

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

**AUDIT REPORT**

**JUNE 30, 2016**

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2016

---

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Notes to the Basic Financial Statements	21
<u>REQUIRED SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	55
Schedule of Funding Progress	56
Schedule of the Proportionate Share of the Net Pension Liability - CalSTRS	57
Schedule of the Proportionate Share of the Net Pension Liability - CalPERS	58
Schedule of Contributions - CalSTRS	59
Schedule of Contributions - CalPERS	60
Notes to Required Supplementary Information	61

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2016

---

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Combining Statements:	
Combining Balance Sheet - Non-Major Governmental Funds	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	64
Organization/Board of Education/Administration	65
Schedule of Average Daily Attendance	66
Schedule of Instructional Time	67
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	68
Schedule of Financial Trends and Analysis	69
Notes to Supplementary Information	70
<u>OTHER INDEPENDENT AUDITOR'S REPORTS SECTION</u>	
Independent Auditor's Report on State Compliance	71
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
<u>FINDINGS AND QUESTIONED COSTS SECTION</u>	
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	77
Section II - Financial Statement Findings	78
Section III - State Award Findings and Questioned Costs	79
Status of Prior Year Recommendations	82

FINANCIAL SECTION

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Ross Valley School District  
San Anselmo, California

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

Basis for Adverse Opinion on Discretely Presented Component Unit

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

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District, as of June 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the budgetary comparison information on page 55, schedule of funding progress on page 56, schedules of the proportionate share of the net pension liabilities on pages 57 and 58, and schedules of contributions on pages 59 and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Concluded)

*Other Information*

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016 on our consideration of the Ross Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ross Valley School District's internal control over financial reporting and compliance.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 8, 2016

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

(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, 2016. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 15 and 16, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 17 through 20, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

**FINANCIAL HIGHLIGHTS**

- The District's overall financial status declined during the 2015-16 fiscal year, as total net position decreased \$426,121.
- On the Statement of Activities, total current year expenses and loss from disposal of capital assets exceeded total current year revenues by \$426,121.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year revenues and other financing sources exceeded total current year expenditures and other financing uses by \$5,743,366.
- Capital assets, net of depreciation and loss from disposal of assets, increased \$779,457 due to the current year acquisition and/or construction of \$2,720,708 of new capital assets, and current year recognition of \$1,941,251 of depreciation expense.
- Total long-term liabilities increased \$9,869,915 due primarily to the net effect of a \$11,525,366 increase in general obligation bonds, a \$5,710,000 decrease in bond anticipation notes, and a \$3,735,699 increase in net pension liabilities.
- The District's P-2 average daily attendance (ADA) increased slightly from 2,224 ADA in fiscal year 2014-15, up to 2,227 ADA in fiscal year 2015-16, an increase of 3 ADA or less than 1%.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2015-16, General Fund expenditures and other financing uses totaled \$24,349,831. At June 30, 2016, the District had available reserves of \$4,326,642, which represents a reserve of 17.8%.

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

(PREPARED BY DISTRICT MANAGEMENT)

---

**THE FINANCIAL REPORT**

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
  - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
  - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund 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 Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

(PREPARED BY DISTRICT MANAGEMENT)

---

**THE FINANCIAL REPORT (CONCLUDED)**

**Reporting the District as a Whole (Concluded)**

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

*Governmental Activities:*

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

*Business-type Activities:*

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

**Reporting the District's Most Significant Funds**

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

*Governmental Funds:*

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

*Proprietary Funds:*

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

*Fiduciary Funds:*

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate fiduciary statement. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District has no funds of this type.

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

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

GOVERNMENTAL ACTIVITIES

The District's net position decreased \$426,121 during fiscal year 2015-16.

<b><u>Comparative Statement of Net Position</u></b>		
	Governmental Activities	
	2015	2016
<u>Assets</u>		
Deposits and Investments	\$ 12,864,248	\$ 18,159,492
Receivables	932,488	1,095,883
Capital Assets, net	44,389,384	45,168,841
Total Assets	<u>58,186,120</u>	<u>64,424,216</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals	1,876,609	2,509,466
Deferred Amount on Refunding	170,371	136,855
Total Deferred Outflows of Resources	<u>2,046,980</u>	<u>2,646,321</u>
<u>Liabilities</u>		
Current	4,173,724	3,810,602
Long-term	64,429,593	74,425,968
Total Liabilities	<u>68,603,317</u>	<u>78,236,570</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	4,440,985	2,071,290
<u>Net Position</u>		
Net Investment in Capital Assets	7,153,832	6,143,769
Restricted for Capital Projects	233,129	291,044
Restricted for Debt Service (Deficit)	(4,407,771)	(4,473,120)
Restricted for Educational Programs	71,396	256,931
Restricted for Other Purposes	26,987	30,511
Unrestricted (Deficit)	<u>(15,888,775)</u>	<u>(15,486,458)</u>
Total Net Position (Deficit)	<u>\$ (12,811,202)</u>	<u>\$ (13,237,323)</u>

*Table includes financial data of the combined governmental funds*

The restricted for debt service deficit balance primarily reflects that the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds currently exceeds the amount available in the Bond Interest and Redemption Fund. The unrestricted deficit balance is due primarily to the requirement for the District to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

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

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses and loss on disposal of capital assets exceeded total current year revenues by \$426,121.

<b><u>Comparative Statement of Changes in Net Position</u></b>		
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
<u>Program Revenues</u>		
Charges for Services	\$ 405,861	\$ 321,479
Operating Grants & Contributions	3,579,231	3,976,995
<u>General Revenues</u>		
Taxes Levied	11,486,873	15,879,980
Federal & State Aid	10,306,932	8,502,382
Other Revenues	423,839	876,037
Total Revenues	<u>26,202,736</u>	<u>29,556,873</u>
<u>Expenses</u>		
Instruction	16,045,319	17,652,216
Instruction-Related Services	2,445,040	2,565,137
Pupil Services	2,000,005	2,688,913
General Administration	1,567,519	1,798,029
Plant Services	2,382,601	2,204,943
Interest on Long-Term Debt	2,098,992	2,458,913
Other Expenses	261,152	583,962
Total Expenses	<u>26,800,628</u>	<u>29,952,113</u>
Changes in Net Position		
Before Special Item	(597,892)	(395,240)
Special Item - (Loss)	<u>0</u>	<u>(30,881)</u>
Changes in Net Position	(597,892)	(426,121)
Net Position, Beginning (Deficit)	<u>(12,213,310)</u>	<u>(12,811,202)</u>
Net Position, Ending (Deficit)	<u>\$ (12,811,202)</u>	<u>\$ (13,237,323)</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, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

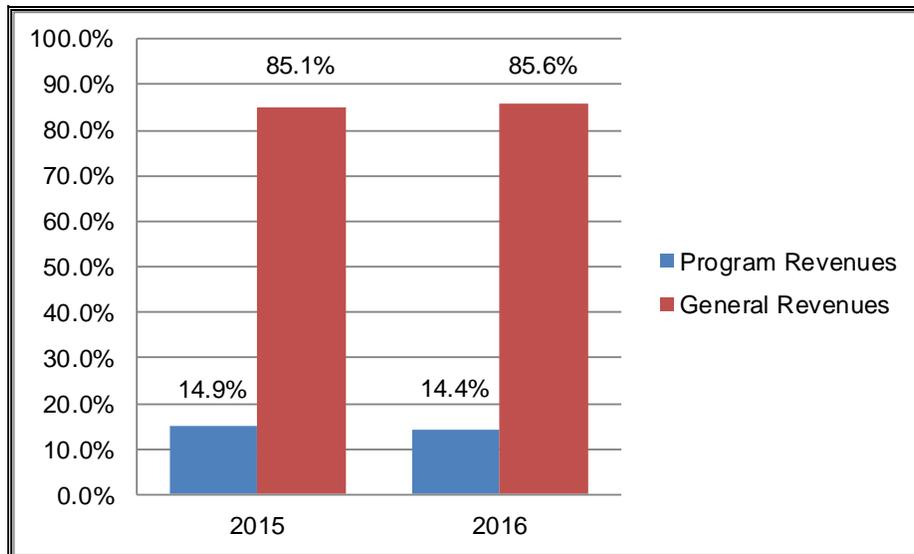
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2015	2016	2015	2016
Instruction	\$ 16,045,319	\$ 17,652,216	\$ 13,490,507	\$ 14,807,170
Instruction-Related Services	2,445,040	2,565,137	2,265,175	2,366,926
Pupil Services	2,000,005	2,688,913	1,042,077	1,675,395
General Administration	1,567,519	1,798,029	1,527,740	1,745,671
Plant Services	2,382,601	2,204,943	2,382,545	2,164,259
Interest on Long-Term Debt	2,098,992	2,458,913	2,098,992	2,458,913
Other Expenses	261,152	583,962	8,500	435,305
<b>Totals</b>	<b>\$ 26,800,628</b>	<b>\$ 29,952,113</b>	<b>\$ 22,815,536</b>	<b>\$ 25,653,639</b>

*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 \$25,653,639 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2015-16, program revenues financed 14.4% of the total cost of providing the services listed above, while the remaining 85.6% was financed by the general revenues of the District.

