848)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					5,011,454
Taxes Levied for Debt Service					1,472,925
Taxes Levied for Specific Purposes					884,692
Federal and State Aid - Unrestricted					336,856
Interest and Investment Earnings					104,078
Miscellaneous					1,532,797
Total General Revenues					<u>9,342,802</u>
Change in Net Position					91,954
Net Position - July 1, 2019					<u>7,354,683</u>
Net Position - June 30, 2020					<u>\$ 7,446,637</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>QSCB Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 4,190,629	\$ 1,174,321	\$ 1,509,037	\$ 619,100	\$ 7,493,087
Receivables (Note 3)	110,914				110,914
Total Assets	<u>\$ 4,301,543</u>	<u>\$ 1,174,321</u>	<u>\$ 1,509,037</u>	<u>\$ 619,100</u>	<u>\$ 7,604,001</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 195,541			\$ 2,956	\$ 198,497
Total Liabilities	<u>195,541</u>			<u>2,956</u>	<u>198,497</u>
Fund Balances: (Note 13)					
Nonspendable	1,250				1,250
Restricted	222,880	\$ 1,174,321	\$ 1,509,037	43,693	2,949,931
Committed	890,854			572,451	1,463,305
Unassigned	2,991,018				2,991,018
Total Fund Balances	<u>4,106,002</u>	<u>1,174,321</u>	<u>1,509,037</u>	<u>616,144</u>	<u>7,405,504</u>
Total Liabilities and Fund Balances	<u>\$ 4,301,543</u>	<u>\$ 1,174,321</u>	<u>\$ 1,509,037</u>	<u>\$ 619,100</u>	<u>\$ 7,604,001</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, 2020

Total Fund Balances - Governmental Funds \$ 7,405,504

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	\$ 39,099,306	
Accumulated Depreciation	(10,399,530)	
		28,699,776

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

Deferred Amount on Refunding		255,356
------------------------------	--	---------

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

1,787,076

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	\$ 9,013	
Qualified School Construction Bonds	2,850,000	
General Obligation Bonds:		
Current Interest	11,865,000	
Capital Application	4,572,045	
Bond Premium	975,532	
Total OPEB Liability	2,591,392	
Net Pension Liability - CalSTRS	5,591,092	
Net Pension Liability - CalPERS	2,073,696	
Total		(30,527,770)

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:

(173,305)

Total Net Position - Governmental Activities \$ 7,446,637

**ROSS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>QSCB Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
LCFF Sources:					
State Apportionment / Transfers	\$ 105,374			\$ 140,000	\$ 245,374
Local Taxes	5,011,454				5,011,454
Total LCFF Sources	5,116,828			140,000	5,256,828
Federal Revenue	75,399				75,399
State Revenue	553,907	\$ 2,481			556,388
Local Revenue	2,960,394	1,479,041	\$ 15,468	14,550	4,469,453
Total Revenues	8,706,528	1,481,522	15,468	154,550	10,358,068
<u>Expenditures</u>					
Current:					
Instruction	4,917,730				4,917,730
Supervision of Instruction	124,700				124,700
Instructional Library and Technology	576,580				576,580
School Site Administration	634,323				634,323
Home-To-School Transportation	55,994				55,994
Food Services	5,672				5,672
Other Pupil Services	438,251				438,251
Data Processing Services	17,477				17,477
Other General Administration	1,020,649				1,020,649
Plant Services	602,327				602,327
Ancillary Services	13,841				13,841
Other Outgo	16,154				16,154
Debt Service:					
Principal Retirement		4,100,000			4,100,000
Interest and Issuance Costs		572,096	37,050		609,146
Total Expenditures	8,423,698	4,672,096	37,050	0	13,132,844
Excess of Revenues Over (Under) Expenditures	282,830	(3,190,574)	(21,582)	154,550	(2,774,776)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In			199,829		199,829
Operating Transfers Out		(199,829)			(199,829)
Other Sources		3,508,390			3,508,390
Total Other Financing Sources (Uses)	0	3,308,561	199,829	0	3,508,390
Net Change in Fund Balances	282,830	117,987	178,247	154,550	733,614
Fund Balances - July 1, 2019	3,823,172	1,056,334	1,330,790	461,594	6,671,890
Fund Balances - June 30, 2020	\$ 4,106,002	\$ 1,174,321	\$ 1,509,037	\$ 616,144	\$ 7,405,504

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, 2020

Net Change in Fund Balances - Governmental Funds	\$ 733,614
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.	(733,025)
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, were:	(2,985,000)
Bond premiums are recognized as Other Financing Sources in the period they are received in governmental funds. In the government-wide statements, premiums are amortized over the life of the debt. Premiums received during the period net of premiums amortized for the period are:	(438,912)
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:	4,430
Amortization of gain or loss from debt refunding: In governmental funds, any gain or loss resulting from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. Current year deferred amount on debt refunding net of amortization of deferred amounts from debt refunding was:	31,718
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	4,100,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on long-term liabilities decreased by:	16,949
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:	(213,566)
OPEB and pensions: In government funds, OPEB and pension costs are recognized when employer contributions are made. In the statement of activities, OPEB and pension costs are recognized on the accrual basis. The difference between accrual-basis OPEB and pension costs and actual employer contributions was:	(424,254)
Change in Net Position of Governmental Activities	<u><u>\$ 91,954</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	Agency Funds	Total Fiduciary Funds
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 5,199	\$ 5,199
Total Assets	5,199	5,199
<u>Liabilities</u>		
Due to Student Groups	5,199	5,199
Total Liabilities	5,199	5,199
<u>Net Position</u>		
Restricted	0	0
Total Net Position	\$ 0	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 1867 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).

