

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

AUDIT REPORT

JUNE 30, 2016

ROSS SCHOOL DISTRICT

JUNE 30, 2016

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ROSS SCHOOL DISTRICT

JUNE 30, 2016

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Governing Board
Ross School District
Ross, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the remaining fund information of the Ross School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the remaining fund information of the Ross School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the budgetary comparison information on pages 57 and 58, schedule of funding progress on page 59, schedules of proportionate share of the net pension liability on pages 60 and 61, and schedules of contributions on pages 62 and 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 on our consideration of the Ross School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ross School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2016

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

This section of Ross School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. 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 15 and 16, 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 17 through 20, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining 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

- Fiscal year 2015-16 is the second year the District was required to record a liability in the financial statements to reflect the District's proportionate share of the net pension liability related to its participation in the CalSTRS and CalPERS pension plans.
- The District's overall financial status decreased slightly during the course of the year, as total net position decreased 1.3%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$95,743.
- Capital assets, net of depreciation, decreased \$716,496, due to the current year addition of \$8,019 of new capital assets and improvements, and the current year recognition of \$724,515 of depreciation expense.
- Total long-term liabilities increased \$675,300, due primarily to the increase in the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.
- The District's P-2 average daily attendance (ADA) increased from 357 ADA in fiscal year 2014-15, up to 372 ADA in fiscal year 2015-16, an increase of 15 ADA or 4.2%.
- The District's General Fund produced an operating surplus of \$385,077 during fiscal year 2015-16, but recognized a \$132,144 decrease in its available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 4% of General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2015-16, General Fund expenditures and other financing uses totaled \$7,025,818. At June 30, 2016, the District had available reserves of \$2,013,388 in the General Fund, which represents a reserve of 28.7%.

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(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, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

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

Business-type Activities:

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

Reporting the District's Most Significant Funds

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

Governmental Funds:

The major governmental funds of the Ross School District are the General Fund, Deferred Maintenance 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, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's total net position decreased from \$7,486,041 at June 30, 2015, down to \$7,390,298 at June 30, 2016, a decrease of 1.3%.

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2015	2016
<u>Assets</u>		
Deposits and Investments	\$ 3,875,832	\$ 4,473,827
Receivables	125,355	164,349
Capital Assets, net	32,048,014	31,331,518
Total Assets	<u>36,049,201</u>	<u>35,969,694</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals	521,107	587,610
Deferred Amount on Refunding	297,163	278,782
Total Deferred Outflows of Resources	<u>818,270</u>	<u>866,392</u>
<u>Liabilities</u>		
Current	1,059,159	1,111,011
Long-Term	27,061,791	27,681,069
Total Liabilities	<u>28,120,950</u>	<u>28,792,080</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	1,260,480	653,708
<u>Net Position</u>		
Net Investment in Capital Assets	11,785,882	11,550,700
Restricted (Deficit)	(673,559)	(545,261)
Unrestricted (Deficit)	<u>(3,626,282)</u>	<u>(3,615,141)</u>
Total Net Position	<u>\$ 7,486,041</u>	<u>\$ 7,390,298</u>

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

Restricted deficit balance, presented above, primarily reflects that the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds currently exceeds the amount available in the Bond Interest and Redemption Fund.

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

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by \$95,743.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
<u>Program Revenues</u>		
Operating Grants & Contributions	\$ 718,513	\$ 779,154
<u>General Revenues</u>		
Taxes Levied	5,548,886	6,095,441
Federal & State Aid	285,331	524,054
Interest & Investment Earnings	5,382	7,515
Transfers from Other Agencies	0	20
Miscellaneous	1,273,430	1,342,185
Total Revenues	<u>7,831,542</u>	<u>8,748,369</u>
<u>Expenses</u>		
Instruction	4,223,257	4,726,851
Instruction-Related Services	1,084,496	1,091,907
Pupil Services	255,200	362,217
General Administration	915,984	1,290,942
Plant Services	526,236	526,231
Ancillary Services	11,070	12,903
Enterprise Activities	260,221	21,189
Interest on Long-Term Debt	761,598	757,217
Other Outgo	24,887	54,655
Total Expenses	<u>8,062,949</u>	<u>8,844,112</u>
Changes in Net Position	(231,407)	(95,743)
Net Position, Beginning	<u>7,717,448</u>	<u>7,486,041</u>
Net Position, Ending	<u>\$ 7,486,041</u>	<u>\$ 7,390,298</u>

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

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

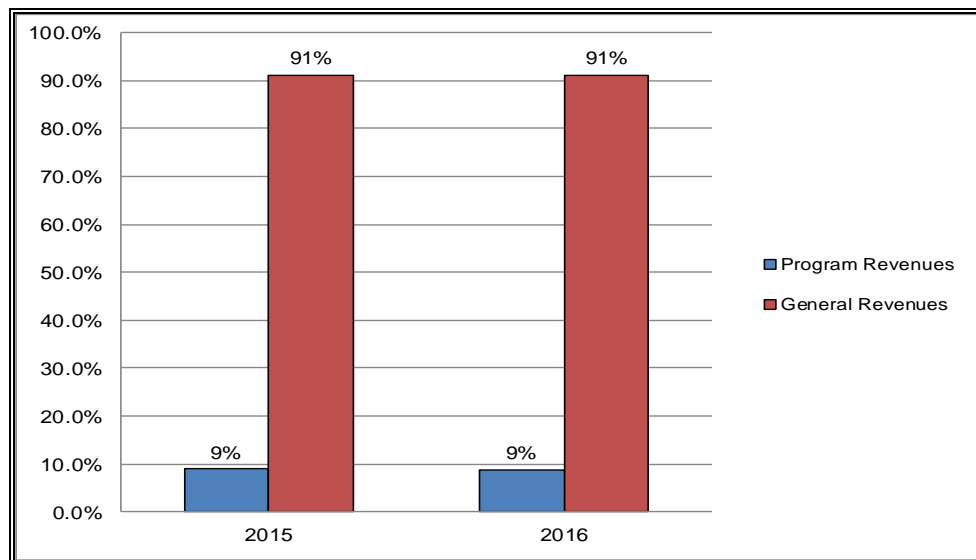
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2015	2016	2015	2016
Instruction	\$ 4,223,257	\$ 4,726,851	\$ 3,716,246	\$ 4,204,656
Instruction-Related Services	1,084,496	1,091,907	927,933	911,432
Pupil Services	255,200	362,217	229,145	322,254
General Administration	915,984	1,290,942	903,722	1,277,600
Plant Services	526,236	526,231	526,236	525,234
Ancillary Services	11,070	12,903	7,898	10,139
Enterprise Activities	260,221	21,189	254,591	16,790
Interest on Long-Term Debt	761,598	757,217	761,598	757,217
Other Outgo	24,887	54,655	17,067	39,636
Totals	\$ 8,062,949	\$ 8,844,112	\$ 7,344,436	\$ 8,064,958