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

(PREPARED BY DISTRICT MANAGEMENT)

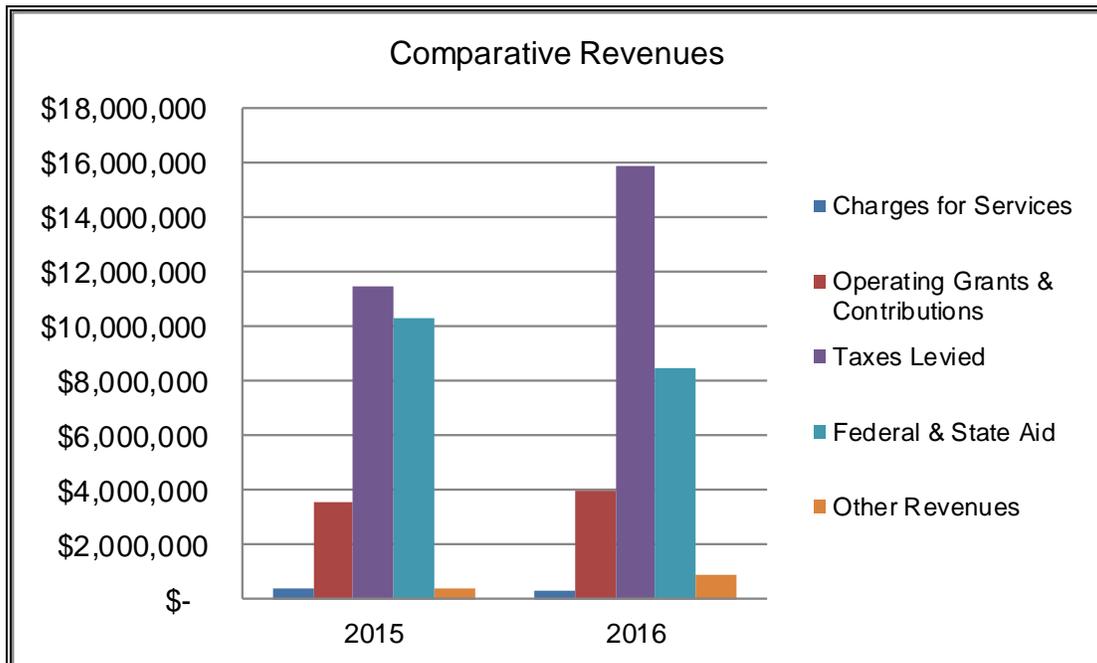
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

**Summary of Revenues For Governmental Functions**

	FYE 2015 Amount	Percent of Total	FYE 2016 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 405,861	1.55%	\$ 321,479	1.09%
Operating Grants & Contributions	3,579,231	13.66%	3,976,995	13.46%
<u>General Revenues</u>				
Taxes Levied	11,486,873	43.84%	15,879,980	53.73%
Federal & State Aid	10,306,932	39.34%	8,502,382	28.77%
Other Revenues	423,839	1.62%	876,037	2.96%
<b>Total Revenues</b>	<b>\$ 26,202,736</b>	<b>100.00%</b>	<b>\$ 29,556,873</b>	<b>100.00%</b>

*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, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

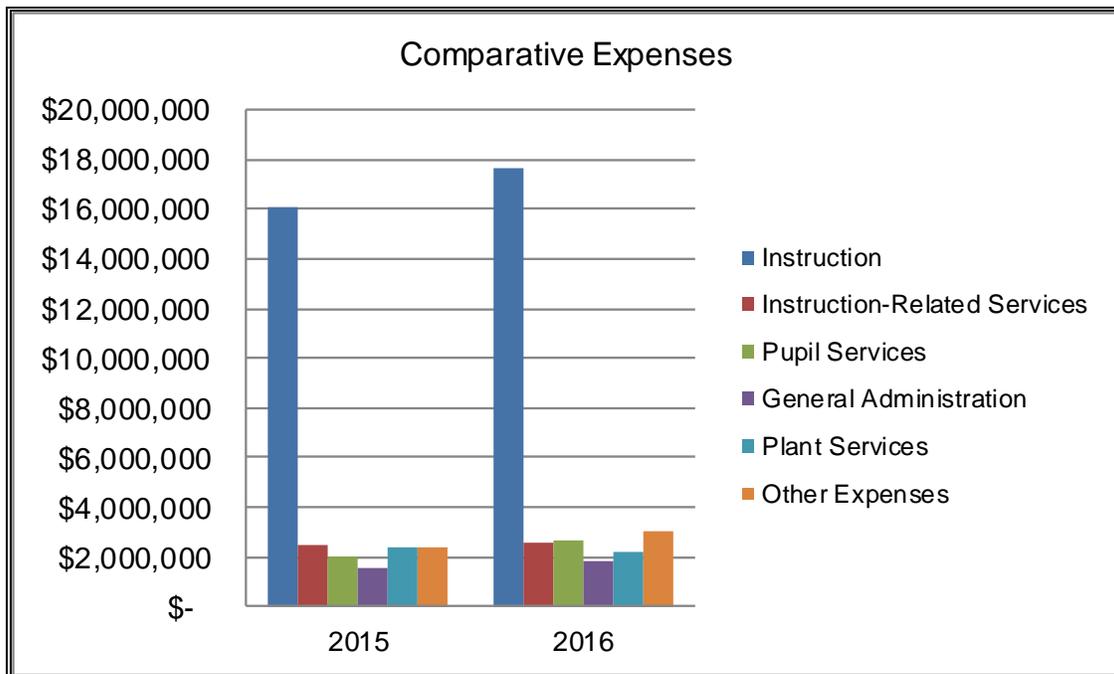
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

**Summary of Expenses For Governmental Functions**

<u>Expenses</u>	<u>FYE 2015 Amount</u>	<u>Percent of Total</u>	<u>FYE 2016 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 16,045,319	59.87%	\$ 17,652,216	58.93%
Instruction-Related Services	2,445,040	9.12%	2,565,137	8.56%
Pupil Services	2,000,005	7.46%	2,688,913	8.98%
General Administration	1,567,519	5.85%	1,798,029	6.00%
Plant Services	2,382,601	8.89%	2,204,943	7.36%
Other Expenses	2,360,144	8.81%	3,042,875	10.16%
<b>Total Expenses</b>	<b>\$ 26,800,628</b>	<b>100.00%</b>	<b>\$ 29,952,113</b>	<b>100.00%</b>

*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, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Comparative Schedule of Capital Assets</u></b>		
	Governmental Activities	
	2015	2016
Land	\$ 992,328	\$ 992,328
Sites and Improvements	2,789,879	2,789,879
Buildings and Improvements	61,557,153	64,229,778
Furniture and Equipment	1,552,857	1,552,857
Work-in-Progress	1,195,814	1,186,989
Subtotals	68,088,031	70,751,831
Less: Accumulated Depreciation	<u>(23,698,647)</u>	<u>(25,582,990)</u>
Capital Assets, net	<u>\$ 44,389,384</u>	<u>\$ 45,168,841</u>

Capital assets, net of depreciation and loss from disposal of assets, increased \$779,457 due to the current year acquisition and/or construction of \$2,720,708 of new capital assets, and current year recognition of \$1,941,251 of depreciation expense.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2015	2016
Bond Anticipation Notes	\$ 5,520,361	\$ 0
Compensated Absences	57,958	56,234
General Obligation Bonds	41,345,714	52,871,080
Bond Premium	1,797,399	2,039,338
Capital Leases	610,832	506,499
Other Post Employment Benefits	374,276	367,605
Net Pension Liability - CalSTRS	13,822,760	16,660,602
Net Pension Liability - CalPERS	3,018,677	3,916,534
Totals	<u>\$ 66,547,977</u>	<u>\$ 76,417,892</u>

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

(PREPARED BY DISTRICT MANAGEMENT)

---

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

**GOVERNMENTAL ACTIVITIES (CONCLUDED)**

Total long-term liabilities increased \$9,869,915 due primarily to the net effect of a \$11,525,366 increase in general obligation bonds, a \$5,710,000 decrease in bond anticipation notes, and a \$3,735,699 increase in net pension liabilities. The general obligation bonds are financed by local taxpayers and represent 69.2% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current debt issues. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

The fund balance of the General Fund increased \$1,173,337 during fiscal year 2015-16, while the combined fund balances of the other District governmental funds increased \$4,570,029 due primarily to bond proceeds received during fiscal year 2015-16 that were unspent at June 30, 2016.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. For the P-1 attendance reporting period, the District expects a decrease of 94 ADA (98 enrollment) in fiscal year 2016-17. In addition, the District expects that the State Board of Education approved charter will begin operation in 2017-18. The Ross Valley Charter claims to have 117 current Ross Valley School District students meaningfully enrolled in the charter. This loss does not have the prior year ADA funding guarantee.