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

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

The Foundation was established as a legally separate non-profit entity to support Ross School District. In addition, funds contributed by the Foundation to the District are significant to the District's financial statements. Accordingly, the District has determined that the Ross School Foundation (the Foundation) meets the criteria to be reported as a component unit. However, since districts are not required to submit reporting entity financial statements and since the Foundation is not required to obtain audited financial statements, the financial statements of the District include only the financial data of the primary government, which consists of all funds that comprise the District's legal entity, and all funds for which it has a fiduciary responsibility.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effects of interfund activity, within the governmental activities column, has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

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.

Fund Financial Statements:

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

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

C. Basis of Accounting

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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.

Unearned revenue:

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

Expenses/Expenditures:

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

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate.

District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District maintains the following fund types:

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

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

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

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

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

Major Governmental Funds:

General Fund is the general operating fund of the District. For financial reporting purposes, the financial activities and balances of the Special Reserve Fund for Postemployment Benefits has been combined with the General 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.

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.

Non-major Governmental Funds:

Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund for the student body activities. The student body funds are 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.

E. Budgets and Budgetary Accounting

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

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

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

F. Use of Estimates

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

G. Encumbrances

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

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

1. Deposits and Investments

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Concluded)

The 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. 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	20-50
Furniture and Equipment	5-10

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Deferred Outflows/Inflows of Resources

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

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

4. Unearned revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. The District had no unearned revenues as of June 30, 2020.

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. Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Long-term Liabilities

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

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

9. Fund Balances

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

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

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

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

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision-making authority or a body or official that has been given the authority to assign funds. 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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

9. Fund Balances (Concluded)

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.

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

The LCFF creates funding targets based on student characteristics and provides greater flexibility to use these funds to improve student outcomes. For school districts, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that are calculated based on student demographic factors. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

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

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund and is known as LCFF State Aid.

Since the amount of property taxes received by the District exceeds the amount of the LCFF entitlement, the District is considered to be a "basic aid" school district and is permitted to keep all of its property tax revenue. In addition, as guaranteed by the California Constitution, the State must apportion \$120 per pupil to the District. However, the categorical aid that the District receives counts toward this requirement.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, consist of the following:

	Governmental Activities	Fiduciary Activities
Cash on Hand and in Banks		\$ 5,199
Cash in Revolving Fund	\$ 1,250	
County Pool Investments	5,982,800	
Investments	1,509,037	
Totals	\$ 7,493,087	\$ 5,199

Cash on Hand and in Banks

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

Cash in Revolving Fund

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

County Pool Investments

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

Investments

Investments consist of governmental securities held at Bank of New York Mellon Trust Company and JP Morgan Chase Bank, N.A., as trustees for the District, and are reserved for future retirement of the outstanding qualified school construction bonds. The investment is recorded in the financial statements at fair value.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Interest Rate Risk

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

Weighted Average Maturity

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

Investment Type	Carrying Value	Fair Value	Weighted Average Days to Maturity
County Pool Investments	\$ 5,982,800	\$ 6,013,283	220

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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. Investments in the County Treasury are not required to be rated

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance was not exposed to custodial credit risk.

Fair Value Measurements

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

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

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

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

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

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Fair Value	Uncategorized
County Pool Investments	\$ 6,013,283	\$ 6,013,283

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

NOTE 3 - RECEIVABLES

Accounts receivable at June 30, 2020 consist of the following:

	General Fund
Federal Government	\$ 38,834
State Government	50,555
Local Governments	19,273
Miscellaneous	2,252
Total	\$ 110,914

NOTE 4 - INTERFUND ACTIVITIES

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 2019-20 were as follows:

Funds	Interfund Transfers In	Interfund Transfers Out
Bond Interest & Redemption		\$ 199,829
QSCB Debt Service	\$ 199,829	
Totals	\$ 199,829	\$ 199,829

Transfer of \$199,829 from Bond Interest & Redemption Fund to QSCB Debt Service Fund to provide funds to make debt service payments on the qualified school construction bond.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, is shown below:

