

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

AUDIT REPORT

JUNE 30, 2010

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2010

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ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2010

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Ross Valley School District
San Anselmo, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ross Valley School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the Ross Valley School District, which consists of all funds that comprise the District's legal entity. The financial statements do not include financial data of the Ross Valley Schools Foundation, Ross Valley School District's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Ross Valley School District, as of June 30, 2010, and the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010 on our consideration of the Ross Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 13, the budgetary comparison information on page 45, and the Schedule of funding progress on page 50, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ross Valley School District's basic financial statements. The combining fund financial statements, supplementary schedules listed in the table of contents, and the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 6, 2010

ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(PREPARED BY DISTRICT MANAGEMENT)

This section of Ross Valley School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's overall financial status declined during the year, as total net assets decreased 25%. (The decline was due primarily to the recognition of depreciation expense, which is a non-cash charge against net assets.)
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$2,116,318.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures exceeded current year revenues and other financing sources by \$1,087,223.
- Capital assets, net of depreciation, decreased \$1,282,697, due to the current year acquisition of \$49,004 of new capital assets, and the current year recognition of \$1,331,701 of depreciation expense.
- Total long-term liabilities decreased \$237,045, due to the current year reduction of the District's obligation for general obligation bonds and capital leases.
- The District's P-2 ADA increased from 1,869 ADA in fiscal year 2008-09, up to 1,908 ADA in fiscal year 2009-10, an increase of 2%.
- The District's General Fund incurred an operating deficit of \$908,808 during fiscal year 2009-10, and recognized a \$59,693 decrease in its available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2009-10, General Fund expenditures and other financing uses totaled \$17,717,012. At June 30, 2010, the District has available reserves of \$2,329,419 in the General Fund, which represents a reserve of 13.1%.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(PREPARED BY DISTRICT MANAGEMENT)**

THE FINANCIAL REPORT

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

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

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

Reporting the District as a Whole

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

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

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

ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

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

Business-type Activities:

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

Reporting the District's Most Significant Funds

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

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's total net assets decreased from \$8,443,634 at June 30, 2009, down to \$6,327,316 at June 30, 2010, a decrease of 25%.

<u>Comparative Statement of Net Assets</u>		
	Governmental Activities	
	2009	2010
<u>Assets</u>		
Deposits and Investments	\$ 3,908,461	\$ 3,315,494
Receivables	2,767,405	2,397,536
Prepaid Expenses	0	3,459
Capital Assets, net	23,230,862	21,948,165
Total Assets	29,906,728	27,664,654
<u>Liabilities</u>		
Current	2,445,363	2,656,455
Long-term	19,017,731	18,680,883
Total Liabilities	21,463,094	21,337,338
<u>Net Assets</u>		
Invested in Capital Assets		
- Net of Related Debt	6,915,546	6,601,646
Restricted for Capital Projects	126,202	176,306
Restricted for Debt Service	(2,408,559)	(2,872,954)
Restricted for Educational Programs	1,038,265	303,696
Restricted for Other Purposes	236,014	6,525
Unrestricted	2,536,166	2,112,097
Total Net Assets	\$ 8,443,634	\$ 6,327,316
<i>Table includes financial data of the combined governmental funds</i>		

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

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

(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 \$2,116,318.

<u>Comparative Statement of Changes in Net Assets</u>		
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2010</u>
<u>Program Revenues</u>		
Charges for Services	\$ 250,622	\$ 85,864
Operating Grants & Contributions	3,408,991	2,606,435
<u>General Revenues</u>		
Taxes Levied	6,638,826	6,721,666
Federal & State Aid	8,588,197	8,072,177
Interest & Investment Earnings	104,405	36,526
Miscellaneous	1,013,003	577,261
Total Revenues	20,004,044	18,099,929
<u>Expenses</u>		
Instruction	11,625,549	12,080,794
Instruction-Related Services	2,038,604	1,977,192
Pupil Services	1,165,156	934,576
General Administration	1,927,891	2,028,357
Plant Services	2,348,592	1,998,627
Ancillary Services	74,771	60,494
Interest on Long-Term Debt	968,511	954,153
Other Outgo	179,685	182,054
Total Expenses	20,328,759	20,216,247
Changes in Net Assets		
Before Special Item	(324,715)	(2,116,318)
Special Item - (Loss)	(123,485)	0
Change in Net Assets	\$ (448,200)	\$ (2,116,318)

Table includes financial data of the combined governmental funds

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

(PREPARED BY DISTRICT MANAGEMENT)

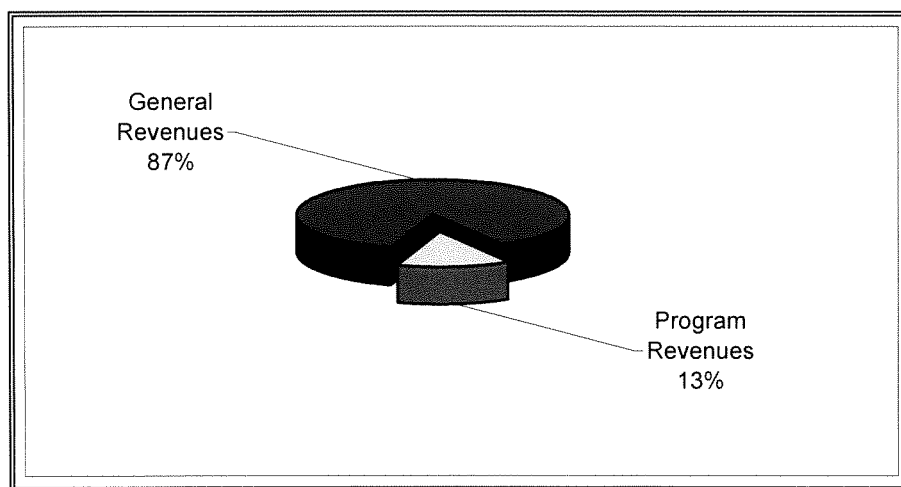
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Costs of Services</u>				
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2009	2010	2009	2010
Instruction	\$ 11,625,549	\$ 12,080,794	\$ 9,099,903	\$ 10,327,082
Instruction-Related Services	2,038,604	1,977,192	1,893,134	1,788,468
Pupil Services	1,165,156	934,576	633,727	552,334
General Administration	1,927,891	2,028,357	1,782,963	1,902,543
Plant Services	2,348,592	1,998,627	2,185,820	1,903,590
Ancillary Services	74,771	60,494	48,162	36,139
Interest on Long-Term Debt	968,511	954,153	968,511	954,153
Other Outgo	179,685	182,054	56,926	59,639
Totals	<u>\$ 20,328,759</u>	<u>\$ 20,216,247</u>	<u>\$ 16,669,146</u>	<u>\$ 17,523,948</u>

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$17,523,948 cost represents the financial burden that was placed on the District's general revenues for providing the services listed. Further detail is available on page 15 of this report.