On November 4, 2014, the voters of the State of California elected to approve Proposition 2 (State Budget: Budget Stabilization Account. Legislative Constitutional Amendment). The measure will alter the existing requirements for the Budget Stabilization Account (BSA) that was originally established with Proposition 58, passed in 2004. Proposition 2 is set to create a distinct budget stabilization fund known as the "Proposition 98 Reserve" or Public School System Stabilization Account (PSSSA). Proposition 2 also includes a provision that will limit the amount that many school districts may hold in reserves in future years. At this time, the fiscal impact of Proposition 2 is not immediately clear, since the ultimate impact will largely depend on how it is implemented at the state and local levels moving forward.

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

(PREPARED BY DISTRICT MANAGEMENT)

---

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

Fiscal year 2016-17 will be the fourth year of the projected eight year phase-in period for the new Local Control Funding Formula (LCFF). Although more information regarding the new funding and accountability standards was released during the past year, it is very likely that there will be additional modifications in the future. As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**ROSS VALLEY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 18,159,492
Receivables (Note 3)	1,095,883
Capital Assets (Note 5)	
Land	992,328
Sites and Improvements	2,789,879
Buildings and Improvements	64,229,778
Furniture and Equipment	1,552,857
Work-in-Progress	1,186,989
Less: Accumulated Depreciation	(25,582,990)
Total Assets	64,424,216
<b><u>Deferred Outflows of Resources</u></b>	
Pension Deferrals (Note 10)	2,509,466
Bond Refunding (Note 1H)	136,855
Total Deferred Outflows of Resources	2,646,321
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	1,144,627
Accrued Interest Payable	592,729
Unearned Revenue (Note 1H)	81,322
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	56,234
General Obligation Bonds (Note 6)	
Current Interest	870,000
Capital Appreciation	860,000
Bond Premium (Note 1H)	103,863
Capital Leases (Note 8)	101,827
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	
Current Interest	37,210,000
Capital Appreciation	13,931,080
Bond Premium (Note 1H)	1,935,475
Capital Leases (Note 8)	404,672
Other Post Employment Benefits (Note 9)	367,605
Net Pension Liabilities (Note 10)	20,577,136
Total Liabilities	78,236,570
<b><u>Deferred Inflows of Resources</u></b>	
Pension Deferrals (Note 10)	2,071,290
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	6,143,769
Restricted:	
For Capital Projects	291,044
For Debt Service (Deficit)	(4,473,120)
For Educational Programs	256,931
For Other Purposes	30,511
Unrestricted (Deficit)	(15,486,458)
Total Net Position (Deficit)	\$ (13,237,323)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

<b>Functions</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b><u>Governmental Activities</u></b>					
Instruction	\$ 17,652,216		\$ 2,845,046		\$ (14,807,170)
Instruction-Related Services:					
Supervision of Instruction	262,555		56,977		(205,578)
Instructional Library and Technology	655,368		45,809		(609,559)
School Site Administration	1,647,214		95,425		(1,551,789)
Pupil Services:					
Home-to-School Transportation	252,398		64,706		(187,692)
Food Services	506,397	\$ 321,479	125,535		(59,383)
Other Pupil Services	1,930,118		501,798		(1,428,320)
General Administration:					
Data Processing Services	41,589				(41,589)
Other General Administration	1,756,440		52,358		(1,704,082)
Plant Services	2,204,943		40,684		(2,164,259)
Ancillary Services	27,080		26,056		(1,024)
Community Services	1,969		1,970		1
Interest on Long-Term Debt	2,458,913				(2,458,913)
Other Outgo	554,913		120,631		(434,282)
<b>Total Governmental Activities</b>	<b>\$ 29,952,113</b>	<b>\$ 321,479</b>	<b>\$ 3,976,995</b>	<b>\$ 0</b>	<b>(25,653,639)</b>
<b><u>General Revenues</u></b>					
Taxes Levied for General Purposes					9,149,323
Taxes Levied for Debt Service					3,065,880
Taxes Levied for Specific Purposes					3,664,777
Federal and State Aid - Unrestricted					8,502,382
Interest and Investment Earnings					29,668
Miscellaneous					846,369
<b>Total General Revenues</b>					<b>25,258,399</b>
<b><u>Special Item</u></b>					
Loss from Disposition of Capital Assets					(30,881)
<b>Change in Net Position</b>					<b>(426,121)</b>
Net Position (Deficit) - July 1, 2015					(12,811,202)
<b>Net Position (Deficit) - June 30, 2016</b>					<b>\$ (13,237,323)</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Deposits and Investments (Note 2)	\$ 5,017,075	\$ 2,865,310	\$ 9,774,351	\$ 502,756	\$ 18,159,492
Receivables (Note 3)	1,071,092			24,791	1,095,883
Due from Other Funds (Note 4)				2,876	2,876
Total Assets	<u>\$ 6,088,167</u>	<u>\$ 2,865,310</u>	<u>\$ 9,774,351</u>	<u>\$ 530,423</u>	<u>\$ 19,258,251</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable	\$ 825,714		\$ 269,965	\$ 48,948	\$ 1,144,627
Due to Other Funds (Note 4)	2,876				2,876
Unearned Revenue (Note 1H)	81,322				81,322
Total Liabilities	<u>909,912</u>		<u>269,965</u>	<u>48,948</u>	<u>1,228,825</u>
Fund Balances: (Note 13)					
Nonspendable	3,000				3,000
Restricted	256,931	\$ 2,865,310	9,504,386	323,458	12,950,085
Assigned	591,682			158,017	749,699
Unassigned	4,326,642				4,326,642
Total Fund Balances	<u>5,178,255</u>	<u>2,865,310</u>	<u>9,504,386</u>	<u>481,475</u>	<u>18,029,426</u>
Total Liabilities and Fund Balances	<u>\$ 6,088,167</u>	<u>\$ 2,865,310</u>	<u>\$ 9,774,351</u>	<u>\$ 530,423</u>	<u>\$ 19,258,251</u>

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

---

**Total Fund Balances - Governmental Funds** \$ 18,029,426

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

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

Capital Assets	\$ 70,751,831	
Accumulated Depreciation	<u>(25,582,990)</u>	
Net		45,168,841

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

438,176

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

136,855

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

(592,729)

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

Compensated Absences	56,234	
General Obligation Bonds - Current Interest	38,080,000	
General Obligation Bonds - Capital Appreciation	14,791,080	
Bond Premium	2,039,338	
Capital Leases	506,499	
Other Post Employment Benefits	367,605	
Net Pension Liability - CalSTRS	16,660,602	
Net Pension Liability - CalPERS	3,916,534	
Total		<u>(76,417,892)</u>