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

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$8,064,958 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



Program revenues financed 9% of the total cost of providing the services listed above, while the remaining 91% 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, 2016**

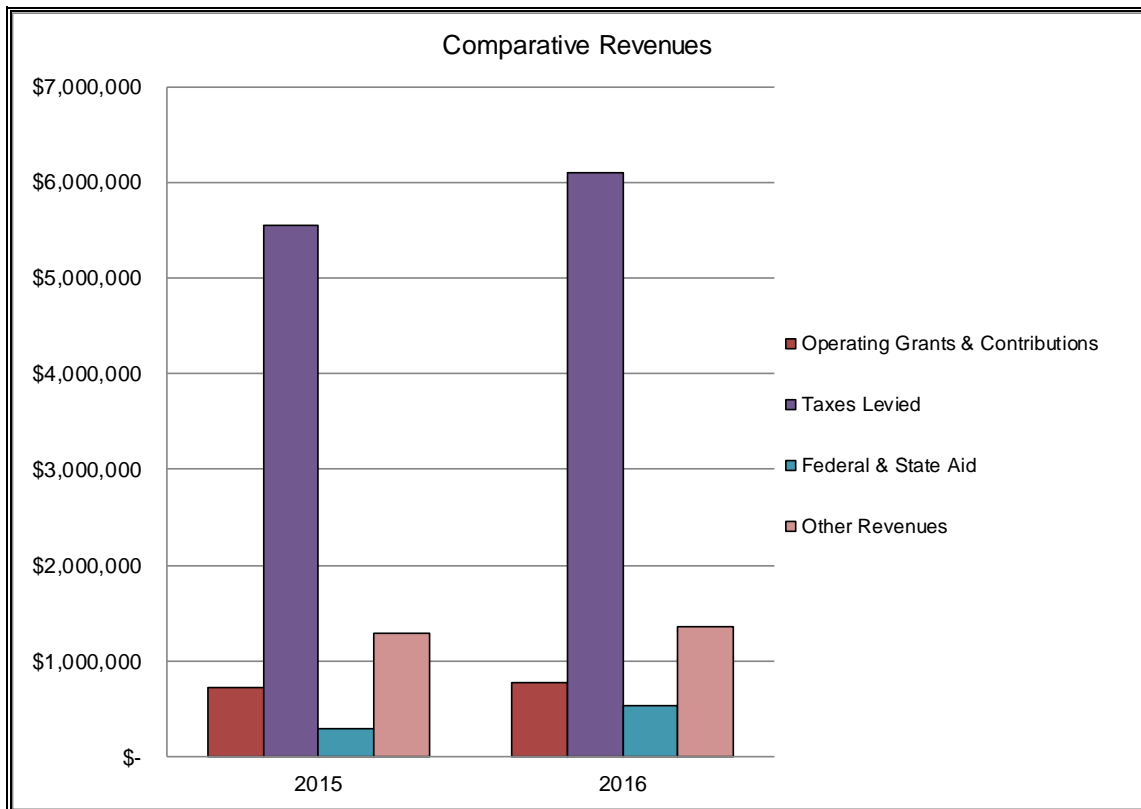
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Summary of Revenues For Governmental Functions</u>				
	<u>FYE 2015 Amount</u>	<u>Percent of Total</u>	<u>FYE 2016 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Operating Grants & Contributions	\$ 718,513	9.17%	\$ 779,154	8.91%
<u>General Revenues</u>				
Taxes Levied	5,548,886	70.85%	6,095,441	69.68%
Federal & State Aid	285,331	3.64%	524,054	5.99%
Other Revenues	1,278,812	16.33%	1,349,720	15.43%
Total Revenues	<u>\$ 7,831,542</u>	<u>100.00%</u>	<u>\$ 8,748,369</u>	<u>100.00%</u>

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



**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

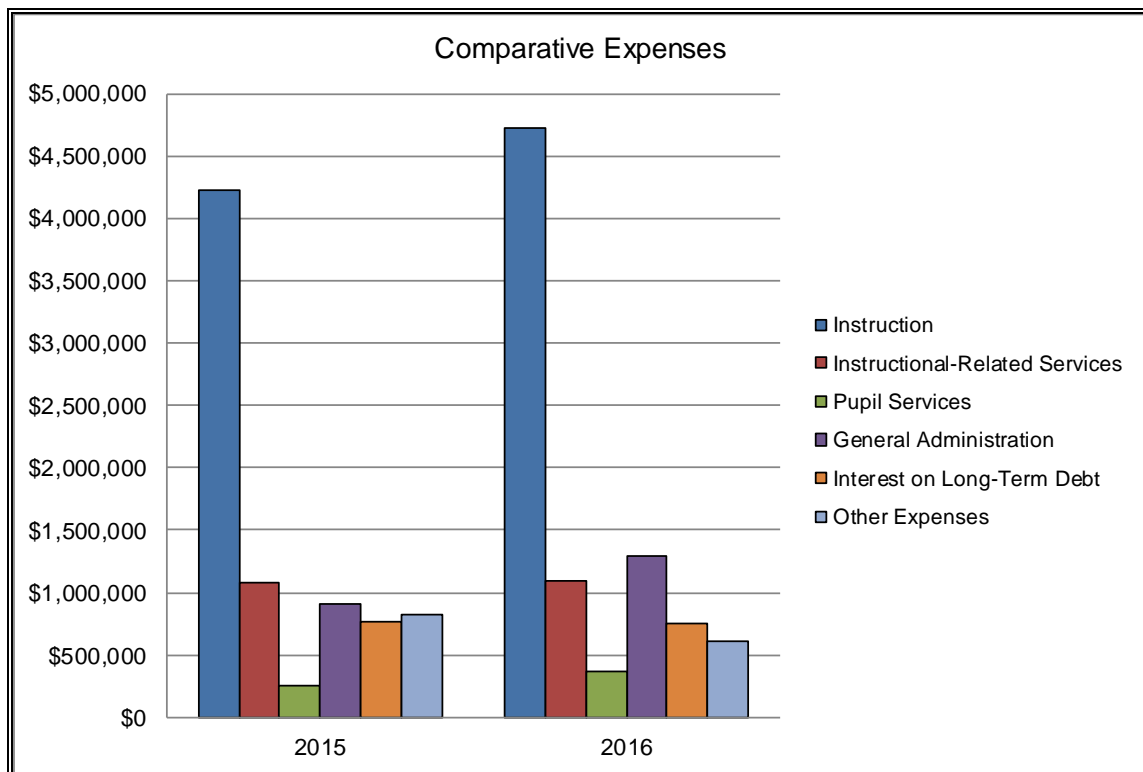
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Schedule of Expenses For Governmental Functions</u>					
	FYE 2015 Amount	Percent of Total	FYE 2016 Amount	Percent of Total	
<u>Expenses</u>					
Instruction	\$ 4,223,257	52.38%	\$ 4,726,851	53.45%	
Instruction-Related Services	1,084,496	13.45%	1,091,907	12.35%	
Pupil Services	255,200	3.17%	362,217	4.10%	
General Administration	915,984	11.36%	1,290,942	14.60%	
Interest on Long-Term Debt	761,598	9.45%	757,217	8.56%	
Other Expenses	822,414	10.20%	614,978	6.95%	
Total Expenses	\$ 8,062,949	100.00%	\$ 8,844,112	100.00%	