	Balances July 1, 2019	Additions	Deletions	Balances June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 206,174			\$ 206,174
Total Capital Assets Not Being Depreciated	206,174	\$ 0	\$ 0	206,174
Capital Assets Being Depreciated:				
Sites and Improvements	81,301			81,301
Buildings and Improvements	38,466,140			38,466,140
Furniture and Equipment	345,691			345,691
Total Capital Assets Being Depreciated	38,893,132	0	0	38,893,132
Less Accumulated Depreciation:				
Sites and Improvements	81,301			81,301
Buildings and Improvements	9,258,654	729,196		9,987,850
Furniture and Equipment	326,550	3,829		330,379
Total Accumulated Depreciation	9,666,505	733,025	0	10,399,530
Total Capital Assets Being Depreciated, Net	29,226,627	(733,025)	0	28,493,602
Governmental Activities Capital Assets, Net	\$ 29,432,801	\$ (733,025)	\$ 0	\$ 28,699,776

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 434,713
Instruction-Related Services	115,926
Pupil Services	36,880
General Administration	92,557
Plant Services	52,949
Total	<u>\$ 733,025</u>

NOTE 6 - 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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - QUALIFIED SCHOOL CONSTRUCTION BONDS (CONCLUDED)

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.

The future debt service requirements and tax credits of the QSCBs, as of June 30, 2020, exclusive of the annual sinking fund deposits, are as follows:

Year Ended				Tax
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	<u>Credit</u>
2021	\$ 0	\$ 37,050	\$ 37,050	\$ 155,895
2022	0	37,050	37,050	155,895
2023	0	37,050	37,050	155,895
2024	0	37,050	37,050	155,895
2025	0	37,050	37,050	155,895
2026-2030	<u>2,850,000</u>	<u>74,100</u>	<u>2,924,100</u>	<u>311,790</u>
Totals	<u>\$ 2,850,000</u>	<u>\$ 259,350</u>	<u>\$ 3,109,350</u>	<u>\$ 1,091,265</u>

NOTE 7 - GENERAL OBLIGATION BONDS

On November 13, 2019, the District issued \$2,985,000 of general obligation refunding bonds at an original issue premium of \$523,390, for purposes of refunding \$3,345,000 of the outstanding Election of 2008, Series 2008 General Obligation Bonds and to pay costs of issuance. The refunding bonds were issued to lower the debt service requirements of the District and reduce the tax burden on those who own property within the District. As a result of the refunding, the District is expected to recognize estimated net present value savings of \$705,166.

The bonds are secured by the full faith and credit of the District. The Board of Supervisors of Marin County are obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the bonds upon all property subject to taxation in the District. The outstanding general obligation debt of the District as of June 30, 2020, exclusive of \$894,647 of unamortized bond premium, is as follows:

A. Current Interest Bonds

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2019</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2020</u>
8/1/08	4.00-5.00	8/1/33	\$ 3,900,000	\$ 3,400,000		\$ 3,400,000	\$ 0
8/1/14	2.00-4.00	8/1/31	9,415,000	8,955,000		75,000	8,880,000
11/13/19	3.00-4.00	8/1/33	<u>2,985,000</u>	<u>0</u>	<u>\$ 2,985,000</u>		<u>2,985,000</u>
Totals			<u>\$ 16,300,000</u>	<u>\$ 12,355,000</u>	<u>\$ 2,985,000</u>	<u>\$ 3,475,000</u>	<u>\$ 11,865,000</u>

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

A. Current Interest Bonds (Concluded)

The outstanding obligation for current interest bonds at June 30, 2020, is as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 215,000	\$ 417,703	\$ 632,703
2022	165,000	412,353	577,353
2023	180,000	407,053	587,053
2024	200,000	400,953	600,953
2025	220,000	393,997	613,997
2026-2030	6,245,000	1,470,650	7,715,650
2031-2035	4,640,000	221,360	4,861,360
Totals	<u>\$ 11,865,000</u>	<u>\$ 3,724,069</u>	<u>\$ 15,589,069</u>

B. Capital Appreciation Bonds

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2019</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2020</u>
8/1/06	4.27-4.88	8/1/25	<u>\$ 3,999,941</u>	<u>\$ 4,983,479</u>	<u>\$ 213,566</u>	<u>\$ 625,000</u>	<u>\$ 4,572,045</u>

The outstanding obligation for the capital appreciation bonds at June 30, 2020, is as follows:

<u>Year Ended June 30</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2021	\$ 367,544	\$ 324,613	\$ 692,157
2022	381,047	346,031	727,078
2023	386,917	356,173	743,090
2024	408,608	377,725	786,333
2025	414,004	388,025	802,029
2026-2030	421,071	400,287	821,358
Totals	<u>\$ 2,379,191</u>	<u>\$ 2,192,854</u>	<u>\$ 4,572,045</u>

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The annual requirements to amortize the capital appreciation bonds at June 30, 2020, is as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 367,544	\$ 327,456	\$ 695,000
2022	381,047	383,953	765,000
2023	386,917	433,083	820,000
2024	408,608	501,392	910,000
2025	414,004	560,996	975,000
2026-2030	421,071	628,929	1,050,000
Totals	<u>\$ 2,379,191</u>	<u>\$ 2,835,809</u>	<u>\$ 5,215,000</u>