Program revenues financed 13% of the total cost of providing the services listed above, while the remaining 87% was financed by the general revenues of the District.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

(PREPARED BY DISTRICT MANAGEMENT)

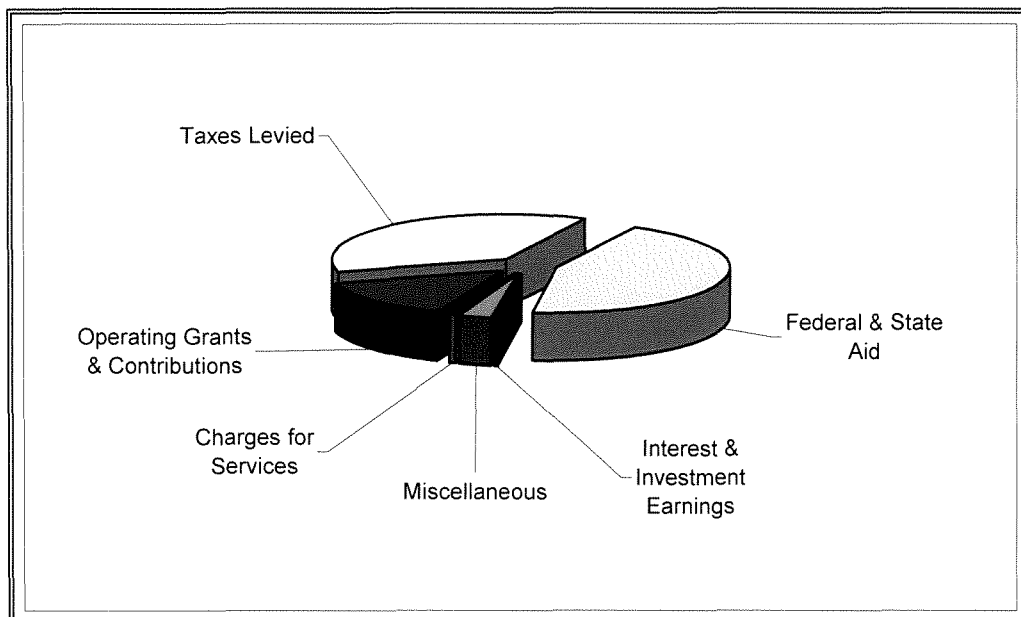
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	<u>FYE 2009 Amount</u>	<u>Percent of Total</u>	<u>FYE 2010 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 250,622	1.25%	\$ 85,864	0.47%
Operating Grants & Contributions	3,408,991	17.04%	2,606,435	14.40%
<u>General Revenues</u>				
Taxes Levied	6,638,826	33.19%	6,721,666	37.14%
Federal & State Aid	8,588,197	42.93%	8,072,177	44.60%
Interest & Investment Earnings	104,405	0.52%	36,526	0.20%
Miscellaneous	1,013,003	5.06%	577,261	3.19%
Total Revenues	<u>\$ 20,004,044</u>	<u>100.00%</u>	<u>\$ 18,099,929</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

(PREPARED BY DISTRICT MANAGEMENT)

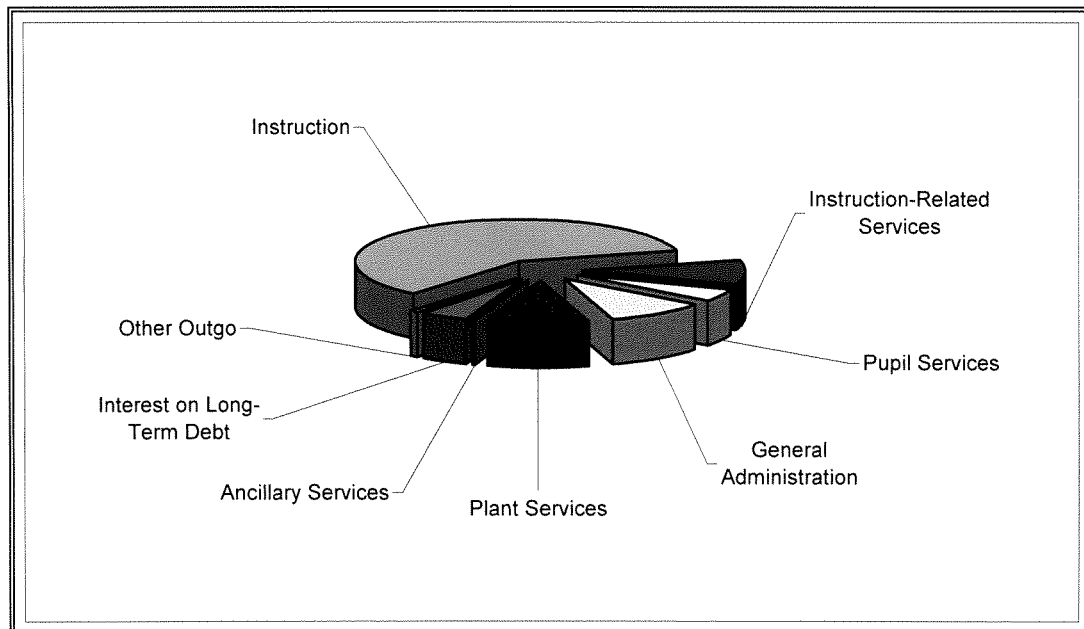
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

	FYE 2009 Amount	Percent of Total	FYE 2010 Amount	Percent of Total
<u>Expenses</u>				
Instruction	\$ 11,625,549	57.19%	\$ 12,080,794	59.76%
Instruction-Related Services	2,038,604	10.03%	1,977,192	9.78%
Pupil Services	1,165,156	5.73%	934,576	4.62%
General Administration	1,927,891	9.48%	2,028,357	10.03%
Plant Services	2,348,592	11.55%	1,998,627	9.89%
Ancillary Services	74,771	0.37%	60,494	0.30%
Interest on Long-Term Debt	968,511	4.76%	954,153	4.72%
Other Outgo	179,685	0.88%	182,054	0.90%
Total Expenses	<u>\$ 20,328,759</u>	<u>100.00%</u>	<u>\$ 20,216,247</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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	
	2009	2010
Land	\$ 992,328	\$ 992,328
Sites and Improvements	2,592,218	2,592,218
Buildings and Improvements	34,716,157	34,716,157
Furniture and Equipment	453,928	502,932
Subtotals	38,754,631	38,803,635
Less: Accumulated Depreciation	(15,523,769)	(16,855,470)
Capital Assets, net	<u>\$ 23,230,862</u>	<u>\$ 21,948,165</u>