**Total Net Position (Deficit) - Governmental Activities** \$ (13,237,323)

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

	<b>General</b>	<b>Bond Interest and Redemption</b>	<b>Building</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Revenues</u></b>					
LCFF Sources:					
State Apportionment / Transfers	\$ 6,940,940				\$ 6,940,940
Local Taxes	9,149,323				9,149,323
Total LCFF Sources	16,090,263				16,090,263
Federal Revenue	610,055			\$ 105,894	715,949
State Revenue	2,725,487	\$ 21,215		47,463	2,794,165
Local Revenue	6,097,363	2,984,959	\$ 12,454	628,767	9,723,543
Total Revenues	25,523,168	3,006,174	12,454	782,124	29,323,920
<b><u>Expenditures</u></b>					
Current:					
Instruction	15,785,185				15,785,185
Supervision of Instruction	234,038				234,038
Instructional Library and Technology	606,934				606,934
School Site Administration	1,484,495				1,484,495
Home-To-School Transportation	234,190				234,190
Food Services				469,865	469,865
Other Pupil Services	1,735,757				1,735,757
Data Processing Services	38,589				38,589
Other General Administration	1,607,995				1,607,995
Plant Services	2,086,243		1,841	75,423	2,163,507
Facilities Acquisition and Construction	1,913		2,623,646	9,744	2,635,303
Ancillary Services	26,046				26,046
Community Services	1,969				1,969
Other Outgo	336,809				336,809
Debt Service:					
Principal Retirement	104,333	1,865,000		5,710,000	7,679,333
Interest and Issuance Costs	26,122	1,291,662	139,150	273,500	1,730,434
Total Expenditures	24,310,618	3,156,662	2,764,637	6,538,532	36,770,449
Excess of Revenues Over (Under) Expenditures	1,212,550	(150,488)	(2,752,183)	(5,756,408)	(7,446,529)
<b><u>Other Financing Sources (Uses)</u></b>					
Operating Transfers In				39,213	39,213
Operating Transfers Out	(39,213)				(39,213)
Other Sources		335,161	6,985,189	5,946,499	13,266,849
Other Uses				(76,954)	(76,954)
Total Other Financing Sources (Uses)	(39,213)	335,161	6,985,189	5,908,758	13,189,895
Net Change in Fund Balances	1,173,337	184,673	4,233,006	152,350	5,743,366
Fund Balances - July 1, 2015	4,004,918	2,680,637	5,271,380	329,125	12,286,060
Fund Balances - June 30, 2016	\$ 5,178,255	\$ 2,865,310	\$ 9,504,386	\$ 481,475	\$ 18,029,426

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, 2016**

<b>Net Change in Fund Balances - Governmental Funds</b>		<b>\$ 5,743,366</b>
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Capital Outlays	\$ 2,751,589	
Depreciation Expense	<u>(1,941,251)</u>	
Net		810,338
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was:		
		1,724
Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs accrued and employer contributions was:		
		6,671
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:		
		(733,147)
Amortization of gain or loss from debt refunding: In governmental funds, any gain or loss resulting from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. Current year amortization of deferred amounts from refunding were:		
		(33,516)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
General Obligation Bonds - Current Interest and Capital Appreciation	1,865,000	
Bond Premium	93,222	
Capital Leases	104,333	
Bond Anticipation Note - Current Interest and Capital Appreciation	<u>5,710,000</u>	
Total		7,772,555
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 premium or discount, were:		
		(12,698,735)
Debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as other financing sources. In the government-wide statements, the premium is amortized over the life of the debt. The amount recognized in governmental funds as a premium from debt was:		
		(335,161)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, interest expense is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was:		
		(48,065)
Accreted interest: In governmental funds, accreted interest on capital appreciation bonds and notes are recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds and notes accrete in value. The amount of accreted interest recognized in the current period was:		
		(881,270)
Gain or loss on disposal of capital assets: In governmental funds, the entire proceeds from the disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from the disposal of capital assets and the resulting gain or loss is:		
		<u>(30,881)</u>
<b>Change in Net Position of Governmental Activities</b>		<b>\$ (426,121)</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

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

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

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

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

As a result, these financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Financial Reporting Entity, or the respective changes in its financial position.

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

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

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation**

**Government-wide Financial Statements:**

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

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.

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

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting**

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

**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 District's and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

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

**Unearned Revenue:**

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

**Expenses/Expenditures:**

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

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

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

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

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

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

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

Major Governmental Funds:

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

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

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

Non-major Governmental Funds:

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

The *Debt Service Fund* is used to account for the premium received from the sale of bond anticipation notes and to pay bond anticipation notes interest.

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

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

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Concluded)**

Non-major Governmental Funds (Concluded):

The *Capital Projects - Special Reserve Fund* is used to accumulate funds for major maintenance and capital outlay projects of the District.

**E. Budgets and Budgetary Accounting**

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 55.

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

**F. Use of Estimates**

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

**G. Encumbrances**

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

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

**1. Deposits and Investments**

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

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

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**1. Deposits and Investments (Concluded)**

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

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

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

**2. Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

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

**3. Deferred Outflows/Inflows of Resources**

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

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

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Deferred Outflows/Inflows of Resources (Concluded)

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

4. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds, when material. Bonds payable are reported net of applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Fund Balances

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

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

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

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

*Assigned Fund Balance* consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. The Governing Board delegated authority to the Superintendent and/or their designee to identify intended uses of assigned funds.

*Unassigned Fund Balance* consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

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

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

8. Fund Balances (Concluded)

To protect the District against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board intends to maintain a minimum assigned and unassigned fund balance which includes a reserve for economic uncertainties equal to at least two months of General Fund expenditures, or 17% of General Fund expenditures and other financing uses. If the unassigned fund balance falls below this level due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Governing Board shall develop a plan to recover the fund balance.

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

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

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

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

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

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Summary of Deposits and Investments

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

	<u>Governmental Activities</u>
Cash in Revolving Fund	\$ 3,000
County Pool Investments	<u>18,156,492</u>
Total	<u>\$ 18,159,492</u>

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 as follows:

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%

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

General Authorization (Concluded)

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest 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:

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	\$ 18,156,492	\$ 18,181,301	\$ 15,182,373	\$ 2,974,119

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.

Investment Type	Carrying Value	Fair Value	Rating as of Year End		
			AAA	Aa	Unrated
County Pool Investments	\$ 18,156,492	\$ 18,181,301			\$ 18,156,492

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)**

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, 2016, the District does not have any investments that are held by counterparties.

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.

Derivative Investments

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

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2016 consist of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government	\$ 415,213	\$ 19,298	\$ 434,511
State Government	252,711	1,247	253,958
Local Governments	108,857		108,857
Miscellaneous	294,311	4,246	298,557
Totals	<u>\$ 1,071,092</u>	<u>\$ 24,791</u>	<u>\$ 1,095,883</u>

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

---

**NOTE 4 - 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.

**A. Due From/Due To Other Funds**

Due from/due to other funds at June 30, 2016 consisted of the following:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General		\$ 2,876
Cafeteria	\$ 2,876	_____
Totals	<u>\$ 2,876</u>	<u>\$ 2,876</u>

All interfund receivables and payables are scheduled to be paid within one year.

**B. Interfund Transfers**

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

Interfund transfers for fiscal year 2015-16 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 39,213
Cafeteria	\$ 39,213	_____
Totals	<u>\$ 39,213</u>	<u>\$ 39,213</u>

Transfer of \$39,213 from the General Fund to the Cafeteria Fund to support the child nutrition program.

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

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

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

	Balances July 1, 2015	Additions	Deletions	Balances June 30, 2016
Land	\$ 992,328			\$ 992,328
Sites and Improvements	2,789,879			2,789,879
Buildings and Improvements	61,557,153	\$ 2,760,414	\$ 87,789	64,229,778
Furniture and Equipment	1,552,857			1,552,857
Work-in-Progress	1,195,814	2,676,166	2,684,991	1,186,989
Totals at Historical Cost	<u>68,088,031</u>	<u>5,436,580</u>	<u>2,772,780</u>	<u>70,751,831</u>
Less Accumulated Depreciation for:				
Sites and Improvements	2,560,979	16,615		2,577,594
Buildings and Improvements	20,506,434	1,807,292	56,908	22,256,818
Furniture and Equipment	631,234	117,344		748,578
Total Accumulated Depreciation	<u>23,698,647</u>	<u>1,941,251</u>	<u>56,908</u>	<u>25,582,990</u>
Governmental Activities Capital Assets, net	<u>\$ 44,389,384</u>	<u>\$ 3,495,329</u>	<u>\$ 2,715,872</u>	<u>\$ 45,168,841</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,273,443
Instruction-Related Services	185,051
Pupil Services	193,980
General Administration	129,711
Plant Services	<u>159,066</u>
Total	<u>\$ 1,941,251</u>

**NOTE 6 - GENERAL OBLIGATION BONDS**

On the November 2, 2010, general election, the registered voters of the District approved Measure A, which authorizes the District to issue up to \$41,000,000 in general obligation bonds to maintain quality local public education, relieve overcrowding, maintain low class size ratios, restore art, music, multipurpose rooms, build science labs, upgrade computer/classroom technology and energy efficiency, and replace portables with permanent classrooms. On April 26, 2016, the District issued general obligation bonds in the amount of \$12,698,735 which were partially used to defease its 2013 bond anticipation notes and to pay issuance related costs.