NOTE 8 - DEFEASED DEBT

Certain general obligation bonds of the District have been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts held and managed by bank trustees, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. The defeased general obligation bonds that are considered extinguished consist of \$3,345,000 of the outstanding Election of 2008, Series 2008, General Obligation Bonds, maturing August 1, 2023 through August 1, 2033.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description / Benefits Provided

Ross School District's Other Post Employment Benefits Plan (Plan) is a single employer defined benefit healthcare plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. No separate financial statements were issued for the plan. 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 but on or before 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 at age 65 for the retiree's remaining life. Retirees hired after July 1, 1999, (Tier 3) receive 100% District paid benefits up to the active benefit level until age 65.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Plan Description / Benefits Provided (Concluded)

Retirees who do not qualify under the previous plan provisions are entitled to statutory minimum contributions subject to the “unequal contribution method.”

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.

Employees covered by benefit terms

The number of employees covered by the benefit terms of the Plan as of June 30, 2020 are as follows:

Inactive employees currently receiving benefit payments	23
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>56</u>
Total number of participants	<u><u>79</u></u>

Total OPEB Liability

The District’s total OPEB liability of \$2,591,392 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability was determined using a financial reporting actuarial valuation as of June 30, 2020, which used the following actuarial methods and assumptions:

Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age
Inflation	2.63%
Salary Increases	2.75%
Discount Rate *	2.20% per year net of expenses
Healthcare cost trend rates	4.0% per year based on assumption that average increase over time cannot continue to outstrip general inflation by wide margin

* The discount rate is based on the Bond Buyer 20 Bond Index.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Actuarial Assumptions (Concluded)

Mortality rates for certificated employees were based on the 2020 *CalSTRS Mortality* table created by CalSTRS. Mortality rates for classified employees were based on the 2017 *CalPERS Mortality for Miscellaneous Employees and School Employees* table created by CalPERS.

Retirement rates for certificated employees were based on the 2020 *CalSTRS Retirement Rates* table created by CalSTRS. Retirement rates for classified employees were based on the 2017 *CalPERS Retirement Rates for School Employees*.

Turnover rates for certificated employees were based on the 2020 *CalSTRS Termination Rates* table created by CalSTRS. Turnover rates for classified employees were based on the 2017 *CalPERS Termination Rates for School Employees* table created by CalPERS.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2019	\$ 2,126,682
Changes for the year:	
Service cost	99,920
Interest on total OPEB liability	74,596
Differences between expected and actual experience	(289,938)
Changes in assumptions	670,785
Benefit payments	(90,653)
Net changes	464,710
Balances at June 30, 2020	\$ 2,591,392

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current discount rate of 2.20%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.20%) or one percentage point higher (3.20%) than the current rate:

	Discount Rate 1% Decrease 1.20%	Discount Rate Current Rate 2.20%	Discount Rate 1% Increase 3.20%
District's Total OPEB Liability	\$ 3,007,791	\$ 2,591,392	\$ 2,257,983

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current healthcare cost trend rate of 4.00%, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	Healthcare Cost Trend Rate 1% Decrease 3.00%	Healthcare Cost Trend Rate Current Rate 4.00%	Healthcare Cost Trend Rate 1% Increase 5.00%
District's Total OPEB Liability	\$ 2,209,793	\$ 2,591,392	\$ 3,086,719

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$216,662. At June 30, 2020, deferred outflows of resources and deferred inflows of resources related to OPEB, were as follow:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 673,808	
Differences between expected and actual experience		\$ 263,817
Totals	\$ 673,808	\$ 263,817

Amounts reported as deferred outflows of resources and deferred inflows of resources are amortized over the average of the expected remaining active and inactive service lives that were in effect in the year the deferral was recognized, and will be recognized in OPEB expense as follows:

Year Ended June 30		
2021	\$	42,144
2022		42,144
2023		42,144
2024		42,144
2025		42,144
Thereafter		199,271

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS

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

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

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 5,591,092	\$ 1,546,335	\$ 605,429	\$ 1,116,906
CalPERS	<u>2,073,696</u>	<u>486,572</u>	<u>50,393</u>	<u>441,750</u>
Totals	<u>\$ 7,664,788</u>	<u>\$ 2,032,907</u>	<u>\$ 655,822</u>	<u>\$ 1,558,656</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

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

The STRP Defined Benefit Program has two benefit formulas:

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

The Membership is mandatory for all employees meeting certain statutory requirements and optional for all other employees performing creditable service activities. The Defined Benefit Program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. Current contribution rates were established with the enactment of AB 1469 in 2014 (the CalSTRS Fund Plan). A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: The CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2019-20. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2019-20.

Employers: The employer contribution rate was 17.10% of applicable member earnings for fiscal year 2019-20. This rate reflects the 1.03% reduction of the employer contribution rate for the fiscal year 2019-20 pursuant to SB 90. The District contributed \$620,481 to the plan for the fiscal year ended June 30, 2020.