Capital assets, net of depreciation, decreased \$1,282,697, due to the current year acquisition of \$49,004 of new capital assets, and the current year recognition of \$1,331,701 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2009	2010
Compensated Absences	\$ 102,441	\$ 115,370
General Obligation Bonds	18,647,804	18,227,272
Capital Leases	1,148,949	1,086,065
Other Post Employment Benefits	223,098	456,540
Totals	<u>\$ 20,122,292</u>	<u>\$ 19,885,247</u>

Total long-term liabilities decreased \$237,045, due to the current year reduction of the District's obligation for general obligation bonds and capital leases.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The general obligation bonds are financed by local taxpayers and represent 92% 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 capital leases are financed by the General Fund and represent 5% of the District's total long-term liabilities.

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

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2009	Fund Balances June 30, 2010	Increase (Decrease)
General	\$ 3,902,970	\$ 2,994,162	\$ (908,808)
Bond Interest & Redemption	1,200,031	1,235,104	35,073
Deferred Maintenance	230,206	66	(230,140)
Cafeteria	2,808	0	(2,808)
Capital Facilities	110,577	176,254	65,677
Building	56,699	26,055	(30,644)
Special Reserve	15,625	52	(15,573)
Totals	<u>\$ 5,518,916</u>	<u>\$ 4,431,693</u>	<u>\$ (1,087,223)</u>

The combined fund balances of all District funds decreased \$1,087,223, due primarily to the \$908,808 decrease in fund balance of the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revised 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. The original budget presented on page 45 includes only new revenues for fiscal year 2009-10.

**ROSS VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(PREPARED BY DISTRICT MANAGEMENT)**

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. The District expects an increase of 63 ADA (3.3%) during fiscal year 2010-11.
- On November 2, 2010, the voters within the District voted to authorize the issuance of up to \$41,000,000 of bonds. The net proceeds from the sale of the bonds will be used to upgrade and expand school facilities during fiscal year 2010-11 and future years.
- Due to the unprecedented nature of the current State and Federal fiscal crisis, the amount of funding that will be available to the District remains uncertain. As a result, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
<hr/>	
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 3,315,494
Receivables (Note 4)	2,397,536
Prepaid Expenses (Note 11)	3,459
Capital Assets: (Note 6)	
Land	992,328
Sites and Improvements	2,592,218
Buildings and Improvements	34,716,157
Furniture and Equipment	502,932
Less: Accumulated Depreciation	(16,855,470)
	<hr/>
Total Assets	27,664,654
	<hr/>
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	1,399,358
Deferred Revenue (Note 11)	52,733
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences	115,370
General Obligation Bonds	
Current Interest	1,000,000
Capital Leases	88,994
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 7)	
Current Interest	7,510,000
Capital Appreciation	9,717,272
Capital Leases (Note 8)	997,071
Other Post Employment Benefits (Note 9)	456,540
	<hr/>
Total Liabilities	21,337,338
	<hr/>
<u>Net Assets</u>	
Investment in Capital Assets, Net of Related Debt	6,601,646
Restricted:	
For Capital Projects	176,306
For Debt Service	(2,872,954)
For Educational Programs	303,696
For Other Purposes	6,525
Unrestricted	2,112,097
	<hr/>
Total Net Assets	\$ 6,327,316
	<hr/>

ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 12,080,794	\$ 24,678	\$ 1,729,034		\$ (10,327,082)
Instruction-Related Services:					
Supervision of Instruction	311,242		115,676		(195,566)
Instructional Library and Technology	427,861	1,418	62,802		(363,641)
School Site Administration	1,238,089		8,828		(1,229,261)
Pupil Services:					
Home-to-School Transportation	248,975	1,878	140,544		(106,553)
Food Services	172,157	41,369	82,536		(48,252)
Other Pupil Services	513,444	60	115,855		(397,529)
General Administration:					
Data Processing Services	158,759				(158,759)
Other General Administration	1,869,598	1,144	124,670		(1,743,784)
Plant Services	1,998,627	6,110	88,927		(1,903,590)
Ancillary Services	60,494	1,336	23,019		(36,139)
Interest on Long-Term Debt	954,153				(954,153)
Other Outgo	182,054	7,871	114,544		(59,639)
Total Governmental Activities	<u>\$ 20,216,247</u>	<u>\$ 85,864</u>	<u>\$ 2,606,435</u>	<u>\$ 0</u>	<u>(17,523,948)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					3,123,721
Taxes Levied for Debt Service					1,370,466
Taxes Levied for Specific Purposes					2,227,479
Federal and State Aid - Unrestricted					8,072,177
Interest and Investment Earnings					36,526
Miscellaneous					577,261
Total General Revenues					<u>15,407,630</u>
Change in Net Assets					(2,116,318)
Net Assets - July 1, 2009					<u>8,443,634</u>
Net Assets - June 30, 2010					<u>\$ 6,327,316</u>

**ROSS VALLEY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Deposits and Investments (Note 2)	\$ 1,834,893	\$ 1,235,104	\$ 245,497	\$ 3,315,494
Receivables (Note 4)	2,393,354		4,182	2,397,536
Prepaid Expenditures (Note 1I)	3,459			3,459
Total Assets	<u>\$ 4,231,706</u>	<u>\$ 1,235,104</u>	<u>\$ 249,679</u>	<u>\$ 5,716,489</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 1,184,811		\$ 47,252	\$ 1,232,063
Deferred Revenue (Note 1I)	52,733			52,733
Total Liabilities	<u>1,237,544</u>		<u>47,252</u>	<u>1,284,796</u>
Fund Balances: (Note 11)				
Reserved	310,155	\$ 1,235,104		1,545,259
Unreserved:				
Designated	886,470		85,244	971,714
Undesignated	1,797,537		117,183	1,914,720
Total Fund Balances	<u>2,994,162</u>	<u>1,235,104</u>	<u>202,427</u>	<u>4,431,693</u>
Total Liabilities and Fund Balances	<u>\$ 4,231,706</u>	<u>\$ 1,235,104</u>	<u>\$ 249,679</u>	<u>\$ 5,716,489</u>

ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2010

Total Fund Balances - Governmental Funds	\$ 4,431,693
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Amounts reported for governmental activities in the statement of net assets are different due to the following:

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

Capital Assets	\$ 38,803,635	
Accumulated Depreciation	<u>(16,855,470)</u>	
		21,948,165

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

(167,295)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Compensated Absences	\$ (115,370)	
General Obligation Bonds	(18,227,272)	
Capital Leases	(1,086,065)	
Other Post Employment Benefits	<u>(456,540)</u>	
		<u>(19,885,247)</u>

Total Net Assets - Governmental Activities	\$ <u>6,327,316</u>
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ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>		<u>Bond Interest and Redemption</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>District</u>	<u>Component Unit</u>			
<u>Revenues</u>					
Revenue Limit Sources:					
State Apportionment	\$ 6,355,788				\$ 6,355,788
Local Taxes	3,123,721				3,123,721
Total Revenue Limit Sources	9,479,509				9,479,509
Federal Revenue	730,277			\$ 77,701	807,978
State Revenue	1,921,173		\$ 12,794	5,962	1,939,929
Local Revenue	3,776,182	\$ 633,526	1,362,315	100,490	5,872,513
Total Revenues	15,907,141	633,526	1,375,109	184,153	18,099,929
<u>Expenditures</u>					
Instruction	11,234,928				11,234,928
Supervision of Instruction	289,450				289,450
Instructional Library and Technology	397,903				397,903
School Site Administration	1,151,401				1,151,401
Home-To-School Transportation	231,542				231,542
Food Services	18			160,085	160,103
Other Pupil Services	477,494				477,494
Data Processing Services	169,145				169,145
Other General Administration	1,488,606			3,716	1,492,322
Plant Services	1,770,559				1,770,559
Facilities Acquisition and Construction	93,613			22,018	115,631
Ancillary Services	60,494				60,494
Debt Service:					
Principal Retirement	84,386		920,000		1,004,386
Interest and Issuance Costs	51,206		420,036		471,242
Other Outgo	182,054				182,054
Total Expenditures	17,682,799	0	1,340,036	185,819	19,208,654
Excess of Revenues Over (Under) Expenditures	(1,775,658)	633,526	35,073	(1,666)	(1,108,725)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	879,561			64,412	943,973
Operating Transfers Out	(34,213)	(633,526)		(276,234)	(943,973)
Other Sources	21,502				21,502
Total Other Financing Sources (Uses)	866,850	(633,526)	0	(211,822)	21,502
Net Change in Fund Balances	(908,808)	0	35,073	(213,488)	(1,087,223)
Fund Balances - July 1, 2009	3,902,970	0	1,200,031	415,915	5,518,916
Fund Balances - June 30, 2010	\$ 2,994,162	\$ 0	\$ 1,235,104	\$ 202,427	\$ 4,431,693

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances - Governmental Funds \$ (1,087,223)

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

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

Capital Outlays	\$	49,004	
Depreciation Expense		(1,331,701)	
			(1,282,697)

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

(246,371)

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	\$	920,000	
Capital Leases		84,386	
			1,004,386

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premiums, were:

(21,502)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on long-term liabilities decreased by:

16,557

Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year was:

(499,468)

Change in Net Assets of Governmental Activities \$ (2,116,318)

ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Agency Funds	Total Fiduciary Funds
	<u> </u>	<u> </u>
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 8,186	\$ 8,186
	<u> </u>	<u> </u>
Total Assets	8,186	8,186
	<u> </u>	<u> </u>
<u>Liabilities</u>		
Due to Student Groups	8,186	8,186
	<u> </u>	<u> </u>
Total Liabilities	8,186	8,186
	<u> </u>	<u> </u>
<u>Net Assets</u>		
Restricted	0	0
	<u> </u>	<u> </u>
Total Net Assets	<u>\$ 0</u>	<u>\$ 0</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

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

The District is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements.

B. Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship. The District has determined that there are no entities, with financial activities that benefited the District, during fiscal year 2009-10, which should be included within its financial reporting entity under GASB 14.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of the component units' relationship with the District. The District has determined that the Ross Valley Schools Foundation meets the criteria set forth in GASB 39. However, audited financial statements were not available for inclusion in the District's financial statements. Accordingly, only the financial activities of the Ross Valley Schools Foundation that flow through the District are presented on page 18 under the caption "Component Unit".

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity, within the governmental and business type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Fund Financial Statements:

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

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 VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

Deferred Revenue:

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

Expenses/Expenditures:

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

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

E. Fund Accounting

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

Major Governmental Funds:

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

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

Non-major Governmental Funds:

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

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

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

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

Special Reserve Fund is used to account for insurance reimbursements and expenditures.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Fiduciary Funds:

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

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 45.

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

G. Use of Estimates

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

H. Encumbrances

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

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

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

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

2. Prepaid Expenses/Expenditures

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

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

3. Capital Assets

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

3. Capital Assets (Concluded)

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

4. Deferred Revenue

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

5. Compensated Absences

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

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

6. Long-term Liabilities

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

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

7. Fund Balance Reserves and Designations

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Liabilities and Equity (Concluded)

8. Revenue Limit/Property Tax

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks	\$ 3,000	\$ 8,186
Cash in Revolving Fund	3,312,494	
County Pool Investments	<u>3,312,494</u>	<u> </u>
Total Deposits and Investments	<u>\$ 3,315,494</u>	<u>\$ 8,186</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash on Hand and in Banks

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

Cash in Revolving Fund

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

County Pool Investments

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

General Authorization

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

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	\$ 3,312,494	\$ 3,318,396	\$ 2,423,253	\$ 889,241

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	\$ 3,312,494	\$ 3,318,396			\$ 3,312,494

Concentration of Credit Risk

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

Custodial Credit Risk - 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, 2010, the District does not have any investments that are held by counterparties.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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. As of June 30, 2010, the District does not have a bank balance that is exposed to custodial credit risk.

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 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

<u>General Fund:</u>	<u>Excess Expenditures</u>
Certificated Salaries	\$ 135,241
Classified Salaries	54,030
Services and Other Operating Expenditures	80,995
Capital Outlay	23,302

The District incurred expenditures in the above classifications for which the budget was not revised.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2010 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 268,463	\$ 2,922	\$ 271,385
State Government	1,701,197		1,701,197
Local Governments	276,948		276,948
Miscellaneous	146,746	1,260	148,006
Totals	<u>\$ 2,393,354</u>	<u>\$ 4,182</u>	<u>\$ 2,397,536</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND ACTIVITIES

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

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for fiscal year 2009-10 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General - District	\$ 879,561	\$ 34,213
General - Component Unit		633,526
Deferred Maintenance		230,206
Cafeteria	34,213	
Capital Facilities	30,199	
Building		30,199
Special Reserve		15,829
	<hr/>	<hr/>
Totals	\$ 943,973	\$ 943,973

Transfer of \$34,213 from General Fund to Cafeteria Fund to supplement child nutrition program.