The outstanding general obligation debt of the District as of June 30, 2016 is as follows:

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

**NOTE 6 - GENERAL OBLIGATION BONDS (CONTINUED)**

**A. Current Interest Bonds**

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2015	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2016
2/2/11	2.00-4.00	8/1/20	\$ 6,150,000	\$ 4,210,000		\$ 585,000	\$ 3,625,000
5/25/11	2.00-4.50	8/1/41	8,840,000	8,055,000			8,055,000
8/15/12	2.00-5.00	8/1/42	18,300,000	16,550,000		460,000	16,090,000
4/26/16	3.00-4.00	8/1/42	10,310,000		\$ 10,310,000		10,310,000
Totals			<u>\$ 43,600,000</u>	<u>\$ 28,815,000</u>	<u>\$ 10,310,000</u>	<u>\$ 1,045,000</u>	<u>\$ 38,080,000</u>

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2016, are as follows:

Year Ended June 30	Principal	Interest	Totals
2017	\$ 870,000	\$ 1,552,644	\$ 2,422,644
2018	935,000	1,612,756	2,547,756
2019	905,000	1,579,869	2,484,869
2020	1,000,000	1,543,844	2,543,844
2021	1,150,000	1,501,994	2,651,994
2022-2026	2,560,000	7,153,881	9,713,881
2027-2031	3,645,000	6,535,619	10,180,619
2032-2036	5,290,000	5,665,013	10,955,013
2037-2041	13,655,000	3,774,328	17,429,328
2042-2046	8,070,000	374,750	8,444,750
Totals	<u>\$ 38,080,000</u>	<u>\$ 31,294,698</u>	<u>\$ 69,374,698</u>

**B. Capital Appreciation Bonds**

Date Of Issue	Accretion Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2015	Issued Current Year	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2016
6/1/99	5.00-5.38	6/1/24	\$ 3,904,790	\$ 7,278,013		\$ 350,855	\$ 815,000	\$ 6,813,868
7/1/01	5.61	7/1/26	1,704,424	3,689,065		209,843		3,898,908
5/25/11	6.60-12.00	8/1/38	1,160,426	1,563,636		117,817	5,000	1,676,453
4/26/16	1.74-3.79	8/1/33	2,388,735		\$ 2,388,735	13,116		2,401,851
Totals			<u>\$ 9,158,375</u>	<u>\$ 12,530,714</u>	<u>\$ 2,388,735</u>	<u>\$ 691,631</u>	<u>\$ 820,000</u>	<u>\$ 14,791,080</u>

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

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

**NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)**

**B. Capital Appreciation Bonds (Concluded)**

Year Ended <u>June 30</u>	Amount of Original Issue (Principal)	Accreted Interest	Totals
2017	\$ 359,305	\$ 496,951	\$ 856,256
2018	359,682	497,803	857,485
2019	328,149	466,313	794,462
2020	317,244	457,237	774,481
2021	309,345	445,856	755,201
2022-2026	1,552,160	1,688,011	3,240,171
2027-2031	3,045,013	2,310,089	5,355,102
2032-2036	1,502,023	267,140	1,769,163
2037-2041	267,556	121,203	388,759
Totals	<u>\$ 8,040,477</u>	<u>\$ 6,750,603</u>	<u>\$ 14,791,080</u>

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

Year Ended <u>June 30</u>	Principal	Interest	Totals
2017	\$ 359,305	\$ 500,695	\$ 860,000
2018	359,682	550,318	910,000
2019	328,149	556,851	885,000
2020	317,244	592,756	910,000
2021	309,345	625,655	935,000
2022-2026	1,552,160	2,947,840	4,500,000
2027-2031	3,045,013	6,194,987	9,240,000
2032-2036	1,502,023	3,177,977	4,680,000
2037-2041	267,556	1,487,444	1,755,000
Totals	<u>\$ 8,040,477</u>	<u>\$ 16,634,523</u>	<u>\$ 24,675,000</u>

**NOTE 7 - DEFEASED DEBT**

Certain bond anticipation notes of the District have been defeased by placing the proceeds of refunding bond anticipation notes in irrevocable escrow accounts held and managed by bank trustees, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bond anticipation notes in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased debts are not included in the District's financial statements. The defeased bond anticipation notes outstanding at June 30, 2016 considered extinguished are as follows:

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

---

**NOTE 7 - DEFEASED DEBT (CONCLUDED)**

The defeased bond anticipation notes outstanding at June 30, 2016 considered extinguished are as follows:

<u>Defeased Debt</u>	<u>Maturities Refunded</u>	<u>Principal Refunded</u>
Bond Anticipation Notes	2018-19	\$5,710,000

**NOTE 8 - CAPITAL LEASES**

The District leases solar equipment valued at \$1,385,000 and copiers valued at \$35,931 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 June 30</u>	<u>Lease Payments</u>
2017	\$ 123,130
2018	123,130
2019	123,130
2020	123,130
2021	<u>71,911</u>
Total	564,431
Less amounts representing interest	<u>(57,932)</u>
Present value of net minimum lease payments	<u>\$ 506,499</u>

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

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

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

*Plan Descriptions - Active Employee Coverage:* The District sponsors health care coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCA is financed in part by the District through a statutory minimum contribution to PEMHCA. The statutory minimum was \$119.00 per month for calendar year 2015, \$122.00 per month for calendar year 2016, and is scheduled by law to be indexed with medical inflation (CPI) for years 2016 and thereafter.

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

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

*Plan Descriptions - Retiree Coverage:* The District also offers medical coverage to its retirees. The District makes the required statutory PEMHCA contribution as described previously, subject to the "Equal Contribution Method" under which the District's contribution for retirees is equal to its basic contribution for active employees. A retiree who retires on or before July 1, 2010 must have 40 years of credit service with the District in order to receive a lifetime District contribution equal to the statutory minimum described previously. Retirees who retire on or after July 1, 2010 without having completed at least 40 years of credited service with the District are not eligible to receive a District contribution towards retiree health benefits. These rules apply to all employees of the District, including certificated, classified, and management groups. The District also pays a 0.34% of premium administrative fee to PEMHCA for each eligible retiree.

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

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

The District had 211 active employees and 68 retirees as of July 1, 2014, the effective date of the biennial OPEB valuation.

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

*Annual OPEB Cost and Net OPEB Obligation:* The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$367,605 for the year ended June 30, 2016:

Normal cost with interest to end of year	\$ 8,194
Amortization of UAAL with interest to end of year	<u>90,319</u>
Annual required contribution (ARC)	98,513
Interest on net OPEB obligation	14,971
Adjustment to ARC	<u>(21,644)</u>
Annual OPEB cost (expense)	91,840
Contributions for the fiscal year	<u>(98,511)</u>
Decrease in net OPEB obligation	(6,671)
Net OPEB obligation - June 30, 2015	<u>374,276</u>
Net OPEB obligation - June 30, 2016	<u>\$ 367,605</u>

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

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

*Annual OPEB Cost and Net OPEB Obligation (Concluded):*

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years are presented in the following table:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 91,840	107.3%	\$ 367,605
June 30, 2015	91,639	112.2%	374,276
June 30, 2014	83,127	113.7%	385,485

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. In the July 1, 2014, 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 4% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial health care cost trend rate of 8%, which grades down to an ultimate rate of 5% by the 4<sup>th</sup> year.

**NOTE 10 - RETIREMENT PLANS**

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

The District reported net pension liabilities, deferred outflows of resources, and deferred inflows of resources in the accompanying statement of net position as follows:

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
CalSTRS	\$ 16,660,602	\$ 1,882,356	\$ 1,518,521
CalPERS	3,916,534	627,110	552,769
Totals	<u>\$ 20,577,136</u>	<u>\$ 2,509,466</u>	<u>\$ 2,071,290</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

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

The STRP Defined Benefit Program has two benefit formulas:

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

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

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

---

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

CalSTRS 2% at 60

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

CalSTRS calculates retirement benefits based on one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of service, or for classroom teachers with less than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for any 36 consecutive months of credited service.