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



**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(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	
	2015	2016
Land	\$ 206,174	\$ 206,174
Sites and Improvements	81,301	81,301
Buildings and Improvements	38,173,822	38,181,841
Furniture and Equipment	345,691	345,691
Subtotals	38,806,988	38,815,007
Less: Accumulated Depreciation	(6,758,974)	(7,483,489)
Capital Assets, net	<u>\$ 32,048,014</u>	<u>\$ 31,331,518</u>

Capital assets, net of depreciation, decreased \$716,496, due to the current year addition of \$8,019 of new capital assets and improvements, and the current year recognition of \$724,515 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2015	2016
Compensated Absences	\$ 20,647	\$ 15,392
Qualified School Construction Bonds	2,850,000	2,850,000
General Obligation Bonds	18,939,079	18,637,850
Bond Premium	712,526	668,549
Capital Lease	46,828	24,058
Early Retirement Incentives	11,623	0
Other Post Employment Benefits	409,923	625,227
Net Pension Liability - CalSTRS	3,759,137	4,423,111
Net Pension Liability - CalPERS	974,432	1,155,308
Totals	<u>\$ 27,724,195</u>	<u>\$ 28,399,495</u>

Total long-term liabilities increased \$675,300, due primarily to the increase in 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, 2016**

(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 76% 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

The fund balance of the General Fund increased \$385,077 during fiscal year 2015-16, while the combined fund balances of the other District governmental funds increased \$254,771.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

On November 4, 2014, the voters elected to authorize the District to continue levying its parcel tax for eight years at a rate increased by \$184 per year per parcel. The previous parcel tax was approved in 2006, and was imposed at a rate of \$771.11 per parcel in 2014. The increase authorized by Measure E brought the parcel tax rate up to \$955.11 per parcel. Measure E also authorized a 3% percent per year increase to the tax rate.

The District has settled negotiations for certificated, classified, confidential and principals for the 2017-2018 and 2018-2019 school years. The settlement will consist of 3% increases to the salary schedules each year and a one-time off-schedule bonus of \$5,000 per full-time/pro-rated for less than full-time. The appropriate AB1200 public disclosure documents have been board approved and submitted to the County Office. The one-time bonuses will be paid from one-time monies received from the state in 2015-2016 and 2016-2017 and held in reserve for this purpose. The on-going 3% and 3% 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.

**ROSS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE (CONCLUDED)

The District has also moved forward with a Developer Fee Study, in light of the Tamalpais High School District approving the collection of developer fees for use in funding their facility needs. As a feeder district to the Tamalpais High School District, if we did not participate, our portion of the fees would be kept by the Tamalpais High School District. The District has received a draft Level 1 Developer Fee Study completed by Jack Schreder and Associates and will be presenting to the Ross School Board of Trustees in late 2016 for approval. The District will then wait the prescribed 60 days and start collections in early 2017, with a fee sharing arrangement with the Tamalpais High School District. These funds will be available to the District for modernization and construction projects in the future. With these new revenues a new fund will be opened - Fund 25 for Capital Facilities.

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.

ROSS SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Governmental	Component Unit
	Governmental Activities	Foundation
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 4,473,827	\$ 1,537,894
Receivables (Note 3)	164,349	
Capital Assets, Not Depreciated (Note 5)	206,174	
Capital Assets, Net of Accumulated Depreciation (Note 5)	31,125,344	
Total Assets	35,969,694	1,537,894
<u>Deferred Outflows of Resources</u>		
Pension Deferrals (Note 10)	587,610	
Bond Refunding (Note 1H)	278,782	
Total Deferred Outflows of Resources	866,392	0
<u>Liabilities</u>		
Accounts Payable and Other Current Liabilities	195,884	21,189
Accrued Interest Payable	196,701	
Long-Term Liabilities:		
<i>Portion Due or Payable Within One Year:</i>		
Compensated Absences (Note 1H)	15,392	
General Obligation Bonds (Note 7)		
Current Interest	165,000	
Capital Appreciation	470,000	
Bond Premium (Note 1H)	43,976	
Capital Lease (Note 8)	24,058	
<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	12,640,000	
Capital Appreciation	5,362,850	
Bond Premium (Note 1H)	624,573	
Other Post Employment Benefits (Note 9)	625,227	
Net Pension Liabilities (Note 10)	5,578,419	
Total Liabilities	28,792,080	21,189
<u>Deferred Inflows of Resources</u>		
Pension Deferrals (Note 10)	653,708	0
<u>Net Position</u>		
Net Investment in Capital Assets	11,550,700	
Restricted:		
For Debt Service (Deficit)	(741,401)	
For Educational Programs	194,890	
For Other Purposes	1,250	1,516,705
Unrestricted (Deficit)	(3,615,141)	
Total Net Position	\$ 7,390,298	\$ 1,516,705