Transfer of \$633,526 contribution from General Fund - Component Unit to General Fund - District to support educational programs.

Transfer of \$230,206 from Deferred Maintenance Fund to General Fund to utilize flexibility provision.

Transfer of \$30,199 from Building Fund to Capital Facilities Fund to return excess contributions made for work completed at Manor School.

Transfer of \$15,829 from Special Reserve Fund to General Fund to transfer insurance reimbursements.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010, is presented below:

	Balances July 1, 2009	Additions	Deletions	Balances June 30, 2010
Land	\$ 992,328			\$ 992,328
Sites and Improvements	2,592,218			2,592,218
Buildings and Improvements	34,716,157			34,716,157
Furniture and Equipment	453,928	\$ 49,004		502,932
Totals at Historical Cost	38,754,631	49,004	\$ 0	38,803,635
Less Accumulated Depreciation for:				
Sites and Improvements	2,483,597	27,235		2,510,832
Buildings and Improvements	12,718,695	1,262,608		13,981,303
Furniture and Equipment	321,477	41,858		363,335
Total Accumulated Depreciation	15,523,769	1,331,701	0	16,855,470
Governmental Activities Capital Assets, net	<u>\$ 23,230,862</u>	<u>\$ (1,282,697)</u>	<u>\$ 0</u>	<u>\$ 21,948,165</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 845,866
Supervision of Instruction	21,792
Instructional Library and Technology	29,958
School Site Administration	86,688
Home-To-School Transportation	17,433
Food Services	12,054
Other Pupil Services	35,950
Data Processing Services	11,116
Other General Administration	130,905
Plant Services	139,939
Total Depreciation Expense	<u>\$ 1,331,701</u>

NOTE 7 - GENERAL OBLIGATION BONDS

A. Current Interest Bonds

The outstanding general obligation debt of the District as of June 30, 2010 was as follows:

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2009	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2010
6/1/99	4.30-4.60	8/1/12	\$ 5,895,000	\$ 2,595,000		\$ 580,000	\$ 2,015,000
7/1/01	4.25-5.00	8/1/20	8,295,000	6,835,000		340,000	6,495,000
Totals			<u>\$ 14,190,000</u>	<u>\$ 9,430,000</u>	<u>\$ 0</u>	<u>\$ 920,000</u>	<u>\$ 8,510,000</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

A. Current Interest Bonds (Concluded)

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 1,000,000	\$ 378,478	\$ 1,378,478
2012	1,080,000	332,971	1,412,971
2013	1,165,000	282,889	1,447,889
2014	485,000	245,683	730,683
2015	530,000	222,447	752,447
2016-2020	3,395,000	662,750	4,057,750
2021-2025	855,000	21,375	876,375
Totals	\$ 8,510,000	\$ 2,146,593	\$ 10,656,593

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, 2009</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</u>
6/1/99	5.00-5.38	6/1/24	\$ 3,904,790	\$ 6,570,892	\$ 348,884		\$ 6,919,776
7/1/01	5.61	7/1/26	1,704,424	2,646,912	150,584		2,797,496
Totals			\$ 5,609,214	\$ 9,217,804	\$ 499,468	\$ 0	\$ 9,717,272

The outstanding obligation for the Series 1999 capital appreciation bonds at June 30, 2010, was as follows:

<u>Year Ended June 30</u>	<u>Rate %</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2011		\$ 0	\$ 0	\$ 0
2012		0	0	0
2013		0	0	0
2014	5.00	385,415	280,144	665,559
2015	5.10	370,796	276,462	647,258
2016-2020	5.15-5.30	1,690,174	1,301,175	2,991,349
2021-2025	5.30-5.38	1,458,405	1,157,205	2,615,610
Totals		\$ 3,904,790	\$ 3,014,986	\$ 6,919,776

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The annual requirements to amortize the Series 1999 capital appreciation bonds at June 30, 2010, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 0	\$ 0	\$ 0
2012	0	0	0
2013	0	0	0
2014	385,415	389,585	775,000
2015	370,796	424,204	795,000
2016-2020	1,690,174	2,624,826	4,315,000
2021-2025	1,458,405	3,486,595	4,945,000
Totals	<u>\$ 3,904,790</u>	<u>\$ 6,925,210</u>	<u>\$ 10,830,000</u>

The outstanding obligation for the Series 2001 capital appreciation bonds at June 30, 2010, was as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Rate %</u>	<u>Amount of</u> <u>Original Issue</u> <u>(Principal)</u>	<u>Accreted</u> <u>Interest</u>	<u>Totals</u>
2011-2015		\$ 0	\$ 0	\$ 0
2016-2020		0	0	0
2021-2025		0	0	0
2026-2030	5.61	1,704,424	1,093,072	2,797,496
Totals		<u>\$ 1,704,424</u>	<u>\$ 1,093,072</u>	<u>\$ 2,797,496</u>

The annual requirements to amortize the Series 2001 capital appreciation bonds at June 30, 2010, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011-2015	\$ 0	\$ 0	\$ 0
2016-2020	0	0	0
2021-2025	0	0	0
2026-2030	1,704,424	5,075,576	6,780,000
Totals	<u>\$ 1,704,424</u>	<u>\$ 5,075,576</u>	<u>\$ 6,780,000</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL LEASES

The District leases solar equipment valued at \$1,385,000 and copiers valued at \$21,502 under lease agreements that provide for title to pass upon expiration of the lease periods. Future minimum lease payments under these agreements are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease</u> <u>Payments</u>
2011	\$ 137,146
2012	137,146
2013	137,146
2014	137,146
2015	130,384
2016-2020	615,650
2021-2025	<u>71,912</u>
Total	1,366,530
Less amounts representing interest	<u>(280,465)</u>
Present value of net minimum lease payments	<u>\$ 1,086,065</u>

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

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Descriptions: The District provides medical coverage to certificated and classified employees who retire at a minimum age of 55 with at least 10 years of service in the District and are eligible for pension benefits from either California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS).