Contributions

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

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

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Concluded)

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469 - Bonta), the employer contribution rate was 10.73% of applicable member earnings for fiscal year 2015-16. The District contributed \$1,219,722 to the plan for the fiscal year ended June 30, 2016.

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

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District was as follows:

District's proportionate share of the net pension liability	\$ 16,660,602
State's proportionate share of the net pension liability associated with the District	352,840
Total net pension liability attributed to District	\$ 17,013,442

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

Proportion - June 30, 2014	0.00237%
Proportion - June 30, 2015	0.00247%
Change - Increase (Decrease)	0.00010%

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$2,582,930, which includes \$762,574 of support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 1,219,722	
Differences between expected and actual experience		\$ 278,298
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	662,634	
Net differences between projected and actual earnings on plan investments		1,240,223
Totals	\$ 1,882,356	\$ 1,518,521

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2017	\$ (458,733)
2018	(458,733)
2019	(458,733)
2020	392,200
2021	64,056
2022	64,056

Differences between expected and actual experience, changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2015. Differences between projected and actual earnings on plan investments are netted and reduced over a closed 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

Valuation Date	June 30, 2014
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return <sup>1</sup>	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

<sup>1</sup> Net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.5% assumed investment rate of return for funding purposes, which is net of administrative expenses.

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

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

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

\* 10-year geometric average

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

---

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate

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

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

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

	Discount Rate 1% Decrease 6.60%	Discount Rate Current Rate 7.60%	Discount Rate 1% Increase 8.60%
District's proportionate share of the net pension liability	\$ 25,156,212	\$ 16,660,602	\$ 9,600,064

Pension Plan's Fiduciary Net Position

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

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

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

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

---

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Plan Description, Benefits Provided, and Employees Covered (Concluded)

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

Contributions

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

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 11.847% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2016 was \$401,345.

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

As of June 30, 2016, the District reported a liability of \$3,916,534 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2014 and June 30, 2015 was as follows:

Proportion - June 30, 2014	0.0266%
Proportion - June 30, 2015	<u>0.0266%</u>
Change - Increase (Decrease)	<u><u>0.0000%</u></u>

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$533,858. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 401,345	
Differences between expected and actual experience	225,765	
Changes of assumptions		\$ 242,718
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		175,360
Net differences between projected and actual earnings on plan investments		<u>134,691</u>
Totals	<u>\$ 627,110</u>	<u>\$ 552,769</u>

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2017	\$ (191,450)
2018	(191,450)
2019	(104,916)
2020	160,812

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

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

---

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions

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

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

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

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

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

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

Discount Rate

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

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

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

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

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

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

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

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

NOTE 10 - RETIREMENT PLANS (CONCLUDED)

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

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

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

	Discount Rate 1% Decrease 6.50%	Discount Rate Current Rate 7.50%	Discount Rate 1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 6,374,485	\$ 3,916,534	\$ 1,872,583

Pension Plan Fiduciary Net Position

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

C. Social Security

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

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

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 education. These payments consist of state general fund contributions of \$762,574 to CalSTRS (7.12589% of creditable compensation subject to CalSTRS for the 2013-14 fiscal year). These contributions are recorded in the General Fund as revenue and expenditures. The District is not legally responsible for these contributions.

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

**NOTE 12 - LONG-TERM LIABILITIES**

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

	Balances July 1, 2015	Additions	Deductions	Balances June 30, 2016	Due within One Year
Compensated Absences	\$ 57,958	\$ 56,234	\$ 57,958	\$ 56,234	\$ 56,234
Bond Anticipation Notes:					
Current Interest	2,600,000		2,600,000	0	
Capital Appreciation	2,920,361	189,639	3,110,000	0	
General Obligation Bonds:					
Current Interest	28,815,000	10,310,000	1,045,000	38,080,000	870,000
Capital Appreciation	12,530,714	3,080,366	820,000	14,791,080	860,000
Bond Premium	1,797,399	335,161	93,222	2,039,338	103,863
Capital Leases	610,832		104,333	506,499	101,827
Other Post Employment Benefits	374,276	91,840	98,511	367,605	
Net Pension Liability - CalSTRS	13,822,760	2,837,842		16,660,602	
Net Pension Liability - CalPERS	3,018,677	897,857		3,916,534	
<b>Totals</b>	<b>\$ 66,547,977</b>	<b>\$ 17,798,939</b>	<b>\$ 7,929,024</b>	<b>\$ 76,417,892</b>	<b>\$ 1,991,924</b>

Compensated absences, capital leases, and other post employment benefits are obligations of the General Fund, the net pension liabilities are obligations of the General Fund and Cafeteria Fund, and general obligation bonds are obligations of the Bond Interest and Redemption Fund.

**NOTE 13 - FUND BALANCES**

The District's fund balances at June 30, 2016 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	\$ 3,000				\$ 3,000
Restricted:					
Categorical Programs	256,931			\$ 53,713	310,644
Food Service Programs				27,511	27,511
Capital Projects			\$ 9,504,386	237,331	9,741,717
Debt Service		\$ 2,865,310		4,903	2,870,213
Total Restricted	256,931	2,865,310	9,504,386	323,458	12,950,085
Assigned:					
Deferred Maintenance Projects	591,682				591,682
Capital Projects				158,017	158,017
Total Assigned	591,682			158,017	749,699
Unassigned:					
Reserve for Economic Uncertainties	731,782				731,782
Remaining Unassigned Balances	3,594,860				3,594,860
Total Unassigned	4,326,642				4,326,642
<b>Total Fund Balances</b>	<b>\$ 5,178,255</b>	<b>\$ 2,865,310</b>	<b>\$ 9,504,386</b>	<b>\$ 481,475</b>	<b>\$ 18,029,426</b>

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

---

**NOTE 14 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015-16, the District participated in 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 for each 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 District's 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 District's 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, 2016**

---

NOTE 15 - JOINT VENTURES (CONCLUDED)

C. Schools Excess Liability Fund (SELF)

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 District's 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.

C. Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Hidden Valley - 2016 Project	\$ 2,906,829	Sep-2016

NOTE 17 - ECONOMIC DEPENDENCY

During the year, the District received \$3,662,515 of parcel tax revenue that is subject to voter approval, and \$897,291 from the Ross Valley Schools Foundation, a non-profit education foundation, that is subject to voluntary public contributions to the organization.

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

---

NOTE 18 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 8, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers	\$ 11,738,686	\$ 6,924,229	\$ 6,940,940	\$ 16,711
Local Sources	4,430,500	9,166,035	9,149,323	(16,712)
Total LCFF Sources	16,169,186	16,090,264	16,090,263	(1)
Federal Revenue	615,375	662,932	610,055	(52,877)
Other State Revenue	544,220	2,564,974	2,725,487	160,513
Other Local Revenue	6,102,533	6,199,100	6,097,363	(101,737)
Total Revenues	23,431,314	25,517,270	25,523,168	5,898
<b><u>Expenditures</u></b>				
Certificated Salaries	11,860,337	11,688,949	11,646,475	42,474
Classified Salaries	3,625,402	3,554,937	3,502,823	52,114
Employee Benefits	3,869,174	5,043,077	5,012,222	30,855
Books and Supplies	779,667	1,261,858	1,049,708	212,150
Services and Other				
Operating Expenditures	2,579,958	3,102,478	2,630,212	472,266
Capital Outlay	160,000	131,200	1,913	129,287
Debt Service:				
Principal Retirement	118,255	127,967	104,333	23,634
Interest and Fiscal Charges	53,153	43,441	26,122	17,319
Other Expenditures	268,061	346,783	336,810	9,973
Total Expenditures	23,314,007	25,300,690	24,310,618	990,072
Excess of Revenues Over Expenditures	117,307	216,580	1,212,550	995,970
<b><u>Other Financing (Uses)</u></b>				
Operating Transfers Out	(36,337)	(36,337)	(39,213)	(2,876)
Net Change in Fund Balances	80,970	180,243	1,173,337	\$ 993,094
Fund Balances - July 1, 2015	4,004,918	4,004,918	4,004,918	
Fund Balances - June 30, 2016	\$ 4,085,888	\$ 4,185,161	\$ 5,178,255	

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

---

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
7/1/14	\$ 0	\$ 1,561,792	\$ 1,561,792	0%	\$ 12,637,747	12.4%
7/1/12	0	1,460,776	1,460,776	0%	11,848,859	12.3%
6/30/10	0	1,838,000	1,838,000	0%	11,242,011	16.3%

