

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

**AUDIT REPORT**

**JUNE 30, 2017**



KENTFIELD SCHOOL DISTRICT

JUNE 30, 2017

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KENTFIELD SCHOOL DISTRICT

JUNE 30, 2017

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## FINANCIAL SECTION



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

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Kentfield School District  
Kentfield, 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 Kentfield School District, as of and for the year ended June 30, 2017, 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 is not reported. The amounts by which this departure would affect the assets, liabilities, net assets, revenues and expenses have 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, 2017, 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 Kentfield School District, as of June 30, 2017, 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 management's discussion and analysis on pages 4 through 14, budgetary comparison information on page 59, schedule of funding progress on page 60, schedules of the proportionate share of the net pension liabilities on pages 61 and 62, and schedules of contributions on pages 63 and 64 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 Kentfield School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 on our consideration of the Kentfield 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 Kentfield School District's internal control over financial reporting and compliance.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 7, 2017

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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This section of Kentfield 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, 2017. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 16 and 17, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 18 through 24, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

**FINANCIAL HIGHLIGHTS**

- The District's overall financial status improved during the course of the year as total net position increased by 1,577,312.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$165,067 before the special item due to the receipt of \$253,338 of one-time funds for outstanding mandate claims. The \$1,412,245 special item recognized in the current year is the difference between the sale proceeds and the book value of property sold.
- Capital assets, net of depreciation, decreased \$13,909 due to accumulated depreciation growing at a faster rate than acquisitions and construction.
- Total long-term liabilities increased \$311,277 due primarily to the decrease in the District's outstanding general obligation bonds liability offset by the increase in the District's proportionate share of the net pension liabilities related to their participation in the CalSTRS and CalPERS pension plans.
- The District's P-2 average daily attendance (ADA) increased 2.4% in the current year; going from 1,181 ADA in fiscal year 2015-16 up to 1,210 ADA in fiscal year 2016-17.
- The General Fund incurred an operating deficit of \$59,987, which included the receipt of \$253,338 of one-time funds for outstanding mandate claims in 2016-17. Without the receipt of these one-time funds, the District would have incurred an operating deficit of \$313,325.
- 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 2016-17, General Fund expenditures and transfers out totaled \$17,096,172. At June 30, 2017, the District had available reserves of \$1,523,185 in the General Fund, which represents a reserve of 8.9%.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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**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.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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**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, and administration, are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as special education transportation are also included here, but are financed by a combination of state and local revenues.

*Business-type Activities:*

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

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

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

*Governmental Funds:*

The major governmental funds of the Kentfield School District are the General Fund, the Bond Interest and Redemption Fund, the Building Fund, and the Capital Projects-Special Reserve 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 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.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES

The District's overall status improved during the course of the year, as total net position increased by \$1,577,312.

<b><u>Comparative Statement of Net Position</u></b>		
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2017</u>
<u>Assets</u>		
Deposits and Investments	\$ 16,899,110	\$ 16,127,466
Receivables	345,186	984,442
Capital Assets, net	<u>19,405,721</u>	<u>19,391,812</u>
Total Assets	<u>36,650,017</u>	<u>36,503,720</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals	1,409,585	3,090,587
Deferred Amount on Refunding	<u>297,479</u>	<u>270,622</u>
Total Deferred Outflows of Resources	<u>1,707,064</u>	<u>3,361,209</u>
<u>Liabilities</u>		
Current	3,320,659	3,242,617
Long-term	<u>40,290,083</u>	<u>40,728,227</u>
Total Liabilities	<u>43,610,742</u>	<u>43,970,844</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	<u>1,349,116</u>	<u>919,550</u>
<u>Net Position</u>		
Net Investment in Capital Assets	2,815,673	3,742,570
Restricted	2,801,152	2,614,582
Unrestricted (Deficit)	<u>(12,219,602)</u>	<u>(11,382,617)</u>
Total Net Position (Deficit)	<u>\$ (6,602,777)</u>	<u>\$ (5,025,465)</u>

*Table includes financial data of the combined governmental funds*

The unrestricted deficit balance, presented above, is a result of the District's requirement 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.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total revenues exceeded total expenses by \$165,067 before the special item in fiscal year 2016-17. The \$1,412,245 special item recognized in the current year is the difference between the sale proceeds and the book value of property sold.