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Functions	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position	
		Operating Grants and Contributions	Primary Governmental Activities	Component Unit Foundation
<u>Governmental Activities</u>				
Instruction	\$ 4,726,851	\$ 522,195	\$ (4,204,656)	
Instruction-Related Services:				
Supervision of Instruction	173,990	84,608	(89,382)	
Instructional Library and Technology	517,203	83,861	(433,342)	
School Site Administration	400,714	12,006	(388,708)	
Pupil Services:				
Home-to-School Transportation	61,571		(61,571)	
Food Services	2,135	1,650	(485)	
Other Pupil Services	298,511	38,313	(260,198)	
General Administration:				
Data Processing Services	15,470		(15,470)	
Other General Administration	1,275,472	13,342	(1,262,130)	
Plant Services	526,231	997	(525,234)	
Ancillary Services	12,903	2,764	(10,139)	
Enterprise Activities	21,189	4,399	(16,790)	
Interest on Long-Term Debt	757,217		(757,217)	
Other Outgo	54,655	15,019	(39,636)	
Total Governmental Activities	<u>\$ 8,844,112</u>	<u>\$ 779,154</u>	<u>(8,064,958)</u>	
<u>Component Unit</u>				
Foundation	<u>\$ 1,256,222</u>	<u>\$ 0</u>	<u>\$ (1,256,222)</u>	
<u>General Revenues</u>				
Taxes Levied for General Purposes			4,038,624	
Taxes Levied for Debt Service			1,275,335	
Taxes Levied for Specific Purposes			781,482	
Federal and State Aid - Unrestricted			524,054	
Grants and Contributions - Unrestricted				1,244,794
Interest and Investment Earnings			7,515	4,726
Transfers from Other Agencies			20	
Miscellaneous			1,342,185	
Total General Revenues			<u>7,969,215</u>	<u>1,249,520</u>
Change in Net Position			(95,743)	(6,702)
Net Position - July 1, 2015			<u>7,486,041</u>	<u>1,523,407</u>
Net Position - June 30, 2016			<u>\$ 7,390,298</u>	<u>\$ 1,516,705</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>Deferred Maintenance</u>	<u>Bond Interest and Redemption</u>	<u>QSCB Debt Service</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 2,828,574	\$ 69,096	\$ 940,971	\$ 635,186	\$ 4,473,827
Receivables (Note 3)	164,349				164,349
Total Assets	<u>\$ 2,992,923</u>	<u>\$ 69,096</u>	<u>\$ 940,971</u>	<u>\$ 635,186</u>	<u>\$ 4,638,176</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	<u>\$ 195,884</u>				<u>\$ 195,884</u>
Fund Balances: (Note 13)					
Nonspendable	1,250				1,250
Restricted	194,890		\$ 940,971	\$ 635,186	1,771,047
Committed	154,962	\$ 69,096			224,058
Assigned	432,549				432,549
Unassigned	2,013,388				2,013,388
Total Fund Balances	<u>2,797,039</u>	<u>69,096</u>	<u>940,971</u>	<u>635,186</u>	<u>4,442,292</u>
Total Liabilities and Fund Balances	<u>\$ 2,992,923</u>	<u>\$ 69,096</u>	<u>\$ 940,971</u>	<u>\$ 635,186</u>	<u>\$ 4,638,176</u>

ROSS SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Governmental Funds \$ 4,442,292

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

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

Capital Assets	\$ 38,815,007	
Accumulated Depreciation	(7,483,489)	
Net		31,331,518

Unamortized costs: In governmental funds, any gain or loss that results 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. The deferred amount from refunding, reported as deferred outflows of resources, was: 278,782

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. (66,098)

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

Compensated Absences	15,392	
General Obligation Bonds - Current Interest	12,805,000	
General Obligation Bonds - Capital Appreciation	5,832,850	
Bond Premium	668,549	
Capital Lease	24,058	
Qualified School Construction Bonds	2,850,000	
Other Post Employment Benefits	625,227	
Net Pension Liability - CalSTRS	4,423,111	
Net Pension Liability - CalPERS	1,155,308	
Total		(28,399,495)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owed at the end of the period was: (196,701)

Total Net Position - Governmental Activities \$ 7,390,298

**ROSS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Deferred Maintenance</u>	<u>Bond Interest and Redemption</u>	<u>QSCB Debt Service</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
LCFF Sources:					
State Apportionment / Transfers	\$ 199,813	\$ 60,000			\$ 259,813
Local Taxes	4,038,623				4,038,623
Total LCFF Sources	4,238,436	60,000			4,298,436
Federal Revenue	82,979				82,979
State Revenue	555,042		\$ 2,796		557,838
Local Revenue	2,534,438	20	1,274,634	\$ 24	3,809,116
Total Revenues	7,410,895	60,020	1,277,430	24	8,748,369
<u>Expenditures</u>					
Current:					
Instruction	4,176,582				4,176,582
Supervision of Instruction	154,824				154,824
Instructional Library and Technology	466,488				466,488
School Site Administration	354,529				354,529
Home-To-School Transportation	55,994				55,994
Food Services	1,942				1,942
Other Pupil Services	262,856				262,856
Data Processing Services	14,069				14,069
Other General Administration	936,164				936,164
Plant Services	480,298				480,298
Facilities Acquisition and Construction	8,019				8,019
Ancillary Services	12,789				12,789
Enterprise Activities	21,189				21,189
Other Outgo	54,655				54,655
Debt Service:					
Principal Retirement	22,770		565,000		587,770
Interest and Issuance Costs	2,650		480,653	37,050	520,353
Total Expenditures	7,025,818	0	1,045,653	37,050	8,108,521
Excess of Revenues Over (Under) Expenditures	385,077	60,020	231,777	(37,026)	639,848
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In				154,334	154,334
Operating Transfers Out			(154,334)		(154,334)
Total Other Financing Sources (Uses)	0	0	(154,334)	154,334	0
Net Change in Fund Balances	385,077	60,020	77,443	117,308	639,848
Fund Balances - July 1, 2015 (As Restated - Note 19)	2,411,962	9,076	863,528	517,878	3,802,444
Fund Balances - June 30, 2016	\$ 2,797,039	\$ 69,096	\$ 940,971	\$ 635,186	\$ 4,442,292

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, 2016

Net Change in Fund Balances - Governmental Funds \$ 639,848

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

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

Capital Outlays	\$	8,019	
Depreciation Expense		(724,515)	
Net			(716,496)

Amortization of gain or loss from debt refunding: In governmental funds, any gain or loss resulting from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. Current year amortization of deferred amounts from refunding were: (18,381)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was: 5,255

Early retirement incentives: In governmental funds, early retirement incentives costs are recognized when payments are made. In the statement of activities, early retirement incentives costs are recognized on the accrual basis. This year, the difference between early retirement incentives earned and actual payments was: 11,623

Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs accrued and employer contributions was: (215,304)

Bond premiums: In governmental funds, bond premiums are recognized as Other Financing Sources in the period they are received. In the government-wide statements, bond premiums are amortized over the life of the debt. The difference between premiums recognized in the current period and premiums amortized for the period are: 43,977

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

General Obligation Bonds - Current Interest		145,000	
General Obligation Bonds - Capital Appreciation		420,000	
Capital Lease		22,770	
Total			587,770

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, interest expense is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was: 1,311

Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was: (263,771)

Pension liabilities: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual-basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (171,575)

Change in Net Position of Governmental Activities \$ (95,743)

ROSS SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Funds	Total Fiduciary Funds
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 6,013	\$ 6,013
<u>Liabilities</u>		
Due to Student Groups	6,013	6,013
<u>Net Position</u>		
Total Net Position	\$ 0	\$ 0

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 District has determined that the Ross School Foundation (the Foundation) meets the criteria to be reported as a component unit.

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

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, 2016

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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within 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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/Expenditures:

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

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

D. Fund Accounting

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

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

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

Major Governmental Funds:

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.

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

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.

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 and Deferred Maintenance Fund as required supplementary information on pages 57 and 58.

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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Use of Estimates

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

G. Encumbrances

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

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

1. Deposits and Investments

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

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

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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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	25-50
Furniture and Equipment	5-10

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, 2016.

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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Pensions

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

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

7. Long-term Liabilities

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

8. Fund Balances

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

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

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Balances (Concluded)

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

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

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

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

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

As part of the 2013-14 State Budget Act, the formula for determining the level of funding per student changed from the "revenue limit" formula to the "Local Control Funding Formula" (LCFF). The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. 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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

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

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 transition 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks		\$ 6,013
Cash in Revolving Fund	\$ 1,250	
County Pool Investments	3,837,391	
Investments	<u>635,186</u>	
Totals	<u>\$ 4,473,827</u>	<u>\$ 6,013</u>

Cash on Hand and in Banks

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash in Revolving Fund

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

County Pool Investments

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

Investments

Investments consist of government securities held at Bank of New York Mellon Trust Company, as trustee 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.

General Authorization

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

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

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

Segmented Time Distribution

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 3,837,391	\$ 3,842,634	\$ 3,208,808	\$ 628,583

Credit Risk

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 3,837,391	\$ 3,842,634			\$ 3,837,391

Concentration of Credit Risk

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2016, the District does not have any investments that are held by counterparties.

Derivative Investments

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

NOTE 3 - RECEIVABLES

Accounts receivable at June 30, 2016 consist of the following:

	<u>General Fund</u>
Federal Government	\$ 39,270
State Government	52,673
Local Governments	19,177
Miscellaneous	<u>53,229</u>
Total	<u>\$ 164,349</u>

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - 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 2015-16 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Bond Interest & Redemption		\$ 154,334
QSCB Debt Service	\$ 154,334	_____
Totals	\$ 154,334	\$ 154,334

Transfer of \$154,334 from Bond Interest & Redemption Fund to QSCB Debt Service Fund to provide funds to satisfy the debt service requirements of the qualified school construction bond.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2016, is shown below:

	<u>Balances July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2016</u>
Capital Assets, Not Depreciated:				
Land	\$ 206,174	_____	_____	\$ 206,174
Total Capital Assets, Not Depreciated	206,174	\$ 0	\$ 0	206,174
Capital Assets, Depreciated:				
Sites and Improvements	81,301			81,301
Buildings and Improvements	38,173,822	8,019		38,181,841
Furniture and Equipment	345,691			345,691
Total Capital Assets, Depreciated	38,600,814	8,019	0	38,608,833
Less Accumulated Depreciation:				
Sites and Improvements	81,301			81,301
Buildings and Improvements	6,370,299	719,720		7,090,019
Furniture and Equipment	307,374	4,795		312,169
Total Accumulated Depreciation	6,758,974	724,515	0	7,483,489
Total Capital Assets, Depreciated, net	31,841,840	(716,496)	0	31,125,344
Governmental Activities				
Capital Assets, net	\$ 32,048,014	\$ (716,496)	\$ 0	\$ 31,331,518

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 428,184
Instruction-Related Services	98,911
Pupil Services	32,811
General Administration	116,940
Plant Services	47,669
Total	\$ 724,515

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

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, 2016, 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>
2017	\$ 0	\$ 37,050	\$ 37,050	\$ 155,895
2018	0	37,050	37,050	155,895
2019	0	37,050	37,050	155,895
2020	0	37,050	37,050	155,895
2021	0	37,050	37,050	155,895
2022-2026	0	185,250	185,250	779,475
2027-2031	<u>2,850,000</u>	<u>27,787</u>	<u>2,877,787</u>	<u>116,921</u>
Totals	<u>\$ 2,850,000</u>	<u>\$ 398,287</u>	<u>\$ 3,248,287</u>	<u>\$ 1,675,871</u>

NOTE 7 - GENERAL OBLIGATION BONDS

On May 21, 2014, the District issued 2014 General Obligation Refunding Bonds in the amount of \$9,415,000, with interest rates ranging from 2% to 4%. The bonds were issued to defease a portion of the outstanding 2006 General Obligation Bonds that were scheduled to mature on August 1, 2026 through August 1, 2031. Principal and interest payments due on the 2014 Refunding Bonds will be paid semiannually on August 1, and February 1 of each year until fully defeased on August 1, 2031.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

The outstanding general obligation debt of the District as of June 30, 2016 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, 2015</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2016</u>
8/1/08	4.00-5.00	8/1/33	\$ 3,900,000	\$ 3,710,000		\$ 75,000	\$ 3,635,000
8/1/14	2.00-4.00	8/1/31	<u>9,415,000</u>	<u>9,240,000</u>		<u>70,000</u>	<u>9,170,000</u>
Totals			<u>\$ 13,315,000</u>	<u>\$ 12,950,000</u>	<u>\$ 0</u>	<u>\$ 145,000</u>	<u>\$ 12,805,000</u>