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**ROSS VALLEY SCHOOL DISTRICT**

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

**JUNE 30, 2016**

---

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>State's Proportionate Share of the NPL Associated to District</u>	<u>Total NPL Attributed to District</u>	<u>District's Covered Employee Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2016	0.0247%	\$ 16,660,602	\$ 352,840	\$ 17,013,442	\$ 11,486,194	145.05%	74.02%
2015	0.0237%	13,822,760	327,247	14,150,007	10,535,612	131.20%	76.52%

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

ROSS VALLEY SCHOOL DISTRICT

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

JUNE 30, 2016

---

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Employee Payroll	District's Proportionate Share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2016	0.0266%	\$ 3,916,534	\$ 2,941,619	133.14%	79.43%
2015	0.0266%	3,018,677	2,791,348	108.14%	83.38%

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

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

---

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Employee Payroll	Contributions As a % of Covered Employee Payroll
2016	\$ 1,219,722	\$ 1,219,722	\$ -	\$ 11,367,400	10.73%
2015	997,213	997,213	-	11,229,876	8.88%

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

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

---

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Employee Payroll</u>	<u>Contributions As a % of Covered Employee Payroll</u>
2016	\$ 401,345	\$ 401,345	\$ -	\$ 3,387,735	11.847%
2015	346,248	346,248	-	2,941,534	11.771%

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

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

---

**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES**

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. There was no excess of expenditures over appropriations in the General Fund as of June 30, 2016.

**B. Schedule of Funding Progress**

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

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

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

**D. Schedule of Contributions**

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



SUPPLEMENTARY INFORMATION SECTION

**ROSS VALLEY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u>Cafeteria</u>	<u>Debt Service</u>	<u>Capital Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Assets</u></b>					
Deposits and Investments	\$ 19,970	\$ 4,903	\$ 237,331	\$ 240,552	\$ 502,756
Receivables	24,791				24,791
Due from Other Funds	2,876				2,876
Total Assets	<u>\$ 47,637</u>	<u>\$ 4,903</u>	<u>\$ 237,331</u>	<u>\$ 240,552</u>	<u>\$ 530,423</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable	<u>\$ 20,126</u>			<u>\$ 28,822</u>	<u>\$ 48,948</u>
Fund Balances:					
Restricted	27,511	\$ 4,903	\$ 237,331	53,713	323,458
Assigned				158,017	158,017
Total Fund Balances	<u>27,511</u>	<u>4,903</u>	<u>237,331</u>	<u>211,730</u>	<u>481,475</u>
Total Liabilities and Fund Balances	<u>\$ 47,637</u>	<u>\$ 4,903</u>	<u>\$ 237,331</u>	<u>\$ 240,552</u>	<u>\$ 530,423</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, 2016**

	<u>Cafeteria</u>	<u>Debt Service</u>	<u>Capital Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Revenues</u></b>					
Federal Revenue	\$ 105,894				\$ 105,894
State Revenue	6,803			\$ 40,660	47,463
Local Revenue	321,479	\$ 65,599	\$ 102,422	139,267	628,767
Total Revenues	<u>434,176</u>	<u>65,599</u>	<u>102,422</u>	<u>179,927</u>	<u>782,124</u>
<b><u>Expenditures</u></b>					
Current:					
Food Services	469,865				469,865
Plant Services				75,423	75,423
Facilities Acquisition and Construction			9,744		9,744
Debt Service:					
Principal Retirement		5,710,000			5,710,000
Interest and Issuance Costs		273,500			273,500
Total Expenditures	<u>469,865</u>	<u>5,983,500</u>	<u>9,744</u>	<u>75,423</u>	<u>6,538,532</u>
Excess of Revenues Over (Under) Expenditures	<u>(35,689)</u>	<u>(5,917,901)</u>	<u>92,678</u>	<u>104,504</u>	<u>(5,756,408)</u>
<b><u>Other Financing Sources (Uses)</u></b>					
Operating Transfers In	39,213				39,213
Other Sources		5,946,499			5,946,499
Other Uses		(76,954)			(76,954)
Total Other Financing Sources (Uses)	<u>39,213</u>	<u>5,869,545</u>	<u>0</u>	<u>0</u>	<u>5,908,758</u>
Net Change in Fund Balances	3,524	(48,356)	92,678	104,504	152,350
Fund Balances - July 1, 2015	<u>23,987</u>	<u>53,259</u>	<u>144,653</u>	<u>107,226</u>	<u>329,125</u>
Fund Balances - June 30, 2016	<u>\$ 27,511</u>	<u>\$ 4,903</u>	<u>\$ 237,331</u>	<u>\$ 211,730</u>	<u>\$ 481,475</u>

**ROSS VALLEY SCHOOL DISTRICT**  
**ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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>
Anne Capron	President	December 2016
Amy Stock	Clerk	December 2017
Annelise Bauer	Member	December 2016
Wesley Pratt	Member	December 2017
Mark Reagan	Member	December 2016

ADMINISTRATION

Rick Bagley, Ed. D.  
Superintendent

Midge Hoffman  
Chief Business Official

**ROSS VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>P-2 Report</b>			<b>Totals</b>
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	
Regular	925.81	792.36	495.79	2,213.96
Extended Year Special Education	0.69	0.13	0.18	1.00
Special Education - NPS / LCI	2.71	6.60	1.61	10.92
Extended Year Special Education NPS / LCI	0.19	0.48		0.67
<b>Totals</b>	<b>929.40</b>	<b>799.57</b>	<b>497.58</b>	<b>2,226.55</b>

	<b>Annual Report</b>			<b>Totals</b>
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	
Regular	928.02	792.94	496.73	2,217.69
Extended Year Special Education	0.69	0.13	0.18	1.00
Special Education - NPS / LCI	2.76	6.07	1.80	10.63
Extended Year Special Education NPS / LCI	0.19	0.48		0.67
<b>Totals</b>	<b>931.66</b>	<b>799.62</b>	<b>498.71</b>	<b>2,229.99</b>

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

---

<b><u>Grade Level</u></b>	<b><u>Minutes Required</u></b>	<b><u>2015-16 Actual Minutes</u></b>	<b><u>Number of Days Traditional Calendar</u></b>	<b><u>Number of Days Multitrack Calendar</u></b>	<b><u>Status</u></b>
Kindergarten	36,000	46,800	180	N/A	In Compliance
Grade 1	50,400	50,465	180	N/A	In Compliance
Grade 2	50,400	50,465	180	N/A	In Compliance
Grade 3	50,400	53,500	180	N/A	In Compliance
Grade 4	54,000	54,800	180	N/A	In Compliance
Grade 5	54,000	54,800	180	N/A	In Compliance
Grade 6	54,000	66,300	180	N/A	In Compliance
Grade 7	54,000	66,300	180	N/A	In Compliance
Grade 8	54,000	65,400	180	N/A	In Compliance

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

---

	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Cafeteria Fund</u>
June 30, 2016 Annual Financial and Budget Report Fund Balances	<u>\$ 4,586,573</u>	<u>\$ 591,682</u>	<u>\$ 40,349</u>
Reclassifications and Adjustments Increasing (Decreasing) Fund Balances:			
Overstatement of Federal Revenue			(12,037)
Overstatement of Other State Revenue			(801)
Reclassification of Fund Balances	<u>591,682</u>	<u>(591,682)</u>	<u></u>
Total Reclassifications and Adjustments Increasing (Decreasing) Fund Balances	<u>591,682</u>	<u>(591,682)</u>	<u>(12,838)</u>
June 30, 2016 Audited Financial Statements Fund Balances	<u><u>\$ 5,178,255</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 27,511</u></u>

The reclassification of fund balance was required as a result of the definition of special revenue funds prescribed by GASB 54.

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2016.