<b><u>Comparative Statement of Changes in Net Position</u></b>		
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2017</u>
<u>Program Revenues</u>		
Operating Grants & Contributions	\$ 1,660,096	\$ 1,708,920
<u>General Revenues</u>		
Taxes Levied	14,706,325	15,129,297
Federal & State Aid	1,757,148	1,391,238
Interest & Investment Earnings	34,762	66,651
Miscellaneous	1,553,750	1,536,614
<b>Total Revenues</b>	<b>19,712,081</b>	<b>19,832,720</b>
<u>Expenses</u>		
Instruction	12,558,600	13,361,216
Instruction-Related Services	1,674,125	1,753,425
Pupil Services	586,783	565,203
General Administration	1,603,840	1,229,236
Plant Services	1,138,470	1,413,526
Ancillary Services	16,524	20,521
Community Services	6,463	6,936
Interest on Long-Term Debt	924,465	855,966
Other Outgo	455,566	461,624
<b>Total Expenses</b>	<b>18,964,836</b>	<b>19,667,653</b>
Change in Net Position Before Special Item	747,245	165,067
<u>Special Item</u>		
Gain on Sale of Capital Assets	0	1,412,245
<b>Changes in Net Position</b>	<b>747,245</b>	<b>1,577,312</b>
Net Position (Deficit), Beginning	(7,350,022)	(6,602,777)
<b>Net Position (Deficit), Ending</b>	<b>\$ (6,602,777)</b>	<b>\$ (5,025,465)</b>

*Table includes financial data of the combined governmental funds*

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

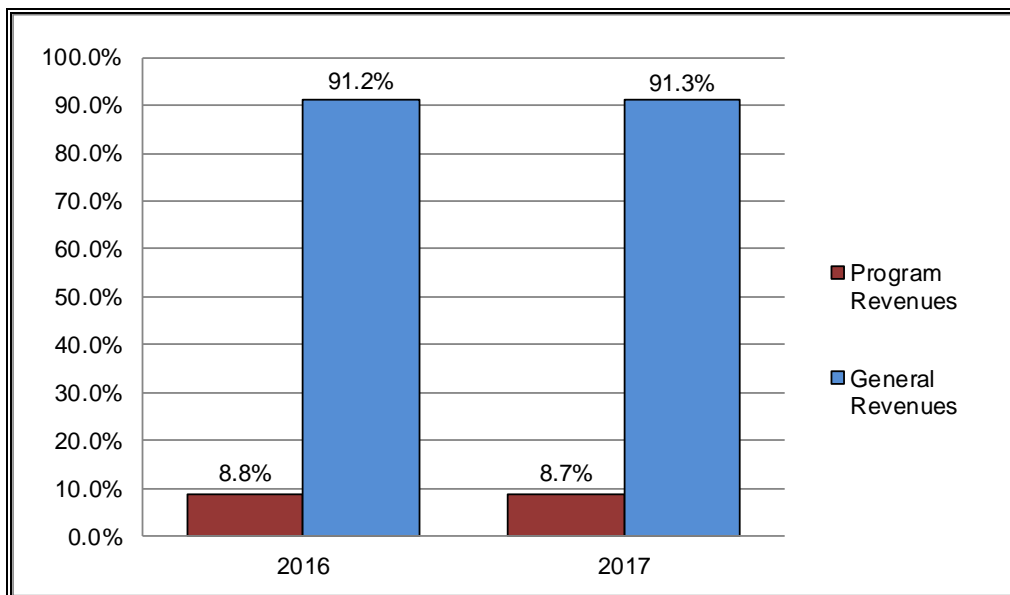
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2016	2017	2016	2017
	Instruction	\$ 12,558,600	\$ 13,361,216	\$ 11,136,946
Instruction-Related Services	1,674,125	1,753,425	1,606,379	1,700,119
Pupil Services	586,783	565,203	540,280	505,545
General Administration	1,603,840	1,229,236	1,580,530	1,208,276
Plant Services	1,138,470	1,413,526	1,037,827	1,312,501
Interest on Long-Term Debt	924,465	855,966	924,465	855,966
Other Expenses	478,553	489,081	478,313	488,848
<b>Totals</b>	<b>\$ 18,964,836</b>	<b>\$ 19,667,653</b>	<b>\$ 17,304,740</b>	<b>\$ 17,958,733</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 \$17,958,733 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