State: The base contribution of 2.017% is calculated based on creditable compensation from two fiscal years prior. The additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in subdivision (b) of Education Code Section 22955.1. The additional state contribution for the fiscal year ended June 30, 2020 was 5.811% Including a 2.50% contribution for SBMA funding, the total state contribution to the defined benefit program was 10.328% for the fiscal year ended June 30, 2020. This rate does not include the \$2.2 billion supplement state contribution on behalf of employers pursuant to SB 90.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District was as follows:

District's proportionate share of the net pension liability	\$ 5,591,092
State's proportionate share of the net pension liability associated with the District	3,050,314
Total net pension liability attributed to District	<u>\$ 8,641,406</u>

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State. The District's proportionate share of the net pension liability as of June 30, 2019 and June 30, 2018 was as follows:

Proportion - June 30, 2019	0.0062%
Proportion - June 30, 2018	0.0059%
Change - Increase (Decrease)	0.0003%

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$1,116,906, which includes \$425,491 of support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 620,481	
Differences between expected and actual experience	13,448	\$ 158,828
Changes of assumptions	673,712	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	238,694	250,595
Net differences between projected and actual earnings on plan investments		196,006
Totals	\$ 1,546,335	\$ 605,429

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

Year Ended June 30	
2021	\$ 96,690
2022	(53,242)
2023	74,657
2024	168,731
2025	19,036
2026	14,553

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the expected average remaining service life of all members that are provided benefits. The expected average remaining service life for STRP members as of the beginning of the measurement period is 7 years. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ¹	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

¹ Net of investment expenses, but gross of administrative expenses.

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases of life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

The long-term investment rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of expected 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Global Equity	47%	4.80%
Fixed Income	12%	1.30%
Real Estate	13%	3.60%
Private Equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation Sensitive	4%	3.30%
Cash / Liquidity	2%	-0.40%
Total	<u>100%</u>	

* 20-year average

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates as previously described. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

The following table presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	Discount Rate 1% Decrease 6.10%	Discount Rate Current Rate 7.10%	Discount Rate 1% Increase 8.10%
District's proportionate share of the net pension liability	\$ 8,325,598	\$ 5,591,092	\$ 3,323,665

Pension Plan's Fiduciary Net Position

Detail information about the pension plan's fiduciary net position is available in the separately issued CalSTRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 7.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 19.721% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2020 was \$214,440.

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

As of June 30, 2020, the District reported a liability of \$2,073,696 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2019 and June 30, 2018 was as follows:

Proportion - June 30, 2019	0.0071%
Proportion - June 30, 2018	0.0070%
Change - Increase (Decrease)	0.0001%

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$441,750 of support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 214,440	
Differences between expected and actual experience	148,979	
Changes of assumptions	100,398	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	22,755	\$ 32,456
Net differences between projected and actual earnings on plan investments		<u>17,937</u>
Totals	<u>\$ 486,572</u>	<u>\$ 50,393</u>

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2021	\$ 169,871
2022	19,480
2023	26,937
2024	5,451

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4.1 years as of June 30, 2019. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The table below reflects expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1-10 (2)	Real Return Years 11+ (3)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(1) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 2,989,096	\$ 2,073,696	\$ 1,314,308

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLANS (CONCLUDED)

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

Pension Plan Fiduciary Net Position

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

C. Social Security

As established by Federal law, all public-sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 11 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2020, is shown below:

	Balances July 1, 2019	Additions	Deductions	Balances June 30, 2020	Due within One Year
Long-Term Debt:					
Qualified School Construction Bonds	\$ 2,850,000			\$ 2,850,000	
General Obligation Bonds:					
Current Interest	12,355,000	\$ 2,985,000	\$ 3,475,000	11,865,000	\$ 215,000
Capital Appreciation	4,983,479	213,566	625,000	4,572,045	692,157
Bond Premium	536,620	523,390	84,478	975,532	80,885
Other Long-Term Liabilities:					
Compensated Absences	13,443	9,013	13,443	9,013	9,013
Total OPEB Liability	2,126,682	464,710		2,591,392	
Net Pension Liability - CalSTRS	5,457,890	133,202		5,591,092	
Net Pension Liability - CalPERS	1,860,444	213,252		2,073,696	
Totals	<u>\$ 30,183,558</u>	<u>\$ 4,542,133</u>	<u>\$ 4,197,921</u>	<u>\$ 30,527,770</u>	<u>\$ 997,055</u>

The qualified school construction bonds and general obligation bonds are obligations of the QSCB Debt Service Fund and Bond Interest & Redemption Fund, respectively. All other long-term liabilities are obligations of the General Fund.