The outstanding obligation for current interest bonds at June 30, 2016 is as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 165,000	\$ 474,727	\$ 639,727
2018	170,000	468,928	638,928
2019	115,000	463,977	578,977
2020	130,000	460,240	590,240
2021	145,000	475,928	620,928
2022-2026	1,055,000	2,184,444	3,239,444
2027-2031	8,080,000	1,349,730	9,429,730
2032-2036	<u>2,945,000</u>	<u>124,960</u>	<u>3,069,960</u>
Totals	<u>\$ 12,805,000</u>	<u>\$ 6,002,934</u>	<u>\$ 18,807,934</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, 2015</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2016</u>
8/1/06	4.27-4.88	8/1/25	<u>\$ 3,999,941</u>	<u>\$ 5,989,079</u>	<u>\$ 263,771</u>	<u>\$ 420,000</u>	<u>\$ 5,832,850</u>

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The outstanding obligation for the capital appreciation bonds at June 30, 2016, is as follows:

<u>Year Ended June 30</u>	Amount of <u>Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2017	\$ 307,850	\$ 160,363	\$ 468,213
2018	325,109	171,119	496,228
2019	349,593	188,757	538,350
2020	350,250	194,019	544,269
2021	367,544	208,946	576,490
2022-2026	2,011,647	1,197,653	3,209,300
	<u>\$ 3,711,993</u>	<u>\$ 2,120,857</u>	<u>\$ 5,832,850</u>

The annual requirements to amortize the capital appreciation bonds at June 30, 2016, is as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 307,850	\$ 162,150	\$ 470,000
2018	325,109	194,891	520,000
2019	349,593	240,407	590,000
2020	350,250	274,750	625,000
2021	367,544	327,456	695,000
2022-2026	2,011,647	2,508,353	4,520,000
	<u>\$ 3,711,993</u>	<u>\$ 3,708,007</u>	<u>\$ 7,420,000</u>

NOTE 8 - CAPITAL LEASE

On March 12, 2015, the District entered into a lease agreement to purchase computer equipment valued at \$72,248. The agreement provides for title to pass upon expiration of the lease period. Future minimum lease payments under this agreement are as follows:

<u>Year Ended June 30</u>	<u>Lease Payments</u>
2017	\$ 25,420
Less amount representing interest	<u>(1,362)</u>
Present value of net minimum lease payments	<u>\$ 24,058</u>

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

Retirees hired prior to April 1, 1986, (Tier 1) receive 100% District paid health and welfare benefits for life up to the active employee benefit level. Retirees hired on or after April 1, 1986 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 and for the retiree's further lifetime. Retirees hired after July 1, 1999, (Tier 3) receive 100% District paid benefits up to the active benefit level until age 65.

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

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

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

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

The number of participants as of July 1, 2015, the effective date of the triennial OPEB valuation is as follows.

Active employees	54
Retired employees	<u>26</u>
Total	<u><u>80</u></u>

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$625,227 for the year ended June 30, 2016.

Normal cost with interest to end of year	\$ 159,540
Amortization of UAAL with interest to end of year	<u>178,521</u>
Annual required contribution (ARC)	338,061
Interest on net OPEB obligation	16,397
Adjustment to ARC	<u>(23,706)</u>
Annual OPEB cost (expense)	330,752
Contributions for the fiscal year	<u>(115,448)</u>
Increase in net OPEB obligation	215,304
Net OPEB Obligation - June 30, 2015	<u>409,923</u>
Net OPEB Obligation - June 30, 2016	<u><u>\$ 625,227</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 330,752	34.9%	\$ 625,227
June 30, 2015	240,434	42.7%	409,923
June 30, 2014	242,649	48.8%	272,109

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

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Actuarial Methods and Assumptions (Concluded): The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In the July 1, 2015, actuarial valuation, the liabilities were computed using the projected unit credit cost method and the District's unfunded actuarial accrued liability is amortized as a level dollar amount on an open period over 30 years. The actuarial assumptions utilized a 4% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial health care cost trend rate of 8%, which grades down to an ultimate rate of 5% by the 3rd year.

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, and deferred inflows of resources in the accompanying statement of net position as follows:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
CalSTRS	\$ 4,423,111	\$ 415,781	\$ 419,658
CalPERS	1,155,308	171,829	234,050
Totals	<u>\$ 5,578,419</u>	<u>\$ 587,610</u>	<u>\$ 653,708</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided

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

The STRP Defined Benefit Program has two benefit formulas:

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

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

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year 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 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, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.

CalSTRS calculates retirement benefits based on one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of service, or for classroom teachers with less 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 members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

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 for each year 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 any 36 consecutive months of credited service.

Contributions

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

Members: Under CalSTRS 2% at 60, the member contribution rate was 9.20% of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, the member contribution rate was 8.56% of applicable member earnings for fiscal year 2015-16. The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469 - Bonta), the employer contribution rate was 10.73% of applicable member earnings for fiscal year 2015-16. The District contributed \$334,859 to the plan for the fiscal year ended June 30, 2016.

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469 - Bonta, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2016 was 2.874%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 7.391% for the fiscal year ended June 30, 2016.

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, 2016, 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:

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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)

District's proportionate share of the net pension liability	\$ 4,423,111
State's proportionate share of the net pension liability associated with the District	93,673
Total net pension liability attributed to District	\$ 4,516,784

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on a District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. The District's proportionate share of the net pension liability as of June 30, 2014 and June 30, 2015 was as follows:

Proportion - June 30, 2014	0.0064%
Proportion - June 30, 2015	0.0066%
Change - Increase (Decrease)	0.0002%

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$702,968, which includes \$206,946 of support provided by the State. At June 30, 2016, 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	\$ 334,859	
Differences between expected and actual experience		\$ 73,884
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	80,922	
Net differences between projected and actual earnings on plan investments		345,774
Totals	\$ 415,781	\$ 419,658

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, 2017. 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, 2016

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	
2017	\$ (143,124)
2018	(143,124)
2019	(143,124)
2020	88,290
2021	1,173
2022	1,173

Differences between expected and actual experience, changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2015. Differences between projected and actual earnings on plan investments are netted and reduced 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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ¹	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit	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 7.5% assumed investment rate of return for funding purposes, which is net of administrative expenses.

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash / Liquidity	1%	0.00%
Total	100%	

* 10-year geometric average

Discount Rate

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

	Discount Rate 1% Decrease 6.60%	Discount Rate Current Rate 7.60%	Discount Rate 1% Increase 8.60%
District's proportionate share of the net pension liability	\$ 6,678,553	\$ 4,423,111	\$ 2,548,656

Pension Plan's Fiduciary Net Position

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

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Concluded)

The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 11.847% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2016 was \$105,232.