The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. The District contributes the required statutory PEMHCA contribution (currently \$85.85 per month) for all eligible retirees for life. Under the "Unequal Contribution Provision" the District's retiree medical contribution began at \$1 per month and must increase over 20 years to equal the District's active employee required contribution of \$113.48 per month. This capped amount is a collectively bargained result that is not expected to change in the near future. The retiree is responsible for self-paying 100% of all premiums for 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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The District had 137 active employees and 63 retired employees as of June 30, 2008, the effective date of the biennial OPEB valuation

Funding Policy: The District currently pays for post employment healthcare benefits on a pay-as-you-go basis. Although the District is studying the establishment of a trust to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2010, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation that resulted in a Net OPEB Obligation of \$456,540 for the year ended June 30, 2010.

Normal cost with interest to end of year	\$ 143,000
Amortization of UAAL with interest to end of year	<u>166,000</u>
Annual required contribution (ARC)	309,000
Interest on Net OPEB Obligation	7,800
Adjustment to ARC	<u>(19,400)</u>
Annual OPEB cost (expense)	297,400
Contributions for the fiscal year	<u>(63,958)</u>
Increase in Net OPEB Obligation	233,442
Net OPEB Obligation - June 30, 2009	<u>223,098</u>
Net OPEB Obligation - June 30, 2010	<u><u>\$ 456,540</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation since GASB 45 implementation was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 297,400	21.5%	\$ 456,540
June 30, 2009	296,000	24.6%	223,098

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.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Actuarial Methods and Assumptions: (Concluded)

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

In the June 30, 2008, actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization over a 30 year open basis. The actuarial assumptions utilized a 3.50% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial healthcare cost trend rate of 10%, which grades down to an ultimate rate of 5% by the 6th year.

NOTE 10 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2010, is shown below.

	Balances July 1, 2009	Additions	Deductions	Balances June 30, 2010	Due within One Year
Compensated Absences	\$ 102,441	\$ 115,370	\$ 102,441	\$ 115,370	\$ 115,370
General Obligation Bonds					
Current Interest	9,430,000		920,000	8,510,000	1,000,000
Capital Appreciation	9,217,804	499,468		9,717,272	
Capital Leases	1,148,949	21,502	84,386	1,086,065	88,994
Other Post Employment Benefits	223,098	297,400	63,958	456,540	
Totals	<u>\$ 20,122,292</u>	<u>\$ 933,740</u>	<u>\$ 1,170,785</u>	<u>\$ 19,885,247</u>	<u>\$ 1,204,364</u>

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - FUND BALANCES

The District's fund balances at June 30, 2010 consisted of the following:

	<u>General Fund</u>	<u>Bond Interest & Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Reserved For:				
Revolving Fund	\$ 3,000		\$ 3,000	
Prepaid Expenditures	3,459			3,459
Debt Service		\$ 1,235,104		1,235,104
Legally Restricted Balances	303,696			303,696
Unreserved:				
Designated For:				
Economic Uncertainties	531,882			531,882
Other Designations	354,588		\$ 85,244	439,832
Undesignated	<u>1,797,537</u>		<u>117,183</u>	<u>1,914,720</u>
Total Fund Balances	<u>\$ 2,994,162</u>	<u>\$ 1,235,104</u>	<u>\$ 202,427</u>	<u>\$ 4,431,693</u>

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

A. State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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

Funding Policy (Concluded)

The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ended June 30, 2010, 2009, and 2008, were \$700,663, \$703,061, and \$697,346, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-10 was 9.709%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2010, 2009, and 2008, were \$256,157, \$251,437, and \$237,867, respectively, and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2% of an employee's gross earnings. An employee is required to contribute 6.2% of his or her gross earnings.

NOTE 13 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS) for K-12 education. These payments consist of state general fund contributions of \$360,499 to STRS (4.267% of salaries subject to STRS).

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 2009-10, the District participated in two joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years.

NOTE 15 - JOINT VENTURES

A. Marin Pupil Transportation Agency (MPTA)

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

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

B. Marin Schools Insurance Authority (MSIA)

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

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

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

C. Schools Excess Liability Fund (SELF)

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - JOINT VENTURES (CONCLUDED)

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

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

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

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 17 - ECONOMIC DEPENDENCY

During the year, the District received \$2,227,479 of parcel tax revenue that is subject to voter approval, and \$633,526 from the Ross Valley Schools Foundation, a non-profit charitable organization, that is subject to voluntary public contributions to the organization.

NOTE 18 - FUTURE GASB IMPLEMENTATION

In March of 2009, the GASB issued GASB Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definition*, with required implementation for the District during the year ended June 30, 2011. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 provides for fund balance classifications such as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 19 - SUBSEQUENT EVENT

Bond Election

On November 2, 2010, the voters within the District voted to authorize the issuance of up to \$41,000,000 of bonds. The net proceeds from the future sale of bonds will be used to upgrade and expand school facilities during fiscal year 2010-11 and future years.

SUPPLEMENTARY INFORMATION SECTION

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionment	\$ 6,613,879	\$ 6,422,463	\$ 6,355,788	\$ (66,675)
Local Sources	3,345,107	3,051,594	3,123,721	72,127
Total Revenue Limit Sources	9,958,986	9,474,057	9,479,509	5,452
Federal Revenue	462,637	745,248	730,277	(14,971)
Other State Revenue	1,975,796	1,842,556	1,921,173	78,617
Other Local Revenue	4,065,374	4,398,156	4,409,708	11,552
Total Revenues	16,462,793	16,460,017	16,540,667	80,650
<u>Expenditures</u>				
Certificated Salaries	8,839,725	8,659,272	8,794,513	(135,241)
Classified Salaries	2,756,244	2,720,243	2,774,273	(54,030)
Employee Benefits	2,836,882	2,974,651	2,724,545	250,106
Books and Supplies	532,682	760,633	678,545	82,088
Services and Other				
Operating Expenditures	1,960,864	2,291,539	2,372,534	(80,995)
Capital Outlay		1,157	24,459	(23,302)
Debt Service:				
Principal Retirement	82,120	84,386	84,386	
Interest and Fiscal Charges	48,810	51,660	51,206	454
Other Expenditures	207,254	185,433	178,338	7,095
Total Expenditures	17,264,581	17,728,974	17,682,799	46,175
Excess of Revenues (Under) Expenditures	(801,788)	(1,268,957)	(1,142,132)	126,825
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In		208,145	246,035	37,890
Operating Transfers Out	(113,092)	(27,070)	(34,213)	(7,143)
Other Sources			21,502	21,502
Total Other Financing Sources (Uses)	(113,092)	181,075	233,324	52,249
Net Change in Fund Balances	(914,880)	(1,087,882)	(908,808)	\$ 179,074
Fund Balances - July 1, 2009	3,902,970	3,902,970	3,902,970	
Fund Balances - June 30, 2010	\$ 2,988,090	\$ 2,815,088	\$ 2,994,162	