NOTE 12 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions of \$425,491 to CalSTRS. These contributions are recorded in the General Fund as revenues and expenditures. The District is not legally responsible for these contributions.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - FUND BALANCES

The fund balances as of June 30, 2020 are as follows:

	General Fund	Bond Interest and Redemption Fund	QSCB Debt Service Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	\$ 1,250				\$ 1,250
Total Nonspendable	<u>1,250</u>				<u>1,250</u>
Restricted:					
Categorical Programs	55,026				55,026
Local Programs	167,854				167,854
Debt Service		\$ 1,174,321	\$ 1,509,037		2,683,358
Developer Fees				\$ 43,693	43,693
Total Restricted	<u>222,880</u>	<u>1,174,321</u>	<u>1,509,037</u>	<u>43,693</u>	<u>2,949,931</u>
Committed:					
Other Post Employment Benefits	890,854				890,854
Deferred Maintenance				572,451	572,451
Total Committed	<u>890,854</u>	<u>0</u>	<u>0</u>	<u>572,451</u>	<u>1,463,305</u>
Unassigned:					
Reserve for Economic Uncertainties	2,991,018				2,991,018
Total Unassigned	<u>2,991,018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,991,018</u>
Total Fund Balances	<u>\$ 4,106,002</u>	<u>\$ 1,174,321</u>	<u>\$ 1,509,037</u>	<u>\$ 616,144</u>	<u>\$ 7,405,504</u>

NOTE 14 - ECONOMIC DEPENDENCY

During fiscal year 2019-20, the District received \$884,692 of parcel tax revenue that is subject to voter approval.

NOTE 15 - SIGNIFICANT TRANSACTIONS WITH COMPONENT UNIT

The Foundation donated \$1,453,316 to the District during the fiscal year 2019-20, which is included in Miscellaneous Revenue of the District on the Statement of Activities reported on page 17.

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 2019-20, 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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.

NOTE 18 - 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 19 - 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 7, 2020, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

ROSS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 161,455	\$ 121,455	\$ 105,374	\$ (16,081)
Local Sources	5,004,989	5,003,621	5,011,454	7,833
Total LCFF Sources	5,166,444	5,125,076	5,116,828	(8,248)
Federal Revenue	59,699	69,977	75,399	5,422
Other State Revenue	404,036	435,676	553,907	118,231
Other Local Revenue	2,801,035	2,986,499	2,960,394	(26,105)
Total Revenues	8,431,214	8,617,228	8,706,528	89,300
<u>Expenditures</u>				
Current:				
Certificated Salaries	3,824,779	3,796,330	3,771,062	25,268
Classified Salaries	1,085,071	1,152,063	1,153,171	(1,108)
Employee Benefits	1,978,374	1,945,368	2,069,573	(124,205)
Books and Supplies	292,753	431,438	378,779	52,659
Services and Other				
Operating Expenditures	1,104,749	1,092,779	1,034,959	57,820
Other Expenditures	29,753	17,023	16,154	869
Total Expenditures	8,315,479	8,435,001	8,423,698	11,303
Net Change in Fund Balances	115,735	182,227	282,830	\$ 100,603
Fund Balances - July 1, 2019	3,823,172	3,823,172	3,823,172	
Fund Balances - June 30, 2020	\$ 3,938,907	\$ 4,005,399	\$ 4,106,002	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *

JUNE 30, 2019

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 99,920	\$ 90,757	\$ 88,328
Interest on Total OPEB Liability	74,596	69,157	72,094
Differences Between Expected and Actual Experience	(289,938)		
Changes in Assumptions	670,785	79,125	
Benefit Payments	<u>(90,653)</u>	<u>(85,791)</u>	<u>(82,491)</u>
Net Change in Total OPEB Liability	464,710	153,248	77,931
Total OPEB Liability - Beginning	<u>2,126,682</u>	<u>1,973,434</u>	<u>1,895,503</u>
Total OPEB Liability - Ending	<u><u>\$ 2,591,392</u></u>	<u><u>\$ 2,126,682</u></u>	<u><u>\$ 1,973,434</u></u>
Covered-employee Payroll	\$ 4,250,743	\$ 4,136,976	\$ 4,235,186
District's Total OPEB Liability as a % of Covered-employee Payroll	60.96%	51.41%	46.60%

* This is a 10-year schedule, however prior valuations were not rerun in accordance with GASB 75 and are therefore not presented. Additional years will be added to this schedule as information becomes available until 10 years are presented.

ROSS SCHOOL DISTRICT

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

JUNE 30, 2020

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2020	0.0062%	\$ 5,591,092	\$ 3,050,314	\$ 8,641,406	\$ 3,319,484	168.43%	72.56%
2019	0.0059%	5,457,890	3,124,898	8,582,788	3,198,122	170.66%	70.99%
2018	0.0059%	5,454,936	3,227,094	8,682,030	3,115,493	175.09%	69.46%
2017	0.0062%	5,028,056	2,862,382	7,890,438	3,120,774	161.12%	70.04%
2016	0.0066%	4,423,111	2,339,338	6,762,449	2,988,266	148.02%	74.02%
2015	0.0064%	3,759,137	2,269,929	6,029,066	2,865,188	131.20%	76.52%

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

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT

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

JUNE 30, 2020

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2020	0.0071%	\$ 2,073,696	\$ 985,544	210.41%	70.05%
2019	0.0070%	1,860,444	920,334	202.15%	70.85%
2018	0.0073%	1,739,554	962,010	180.82%	71.87%
2017	0.0074%	1,459,540	888,259	164.31%	73.90%
2016	0.0078%	1,155,308	867,734	133.14%	79.43%
2015	0.0086%	974,432	901,049	108.14%	83.38%