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, 2016, the District reported a liability of \$1,155,308 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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, 2014 and June 30, 2015 was as follows:

Proportion - June 30, 2014	0.0086%
Proportion - June 30, 2015	<u>0.0078%</u>
Change - Increase (Decrease)	<u><u>-0.0007%</u></u>

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$115,644. At June 30, 2016, 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, 2016

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	\$ 105,232	
Differences between expected and actual experience	66,597	
Changes of assumptions		\$ 71,598
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		101,082
Net differences between projected and actual earnings on plan investments		<u>61,370</u>
Totals	<u>\$ 171,829</u>	<u>\$ 234,050</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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2017	\$ (74,261)
2018	(74,261)
2019	(66,368)
2020	47,437

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2015. Differences between projected and actual earnings on plan investments are netted and reduced over a closed 5-year period.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuations were determined using the following actuarial methods and assumptions:

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions (Concluded)

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Consumer Price Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return (1)	7.50%
Post Retirement Benefit Increase (2)	

(1) Net of pension plan investment and administrative expenses, includes inflation

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

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. For the Schools Pool, this difference was deemed immaterial.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONCLUDED)

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	Discount Rate 1% Decrease 6.50%	Discount Rate Current Rate 7.50%	Discount Rate 1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 1,880,361	\$ 1,155,308	\$ 552,379

Pension Plan Fiduciary Net Position

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

C. Social Security

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

NOTE 11 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions to CalSTRS of \$206,946 (7.12589% of creditable compensation subject to CalSTRS for the 2013-14 fiscal year). These contributions are recorded in the General Fund as revenue and expenditures. The District is not legally responsible for these contributions.

NOTE 12 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2016, is shown below:

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - LONG-TERM LIABILITIES (CONCLUDED)

	Balances July 1, 2015	Additions	Deductions	Balances June 30, 2016	Due within One Year
Compensated Absences	\$ 20,647	\$ 15,392	\$ 20,647	\$ 15,392	\$ 15,392
Qualified School Construction Bonds	2,850,000			2,850,000	
General Obligation Bonds:					
Current Interest	12,950,000		145,000	12,805,000	165,000
Capital Appreciation	5,989,079	263,771	420,000	5,832,850	470,000
Bond Premium	712,526		43,977	668,549	43,976
Capital Lease	46,828		22,770	24,058	24,058
Early Retirement Incentives	11,623		11,623	0	
Other Post Employment Benefits	409,923	330,752	115,448	625,227	
Net Pension Liability - CalSTRS	3,759,137	663,974		4,423,111	
Net Pension Liability - CalPERS	974,432	180,876		1,155,308	
Totals	\$ 27,724,195	\$ 1,454,765	\$ 779,465	\$ 28,399,495	\$ 718,426

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 13 - FUND BALANCES

The fund balances as of June 30, 2016 are as follows:

	General Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund	QSCB Debt Service Fund	Totals
Nonspendable:					
Revolving Cash	\$ 1,250				\$ 1,250
Restricted:					
Categorical Programs	194,890				194,890
Repayment of Bonds			\$ 940,971		940,971
Repayment of QSCB				\$ 635,186	635,186
Total Restricted	194,890		940,971	635,186	1,771,047
Committed:					
Other Commitments	154,962	\$ 69,096			224,058
Assigned:					
Other Assignments	432,549				432,549
Unassigned:					
Reserve for Economic Uncertainties	2,013,388				2,013,388
Total Fund Balances	\$ 2,797,039	\$ 69,096	\$ 940,971	\$ 635,186	\$ 4,442,292

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015-16, 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, 2016

NOTE 15 - 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 16 - ECONOMIC DEPENDENCY

During fiscal year 2015-16, the District received \$780,317 of parcel tax revenue that is subject to voter approval.

NOTE 17 - SIGNIFICANT TRANSACTIONS WITH COMPONENT UNIT

As of June 30, 2016, the balance of account receivables of the District included \$21,189 due from the Foundation for reimbursement for salaries and benefits for an employee who is employed by the District but works primarily for the Foundation.

The Foundation also donated \$1,181,282 to the District during the fiscal year 2015-16, which is included in Miscellaneous Revenue of the District on the Statement of Activities reported on page 16.

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.

ROSS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 19 - RECLASSIFICATION OF FUND BALANCES

The beginning fund balances of the General Fund and the Deferred Maintenance Fund have been reclassified due to the Deferred Maintenance Fund having a specific revenue source that has been committed for the purposes of deferred maintenance.

The effects of the reclassified fund balances on the current year financial statements are as follows:

	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>
Fund Balances - July 1, 2015 (as originally stated)	\$ 2,421,038	\$ 0
Reclassification of Fund Balances	<u>(9,076)</u>	<u>9,076</u>
Fund Balances - July 1, 2015 (as restated)	<u>\$ 2,411,962</u>	<u>\$ 9,076</u>

NOTE 20 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 7, 2016, 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, 2016

	<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	\$ 140,091	\$ 199,773	\$ 199,813	\$ 40
Local Sources	3,954,768	4,011,867	4,038,623	26,756
Total LCFF Sources	4,094,859	4,211,640	4,238,436	26,796
Federal Revenue	78,059	82,784	82,979	195
Other State Revenue	86,533	543,634	555,042	11,408
Other Local Revenue	2,381,381	2,490,899	2,534,438	43,539
Total Revenues	6,640,832	7,328,957	7,410,895	81,938
<u>Expenditures</u>				
Certificated Salaries	3,293,644	3,270,450	3,319,315	(48,865)
Classified Salaries	903,954	889,981	890,636	(655)
Employee Benefits	1,259,634	1,401,305	1,401,854	(549)
Books and Supplies	250,822	351,082	332,459	18,623
Services and Other				
Operating Expenditures	902,978	1,022,767	993,460	29,307
Capital Outlay		8,019	8,019	
Debt Service:				
Principal Retirement		22,770	22,770	
Interest and Fiscal Charges		2,650	2,650	
Other Expenditures	25,400	55,400	54,655	745
Total Expenditures	6,636,432	7,024,424	7,025,818	(1,394)
Net Change in Fund Balances	4,400	304,533	385,077	\$ 80,544
Fund Balances - July 1, 2015	2,411,962	2,411,962	2,411,962	
Fund Balances - June 30, 2016	\$ 2,416,362	\$ 2,716,495	\$ 2,797,039	

ROSS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEFERRED MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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	\$ 60,000	\$ 60,000	\$ 60,000	
Other Local Revenue	15	6	20	\$ 14
Net Change in Fund Balances	60,015	60,006	60,020	\$ 14
Fund Balances - July 1, 2015	9,076	9,076	9,076	
Fund Balances - June 30, 2016	<u>\$ 69,091</u>	<u>\$ 69,082</u>	<u>\$ 69,096</u>	

ROSS SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
7/1/15	\$ 0	\$ 3,086,992	\$ 3,086,992	0%	\$ 4,158,919	74.2%
7/1/12	0	2,424,106	2,424,106	0%	3,753,694	64.6%
7/1/09	0	2,085,000	2,085,000	0%	3,312,488	62.9%

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT

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

JUNE 30, 2016

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 Employee Payroll	District's Proportionate Share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2016	0.0066%	\$ 4,423,111	\$ 93,673	\$ 4,516,784	\$ 3,049,392	145.05%	74.02%
2015	0.0064%	3,759,137	88,542	3,847,679	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.