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

	GENERAL FUND			
	(Budget) * 2016-17	2015-16	2014-15	2013-14
Revenues and Other Financial Sources	\$ 23,953,069	\$ 25,523,168	\$ 22,664,446	\$ 21,149,143
Expenditures	24,040,131	24,310,618	23,196,556	21,028,453
Other Uses and Transfers Out	36,337	39,213	130,856	14,808
Total Outgo	24,076,468	24,349,831	23,327,412	21,043,261
Change in Fund Balance	(123,399)	1,173,337	(662,966)	105,882
Ending Fund Balance	\$ 5,054,856	\$ 5,178,255	\$ 4,004,918	\$ 4,667,884
Available Reserves	\$ 4,318,375	\$ 4,326,642	\$ 1,740,941	\$ 2,884,364
Reserve for Economic Uncertainties **	\$ 718,094	\$ 731,782	\$ 703,647	\$ 2,144,346
Available Reserves as a Percentage of Total Outgo	17.9%	17.8%	7.5%	13.7%
Average Daily Attendance at P-2	2,157	2,227	2,224	2,220
Total Long-Term Liabilities	\$ 74,425,968	\$ 76,417,892	\$ 66,547,977	\$ 72,409,962

\* Amounts reported for the 2016-17 budget are presented for analytical purposes only and have not been audited.

\*\* Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$510,371 (10.9%) over the past two years. The fiscal year 2016-17 budget projects a decrease of \$123,399. 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 District produced operating surpluses of \$1,173,337 and \$105,882 during fiscal years 2015-16 and 2013-14, respectively, and incurred an operating deficit of \$662,966 during fiscal year 2014-15.

Average daily attendance (ADA) increased 7 ADA over the past two years. The District projects a decrease of 70 ADA during fiscal year 2016-17.

Total long-term liabilities increased \$4,007,930 over the past two years.

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

---

**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES**

**A. Combining Statements**

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

**B. Schedule of Average Daily Attendance**

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

**C. Schedule of Instructional Time**

The District participated in the Longer Day incentive funding program for the current fiscal year, but the District did not meet or exceed its LCFF target funding. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

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

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

**E. Schedule of Financial Trends and Analysis**

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Education  
Ross Valley School District  
San Anselmo, California

**Report on State Compliance**

We have audited Ross Valley School District's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2016.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Ross 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 connection with the audit referred to above, we selected and tested transactions and records to determine about Ross Valley School District's compliance with state laws and regulations applicable to the following items:

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

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

Opinion on State Compliance

In our opinion, Ross Valley School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 2016-002**. Our opinion on state compliance on the programs previously identified is not modified with respect to this matter.

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 8, 2016



**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

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

Board of Education  
Ross Valley School District  
San Anselmo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross Valley School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2016 that included an unmodified opinion on the governmental activities, each major fund and the aggregate remaining fund information and an adverse opinion on the discretely presented component unit. The report on the financial statements included an adverse opinion on the discretely presented component unit because the financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements.

**Internal Control Over Financial Reporting**

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

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

Internal Control Over Financial Reporting (Concluded)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency, as noted in **Finding 2016-001**.

Compliance and Other Matters

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

District's Response to Finding

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

Purpose of this Report

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

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 8, 2016

## FINDINGS AND QUESTIONED COSTS SECTION

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

---

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

Material weaknesses identified?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

**State Awards**

Any audit findings required to be reported in accordance  
with the *2015-16 Guide for Annual Audits of K-12 Local  
Educational Agencies and State Compliance Reporting?*   X   Yes        No

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

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

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2016 - 001 / 30000**

**SIGNIFICANT DEFICIENCY**

**CASH DISBURSEMENTS**

**Criteria:** Procedures should be in place to prevent the issuance of duplicate payments for the same invoice.

**Condition:** Adequate procedures are not in place to prevent duplicate payments from being issued for the same invoice.

**Questioned Costs:** \$4,690.08.

**Context:** The duplicate payment was noted during our testing of expenditures related to the California Clean Energy Jobs Act.

**Effect:** A duplicate payment was made for the same invoice and not detected by the District.

**Cause:** The vendor submitted the same invoice to the District on two separate occasions and the District paid both invoices.

**Recommendation:** Procedures should be in place to prevent the issuance of duplicate payments for the same invoice. The District should contact the vendor and request a refund of the duplicate payment.

**District Response:** The financial system does not have any internal controls built in to question, warn or prevent the same invoice number, amount or date being paid twice to a vendor. Therefore, a manual process is the only option to ensure duplicate payments are minimized. The District has developed a procedure to be executed on a quarterly basis to eliminate or minimize the chance of a vendor being paid twice for the same invoice.

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

---

**SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**2016 - 002 / 70000**

**SIGNIFICANT DEFICIENCY**

**UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS**

Criteria: Education Code Section 42238.02(b)(2) requires a school district or charter school to annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the Superintendent using the California Longitudinal Pupil Achievement Data System (CALPADS). Education Code Section 42238.02(b)(3)(B) states that the Controller shall include instructions necessary to enforce paragraph (2) in the audit required by Education Code Section 14502.1 and that the instructions shall include, but are not necessarily limited to, procedures for determining if the English learner, foster youth, and free or reduced-price meal eligible pupil counts are consistent with the school district's or charter school's English learner, foster youth, and free or reduced-price meal eligible pupil records.

Condition: The District reported 5 students on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report, indicated as a "No" under the "Direct Certification" column, that were only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column, with no supporting documentation, such as a Free and Reduced Price Meal eligibility application under a federal nutrition program or an alternative household income data collection form that indicates the students were eligible for the designation.

Questioned Costs: A summary of certified enrollment, unduplicated pupil counts, pupil count adjustments, and audited unduplicated pupil counts is presented for the District's schools, as follows:

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

**SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (CONTINUED)

Questioned Costs (Concluded):

	Total Enrollment	Unduplicated Eligible Free/ Reduced Meal Counts	EL Funding Eligible	Total Unduplicated FRPM/EL Eligible Count
<b><u>Certified Pupil Counts:</u></b>				
Brookside Elementary	367	25	8	29
Hidden Valley Elementary	365	30	14	38
Manor Elementary	389	70	24	78
NPS School Group for Ross Valley Elementary	10	2	1	2
Wade Thomas Elementary	398	34	14	38
White Hill Middle	799	63	14	72
Totals	2,328	224	75	257
<b><u>Audit Adjustments:</u></b>				
Brookside Elementary				
Hidden Valley Elementary				
Manor Elementary		(2)		(2)
NPS School Group for Ross Valley Elementary				
Wade Thomas Elementary				
White Hill Middle		(3)		(3)
Totals	0	(5)	0	(5)
<b><u>Adjusted Pupil Counts:</u></b>				
Brookside Elementary	367	25	8	29
Hidden Valley Elementary	365	30	14	38
Manor Elementary	389	68	24	76
NPS School Group for Ross Valley Elementary	10	2	1	2
Wade Thomas Elementary	398	34	14	38
White Hill Middle	799	60	14	69
Totals	2,328	219	75	252

The estimated fiscal impact is \$1,411 based on the FCMAT created LCFF calculation worksheet.

Context:

The condition was noted for all schools as of the Census Day, which included free or reduced-price meals applications received by October 31. The District reviewed all Free and Reduced Price Meal eligibility applications and the auditors reviewed and confirmed the information.

Effect:

The District overstated the certified unduplicated local control funding formula pupil counts to the California Department of Education (CDE).

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

---

**SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)**

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (CONCLUDED)

- Cause: The District did not reconcile the Free and Reduced Price Meal eligibility applications as of the Census Day, which included free or reduced-price meals applications received by October 31, to the counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report, to ensure accuracy and completeness.
- Recommendation: The District should establish procedures to ensure that counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report are supported by appropriate documentation.
- District Response: The original CALPADS submission of student data occurred in December 2015. Due to an omission, CALPADS data was resubmitted and recertified in January 2016. The recertified data included 5 additional students that had become eligible for the free/reduced meal program since the original submission. The District will implement procedures to ensure that the counts are reconciled between the food service staff and the CALPADS reporting staff and that only students who are eligible at the census data are reported (with the exception of direct certified). Prior to submission, the Chief Business Official shall review and sign off.

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

---

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<b><u>FINANCIAL STATEMENTS</u></b>		
<b>15 - 1 / 30000</b>		
<b>MATERIAL WEAKNESS</b>		
<b><u>CLEARING ACCOUNTS RECONCILIATION</u></b>		
The District should establish appropriate procedures to ensure that clearing accounts are reconciled on a monthly basis and the reconciliation should be retained for audit purposes.	Implemented	
<b><u>STATE AWARDS</u></b>		
<b>15 - 2 / 70000</b>		
<b><u>INSTRUCTIONAL MATERIALS</u></b>		
The District should establish appropriate procedures to ensure that a compliant public hearing is held, and the required resolution is adopted, within the first eight weeks of school in accordance with Education Code Section 60119.	Implemented	