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

ROSS SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALSTRS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2020	\$ 620,481	\$ 620,481	\$ 0	\$ 3,628,544	17.10%
2019	540,412	540,412	0	3,319,484	16.28%
2018	461,489	461,489	0	3,198,122	14.43%
2017	391,929	391,929	0	3,115,493	12.58%
2016	334,859	334,859	0	3,120,774	10.73%
2015	265,358	265,358	0	2,988,266	8.88%

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

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALPERS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2020	\$ 214,440	\$ 214,440	\$ 0	\$ 1,087,369	19.721%
2019	178,009	178,009	0	985,544	18.062%
2018	142,937	142,937	0	920,334	15.531%
2017	133,604	133,604	0	962,010	13.888%
2016	105,232	105,232	0	888,259	11.847%
2015	102,141	102,141	0	867,734	11.771%

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

ROSS SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP). The excess of expenditures over appropriations in the General Fund as of June 30, 2020 were as follows:

General Fund	Excess Expenditures
Classified Salaries	\$ 1,108
Employee Benefits	124,205

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

B. Schedule of Changes in Total OPEB Liability and Related Ratios

In accordance with Governmental Accounting Standards Board Statement No. 75 (GASB 75), the District is required to present a 10-year schedule including certain information for each OPEB plan. The information required to be presented includes certain components that make up the changes in the total OPEB liability, the total OPEB liability, the covered-employee payroll, and the total OPEB liability as a percentage of the District's covered-employee payroll.

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

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

D. Schedule of Contributions

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

ROSS SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Benefit Changes

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

B. Changes in Assumptions

There were no changes in assumptions since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS)

NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

A. Benefit Changes

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

B. Changes in Assumptions

There were no changes in assumptions since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

SUPPLEMENTARY INFORMATION SECTION

ROSS SCHOOL DISTRICT
ORGANIZATION/GOVERNING BOARD/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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>
Stephanie Robinson	President	December 2020
Josh Fisher	Vice President/Clerk	December 2022
Chris Ericksen	Member	December 2022
Jeff Bergholt	Member	December 2022
John Longley	Member	December 2020

ADMINISTRATION

Michael McDowell, Ed. D.
Superintendent

Deborah Wolfe
Chief Business Official

**ROSS SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>Deferred Maintenance</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
<u>Assets</u>			
Deposits and Investments	\$ 572,451	\$ 46,649	\$ 619,100
Total Assets	<u>\$ 572,451</u>	<u>\$ 46,649</u>	<u>\$ 619,100</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable		\$ 2,956	\$ 2,956
Total Liabilities		<u>2,956</u>	<u>2,956</u>
Fund Balances:			
Restricted		43,693	43,693
Committed	\$ 572,451		572,451
Total Fund Balances	<u>572,451</u>	<u>43,693</u>	<u>616,144</u>
Total Liabilities and Fund Balances	<u>\$ 572,451</u>	<u>\$ 46,649</u>	<u>\$ 619,100</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**ROSS SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Deferred Maintenance</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
<u>Revenues</u>			
LCFF Sources:			
State Apportionment / Transfers	\$ 140,000		\$ 140,000
Local Revenue	8,797	\$ 5,753	14,550
Net Change in Fund Balances	148,797	5,753	154,550
Fund Balances - July 1, 2019	423,654	37,940	461,594
Fund Balances - June 30, 2020	<u>\$ 572,451</u>	<u>\$ 43,693</u>	<u>\$ 616,144</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

P-2 Report				
	TK / K - 3	4 - 6	7 - 8	Total
Regular	138.90	148.06	79.92	366.88
Annual Report				
	TK / K - 3	4 - 6	7 - 8	Total
Regular	138.90	148.06	79.92	366.88

ROSS SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Grade Level</u>	<u>Minutes Required</u>	<u>Instructional Minutes</u>			<u>Traditional Calendar Days</u>			<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
		<u>Offered</u>	<u>Credited *</u>	<u>Total</u>	<u>Offered</u>	<u>Credited *</u>	<u>Total</u>		
Kindergarten	36,000	31,860	15,190	47,050	123	57	180	N/A	In Compliance
Grade 1	50,400	37,065	17,215	54,280	123	57	180	N/A	In Compliance
Grade 2	50,400	37,065	17,215	54,280	123	57	180	N/A	In Compliance
Grade 3	50,400	37,065	17,215	54,280	123	57	180	N/A	In Compliance
Grade 4	54,000	38,625	17,945	56,570	123	57	180	N/A	In Compliance
Grade 5	54,000	38,625	17,945	56,570	123	57	180	N/A	In Compliance
Grade 6	54,000	42,381	19,692	62,073	123	57	180	N/A	In Compliance
Grade 7	54,000	42,381	19,692	62,073	123	57	180	N/A	In Compliance
Grade 8	54,000	42,381	19,692	62,073	123	57	180	N/A	In Compliance

* Covered by COVID-19 School Closure Certification

ROSS SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Special Reserve for Postemployment Benefits Fund</u>
June 30, 2020 Annual Financial and Budget Report Fund Balances	\$ 3,215,148	\$ 890,854
Reclassification Increasing (Decreasing) Fund Balances:		
Reclassification of Fund Balances	<u>890,854</u>	<u>(890,854)</u>
June 30, 2020 Audited Financial Statements Fund Balances	<u>\$ 4,106,002</u>	<u>\$ 0</u>

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, 2020.