ROSS VALLEY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>
<u>Assets</u>		
Deposits and Investments	\$ 66	\$ 1,341
Receivables		4,182
Total Assets	<u>\$ 66</u>	<u>\$ 5,523</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable		\$ 5,523
Total Liabilities		<u>5,523</u>
Fund Balances:		
Unreserved:		
Designated		
Undesignated	<u>\$ 66</u>	
Total Fund Balances	<u>66</u>	
Total Liabilities and Fund Balances	<u>\$ 66</u>	<u>\$ 5,523</u>

Capital Facilities	Building	Special Reserve	Total Non-Major Governmental Funds
\$ 179,477	\$ 26,555	\$ 38,058	\$ 245,497
			4,182
<u>\$ 179,477</u>	<u>\$ 26,555</u>	<u>\$ 38,058</u>	<u>\$ 249,679</u>
\$ 3,223	\$ 500	\$ 38,006	\$ 47,252
<u>3,223</u>	<u>500</u>	<u>38,006</u>	<u>47,252</u>
59,244	26,000		85,244
<u>117,010</u>	<u>55</u>	<u>52</u>	<u>117,183</u>
176,254	26,055	52	202,427
<u>\$ 179,477</u>	<u>\$ 26,555</u>	<u>\$ 38,058</u>	<u>\$ 249,679</u>

ROSS VALLEY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>
<u>Revenues</u>		
Federal Revenue		\$ 77,701
State Revenue		5,962
Local Revenue	\$ 66	43,117
Total Revenues	<u>66</u>	<u>126,780</u>
<u>Expenditures</u>		
Food Services		160,085
Other General Administration		3,716
Facilities Acquisition and Construction		
Total Expenditures	<u>0</u>	<u>163,801</u>
Excess of Revenues Over (Under) Expenditures	<u>66</u>	<u>(37,021)</u>
<u>Other Financing Sources (Uses)</u>		
Operating Transfers In		34,213
Operating Transfers Out	(230,206)	
Total Other Financing Sources (Uses)	<u>(230,206)</u>	<u>34,213</u>
Net Change in Fund Balances	(230,140)	(2,808)
Fund Balances - July 1, 2009	230,206	2,808
Fund Balances - June 30, 2010	<u>\$ 66</u>	<u>\$ 0</u>

<u>Capital Facilities</u>	<u>Building</u>	<u>Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
			\$ 77,701
			5,962
\$ 56,496	\$ 555	\$ 256	100,490
56,496	555	256	184,153
			160,085
			3,716
21,018	1,000		22,018
21,018	1,000	0	185,819
35,478	(445)	256	(1,666)
30,199	(30,199)	(15,829)	64,412
			(276,234)
30,199	(30,199)	(15,829)	(211,822)
65,677	(30,644)	(15,573)	(213,488)
110,577	56,699	15,625	415,915
<u>\$ 176,254</u>	<u>\$ 26,055</u>	<u>\$ 52</u>	<u>\$ 202,427</u>

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<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>
6/30/08	\$ 0	\$ 4,744,000	\$ 4,744,000	0%	\$ 8,031,900	59.1%

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT
ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

ORGANIZATION

The Ross Valley School District operates four elementary schools and one middle school, and serves the San Anselmo and Fairfax communities in Marin County, California. There were no changes in District boundaries during the year.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Sharon Sagar	President	December 2011
Heidi Kritschner Weller	Clerk	December 2013
Rick McCallum	Member	December 2011
Conn Hickey	Member	December 2011
Chris Carlucci, M.D.	Member	December 2013

ADMINISTRATION

Catalina Nocon
Interim Superintendent

Kathleen Clow
Business Manager

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Second Period <u>Report</u>	Annual <u>Report</u>
<u>Elementary</u>		
Kindergarten	244.11	245.08
First through Third	731.22	734.36
Fourth through Sixth	575.74	575.03
Seventh and Eighth	339.58	339.14
Home and Hospital	0.50	0.38
Special Education	14.80	14.92
Extended Year	2.40	2.40
	<u>1,908.35</u>	<u>1,911.31</u>
Totals		

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Adjusted 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Required</u>	<u>Adjusted 1986-87 Minutes Required</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	32,400	31,500	36,000	35,000	42,550	180	N/A	In Compliance
Grade 1	45,900	44,625	50,400	49,000	54,410	180	N/A	In Compliance
Grade 2	45,900	44,625	50,400	49,000	54,410	180	N/A	In Compliance
Grade 3	45,900	44,625	50,400	49,000	54,410	180	N/A	In Compliance
Grade 4	54,480	52,967	54,000	52,500	54,890	180	N/A	In Compliance
Grade 5	54,480	52,967	54,000	52,500	54,890	180	N/A	In Compliance
Grade 6	54,480	52,967	54,000	52,500	65,407	180	N/A	In Compliance
Grade 7	56,625	55,052	54,000	52,500	66,014	180	N/A	In Compliance
Grade 8	56,625	55,052	54,000	52,500	66,014	180	N/A	In Compliance

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Agriculture: Passed through California Department of Education (CDE): National School Lunch	10.555	13524	\$ 77,701
U.S. Department of Education: Passed through CDE:			
NCLB: Title I - Basic Grants	84.010	14329	83,808
NCLB: Title V - Innovative Education Strategies	84.298	14354	642
NCLB: Title II - Improving Teacher Quality	84.367	14341	65,813
NCLB: Title III - Immigrant Education	84.365	14346	5,146
NCLB: Title IV - Drug Free Schools	84.186	14347	4,223
NCLB: Title III - Limited English Proficient	84.365	10084	8,170
ARRA State Fiscal Stabilization Fund	84.394	25008	646,169
<i>Special Education Cluster:</i>			
Special Education: IDEA Part B - Local Assistance	84.027	13379	279,245
Special Education: ARRA IDEA Part B - Local Assistance	84.391	15003	209,162
Total			<u>\$ 1,380,079</u>

ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Auditor's Comments

The audited financial statements of all funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2010.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	GENERAL FUND			
	(Budget)* 2010-11	2009-10	2008-09	2007-08
Revenues and Other Financial Sources	\$ 16,674,087	\$ 16,808,204	\$ 17,888,370	\$ 17,114,489
Expenditures	17,636,827	17,682,799	17,076,220	17,116,380
Other Uses and Transfers Out	15,814	34,213	84,500	135,170
Total Outgo	17,652,641	17,717,012	17,160,720	17,251,550
Change in Fund Balance	(978,554)	(908,808)	727,650	(137,061)
Ending Fund Balance	\$ 2,015,608	\$ 2,994,162	\$ 3,902,970	\$ 3,175,320
Available Reserves	\$ 1,396,088	\$ 2,329,419	\$ 2,389,112	\$ 2,126,070
Designated for Economic Uncertainties	\$ 529,580	\$ 531,882	\$ 858,036	\$ 862,577
Undesignated Fund Balance	\$ 866,508	\$ 1,797,537	\$ 1,531,076	\$ 1,263,493
Available Reserves as a Percentage of Total Outgo	7.9%	13.1%	13.9%	12.3%
Average Daily Attendance at P-2	1,971	1,908	1,869	1,794
Total Long-Term Liabilities	\$ 18,680,883	\$ 19,885,247	\$ 20,122,292	\$ 20,333,583

* The amounts reported for the 2010-11 budget are presented for analytical purposes only and have not been audited.

The fund balance of the General Fund decreased \$181,158 (5.7%) over the past two years. The fiscal year 2010-11 budget projects a decrease of \$978,554 (32.7%). For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The General Fund produced an operating surplus of \$727,650 during fiscal year 2008-09, and incurred operating deficits of \$137,061 and \$908,808, during fiscal years 2007-08 and 2009-10, respectively.

Average daily attendance increased 114 ADA over the past two years. The District projects an increase of 63 ADA during fiscal year 2010-11.

Total long-term liabilities decreased \$448,336 over the past two years, due primarily to the reduction of the District's obligation for general obligation bonds and capital leases.

ROSS VALLEY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

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

B. Combining Statements

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

C. Schedule of Funding Progress

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

D. Schedule of Average Daily Attendance

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

E. Schedule of Instructional Time

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

F. Schedule of Expenditures of Federal Awards

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

ROSS VALLEY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

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

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

H. Schedule of Financial Trends and Analysis

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

REPORT ON STATE COMPLIANCE

Board of Education
Ross Valley School District
San Anselmo, California

We have audited the basic financial statements of Ross Valley School District, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 6, 2010. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of California Code of Regulations, Title 5, Education, Section 19810 and following; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

<u>Description</u>	<u>Procedures in Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable
Instructional Time for School Districts	6	Yes
Instructional Time for County Offices of Education	3	Not Applicable
Instructional Materials Program:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes

<u>Description</u>	Procedures In Education Audit Appeals Panel's <u>Audit Guide</u>	<u>Procedures Performed</u>
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools With Only One School Serving Grades K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Contemporaneous Records of Attendance For Charter Schools	1	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	3	Not Applicable

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

Based on our audit, we found that, for the items tested, the Ross Valley School District complied with the state laws and regulations of the state programs referred to above, except as described at **10 - 2 / 72000** in the accompanying Schedule of Findings and Questioned Costs. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Ross Valley School District had not complied with the state laws and regulations.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
 Certified Public Accountants

December 6, 2010

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Education
Ross Valley School District
San Anselmo, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified one deficiency in internal control over financial reporting that is described in **10 - 1 /30000** in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiency in internal control over financial reporting.

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.

Compliance and Other Matters

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

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the response and, accordingly, we express no opinion on it.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 6, 2010

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Ross Valley School District
San Anselmo, California

Compliance

We have audited the compliance of Ross Valley School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on Ross Valley School District's compliance based on our audit.

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

In our opinion, Ross Valley School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Ross Valley School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 6, 2010

FINDINGS AND QUESTIONED COSTS SECTION

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

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

<u>CFDA Number</u>	<u>Federal Program</u>
84.394	ARRA State Fiscal Stabilization Fund
84.027/84.391	Special Education Cluster

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

Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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State Awards

Internal control over state programs:

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

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

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

10 - 1 / 300000

SIGNIFICANT DEFICIENCY

STUDENT BODY - CASH RECEIPTS

<u>Criteria:</u>	Cash receipts collected from student body fundraisers should be counted and summarized on cash deposit summary sheets that are signed by the individual(s) who counted the cash, prior to it being submitted to the student body account clerk for deposit.
<u>Condition:</u>	Cash deposit summaries are not being signed on a consistent basis by individuals who submit cash to the student body account clerk for deposit.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The condition existed throughout fiscal year 2009-10.
<u>Effect:</u>	There is no way to determine the completeness of cash receipts if cash is not counted and summarized on cash deposit summary sheets that are signed by the individual(s) who counted the cash, prior to it being submitted to the student body account clerk for deposit. As a result, improprieties may occur and not be detected in a timely manner.
<u>Cause:</u>	The District has not adequately enforced student body procedures that require cash deposit summary sheets to be completed and signed by the individual(s) who submit cash to the student body account clerk for deposit.
<u>Recommendation:</u>	The District should actively enforce student body procedures that require cash deposit summary sheets to be completed and signed by the individual(s) who submit cash to the student body account clerk for deposit.
<u>District Response:</u>	The District will actively enforce student body procedures that require cash deposit summary sheets to be completed and signed by the individual(s) who submit cash to the student body account clerk for deposit.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2010.

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

10 - 2 / 72000

SIGNIFICANT DEFICIENCY

SCHOOL ACCOUNTABILITY REPORT CARD

<u>Criteria:</u>	In accordance with state law, Districts must annually update and disseminate School Accountability Report Cards to provide current information to parents and other members of the public.
<u>Condition:</u>	The District did not complete and disseminate the School Accountability Report Cards (Data from the 2008-09 School Year, Published during the 2009-10 School Year) for each of its schools before the end of the 2009-10 school year.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The fiscal year 2009-10 School Accountability Report Cards had still not been completed and disseminated prior to the start of the 2010-11 school year.
<u>Effect:</u>	The District did not comply with state requirements.
<u>Cause:</u>	Due to staff reductions and employee reassignments, completion of the School Accountability Report Cards was not a priority during fiscal year 2009-10.
<u>Recommendation:</u>	The District should establish procedures to ensure that all future School Accountability Report Cards are properly completed and disseminated to parents and the public, in accordance with state law.
<u>District Response:</u>	The District will establish procedures to ensure that all future School Accountability Report Cards are completed and disseminated to parents and the public, in accordance with state law.

ROSS VALLEY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

There were no matters reported in the prior audit report.