ROSS SCHOOL DISTRICT

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

JUNE 30, 2016

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Employee Payroll	District's Proportionate Share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2016	0.0078%	\$ 1,155,308	\$ 867,726	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, 2016

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Employee Payroll	Contributions As a % of Covered Employee Payroll
2016	\$ 334,859	\$ 334,859	\$ -	\$ 3,120,774	10.73%
2015	265,358	265,358	-	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.

ROSS SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALPERS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Employee Payroll	Contributions As a % of Covered Employee Payroll
2016	\$ 105,232	\$ 105,232	-	\$ 888,259	11.847%
2015	102,141	102,141	-	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, 2016

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.

Excess of expenditures over appropriations in the General Fund were as follow:

	<u>Excess Expenditures</u>
Certificated Salaries	\$ 48,865
Classified Salaries	655
Employee Benefits	549

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

B. Schedule of Funding Progress

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

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

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

ROSS SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

D. Schedule of Contributions

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

SUPPLEMENTARY INFORMATION SECTION

ROSS SCHOOL DISTRICT
ORGANIZATION/GOVERNING BOARD/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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>
John Longley	President	December 2019
Josh Fisher	Vice President/Clerk	December 2017
Whit Gaither	Member	December 2017
Todd Blake	Member	December 2017
Stephanie Robinson	Member	December 2019

ADMINISTRATION

Michael McDowell, Ed. D.
Superintendent

Deborah Wolfe
Chief Business Official

ROSS SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

P-2 Report				
	TK / K - 3	4 - 6	7 - 8	Totals
Regular	171.15	135.62	63.99	370.76
Special Education - NPS / LCI			0.99	0.99
Totals	171.15	135.62	64.98	371.75

Annual Report				
	TK / K - 3	4 - 6	7 - 8	Totals
Regular	171.97	135.05	63.90	370.92
Special Education - NPS / LCI			0.98	0.98
Totals	171.97	135.05	64.88	371.90

ROSS SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	47,295	180	N/A	In Compliance
Grade 1	50,400	54,420	180	N/A	In Compliance
Grade 2	50,400	54,420	180	N/A	In Compliance
Grade 3	50,400	54,420	180	N/A	In Compliance
Grade 4	54,000	56,735	180	N/A	In Compliance
Grade 5	54,000	56,735	180	N/A	In Compliance
Grade 6	54,000	61,663	180	N/A	In Compliance
Grade 7	54,000	61,663	180	N/A	In Compliance
Grade 8	54,000	61,663	180	N/A	In Compliance

ROSS SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Reserve Fund for Postemployment Benefits
June 30, 2016 Annual Financial and Budget Report Fund Balances	\$ 2,642,077	\$ 154,962
Reclassifications Increasing (Decreasing) Fund Balances:		
Reclassification of Fund Balances	154,962	(154,962)
June 30, 2016 Audited Financial Statements Fund Balances	\$ 2,797,039	\$ 0

The reclassification of fund balance above was required as a result of the definition of special revenue funds prescribed by GASB Statement No. 54.

Auditor's Comments

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, 2016.

ROSS SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	GENERAL FUND			
	(Budget)* 2016-17	2015-16	2014-15 ***	2013-14
Revenues and Other Financial Sources	\$ 7,285,576	\$ 7,410,895	\$ 6,743,061	\$ 6,230,393
Expenditures	7,170,782	7,025,818	6,525,710	5,919,415
Other Uses and Transfers Out	0	0	0	135,868
Total Outgo	7,170,782	7,025,818	6,525,710	6,055,283
Change in Fund Balance	114,794	385,077	217,351	175,110
Ending Fund Balance	\$ 2,911,833	\$ 2,797,039	\$ 2,411,962	\$ 2,203,687
Available Reserves	\$ 2,232,065	\$ 2,013,388	\$ 2,145,532	\$ 2,020,727
Reserve for Economic Uncertainties **	\$ 2,232,065	\$ 2,013,388	\$ 2,145,532	\$ 2,020,727
Available Reserves as a Percentage of Total Outgo	31.1%	28.7%	32.9%	33.4%
Average Daily Attendance at P-2	368	372	357	365
Total Long-Term Liabilities	\$ 27,681,069	\$ 28,399,495	\$ 27,724,195	\$ 29,136,343

* The fiscal year 2016-17 budget information is presented for analytical purposes only and has not been audited.

** Reported balances are a component of available reserves.

*** The 2014-15 fund balance has been reclassified - see Note 19.

The fund balance of the General Fund increased \$593,352 (26.9%) over the past two years. The fiscal year 2016-17 budget projects an increase of \$114,794 (4.1%). 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 (ADA) increased 7 ADA over the past two years. The District anticipates a decrease of 4 ADA during fiscal year 2016-17.

Total long-term liabilities decreased \$736,848 over the past two years.

ROSS SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. 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.

B. Schedule of Instructional Time

The District participated in the Longer Day incentive funding program for the current fiscal year, but did not meet its LCFF funding target. 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.

C. 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.

D. 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 *2015-16 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, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Ross School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ross 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	Not Applicable
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
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
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 California Clean Energy Jobs Act because the District did not have any program expenditures in fiscal year 2015-16.

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, 2016.

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 *2015-16 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, 2016

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, the discretely presented component unit, each major fund, and the remaining fund information of the Ross School District, as of and for the year ended June 30, 2016, 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, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2016

FINDINGS AND QUESTIONED COSTS SECTION

ROSS SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

State Awards

Any audit findings required to be reported in accordance
with the *2015-16 Guide for Annual Audits of K-12 Local
Educational Agencies and State Compliance Reporting?*

_____ Yes X 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, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2016.

ROSS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2016.

ROSS SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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