ROSS SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	GENERAL FUND			
	(Budget) 2020-21	2019-20	2018-19	2017-18
Revenues and Other Financial Sources	\$ 8,643,568	\$ 8,706,528	\$ 8,616,254	\$ 8,015,398
Expenditures	8,479,075	8,423,698	8,423,629	7,774,382
Other Uses and Transfers Out	0	0	0	0
Total Outgo	8,479,075	8,423,698	8,423,629	7,774,382
Change in Fund Balance	164,493	282,830	192,625	241,016
Ending Fund Balance	\$ 4,270,495	\$ 4,106,002	\$ 3,823,172	\$ 3,630,547
Available Reserves	\$ 3,005,761	\$ 2,991,018	\$ 2,895,387	\$ 2,621,174
Reserve for Economic Uncertainties *	\$ 3,005,761	\$ 2,991,018	\$ 2,552,317	\$ 2,621,174
Available Reserves as a Percentage of Total Outgo	35.4%	35.5%	34.4%	33.7%
Average Daily Attendance at P-2	367	367	380	369
Total Long-Term Liabilities	\$ 29,530,715	\$ 30,527,770	\$ 30,183,558	\$ 30,429,852

* Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$475,455 (13%) over the past two years. The fiscal year 2020-21 budget projects an increase of \$164,493 (4%). 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 produced operating surpluses in each of the past three fiscal years.

Average daily attendance has decreased 2 ADA over the past two years. The District anticipates no change in ADA for fiscal year 2020-21.

Total long-term liabilities increased \$97,918 over the past two years.

ROSS SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

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

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

E. Schedule of Financial Trends and Analysis

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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 *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Ross 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. Our audit does not provide a legal determination of Ross School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the independent study program because the average daily attendance claimed by the District does not exceed the threshold that requires testing.

Opinion on State Compliance

In our opinion, Ross School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instances of noncompliance, which are required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Findings 2020-001**. Our opinion on state compliance on the programs previously identified is not modified with respect to this matter.

District's Response to Finding

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2020

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, and the aggregate remaining fund information of Ross School District, as of and for the year ended June 30, 2020, 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 7, 2020 that included an unmodified opinion on the governmental activities, each major fund and the aggregate remaining fund information and an adverse opinion on the discretely presented component unit. The report on the financial statements included an adverse opinion on the discretely presented component unit because the financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements.

Internal Control Over Financial Reporting

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

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

Internal Control Over Financial Reporting (Concluded)

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

Compliance and Other Matters

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

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2020

FINDINGS AND QUESTIONED COSTS SECTION

ROSS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

State Awards

Any audit findings required to be reported in accordance with the *2019-20 Guide for Annual Audit of K-12 Local Educational Agencies and State Compliance Reporting*? X Yes No

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, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2020.

ROSS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

2020 - 001 / 40000

TRANSPORTATION MAINTENANCE OF EFFORT

<u>Criteria:</u>	In accordance with Education Code Section 42238.03(a)(6)(B), of the funds that a school district receives for home-to-school transportation programs, the school district shall expend no less for those programs than the amount of funds the school district expended for home-to-school transportation in the 2012-13 fiscal year.
<u>Condition:</u>	The District did not spend enough funds on home-to-school transportation, during fiscal year 2019-20, to comply with the transportation maintenance of effort requirement.
<u>Questioned Costs:</u>	\$4,676. (The amount of the expenditure shortfall)
<u>Context:</u>	The District was required to expend \$60,670 on home-to-school transportation during fiscal year 2019-20, however, the District only expended \$55,994, which represents the amount owed to a neighboring school district.
<u>Effect:</u>	The District did not comply with the maintenance of effort requirements of Education Code Section 42238.03(a)(6)(B).
<u>Cause:</u>	The District had no transportation needs during fiscal year 2019-20.
<u>Recommendation:</u>	The District should make sure that all costs properly chargeable to the transportation are properly recorded when transportation needs arise in the future.
<u>District Response:</u>	The District did not have any transportation needs during the 2019-20 school year.

**ROSS SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENT</u>		
2019 - 001 / 30000		
<u>STUDENT BODY - EXTERNAL FUND-RAISING</u>		
Student body personnel should be provided with a copy of the FCMAT "Associated Student Body Manual" and be informed of the appropriate procedure to follow when student groups participate in fund-raising activities related to external charities.	Implemented	