In fiscal year 2016-17, program revenues financed 8.7% of the total cost of providing the services listed above, while the general revenues of the District financed the remaining 91.3%.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

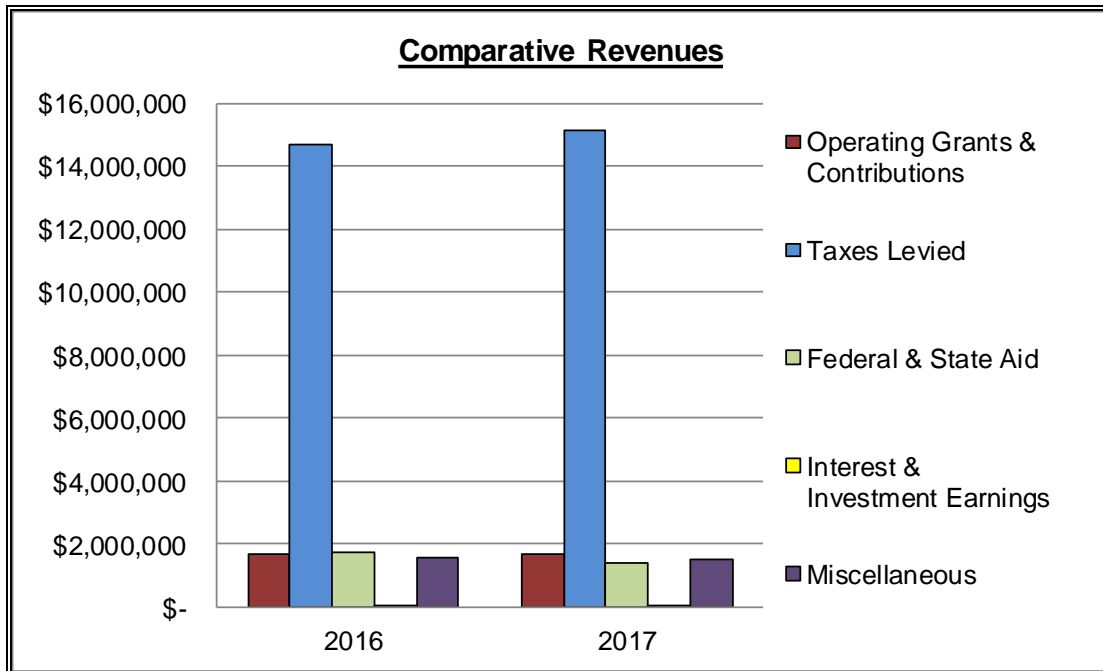
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Schedule of Revenues For Governmental Functions</u></b>				
	<u>FYE 2016 Amount</u>	<u>Percent of Total</u>	<u>FYE 2017 Amount</u>	<u>Percent of Total</u>
<b><u>Program Revenues</u></b>				
Operating Grants & Contributions	\$ 1,660,096	8.42%	\$ 1,708,920	8.62%
<b><u>General Revenues</u></b>				
Taxes Levied	14,706,325	74.61%	15,129,297	76.28%
Federal & State Aid	1,757,148	8.91%	1,391,238	7.01%
Interest & Investment Earnings	34,762	0.18%	66,651	0.34%
Miscellaneous	1,553,750	7.88%	1,536,614	7.75%
<b>Total Revenues</b>	<b><u>\$ 19,712,081</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 19,832,720</u></b>	<b><u>100.00%</u></b>

*Table includes financial data of the combined governmental funds*





**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

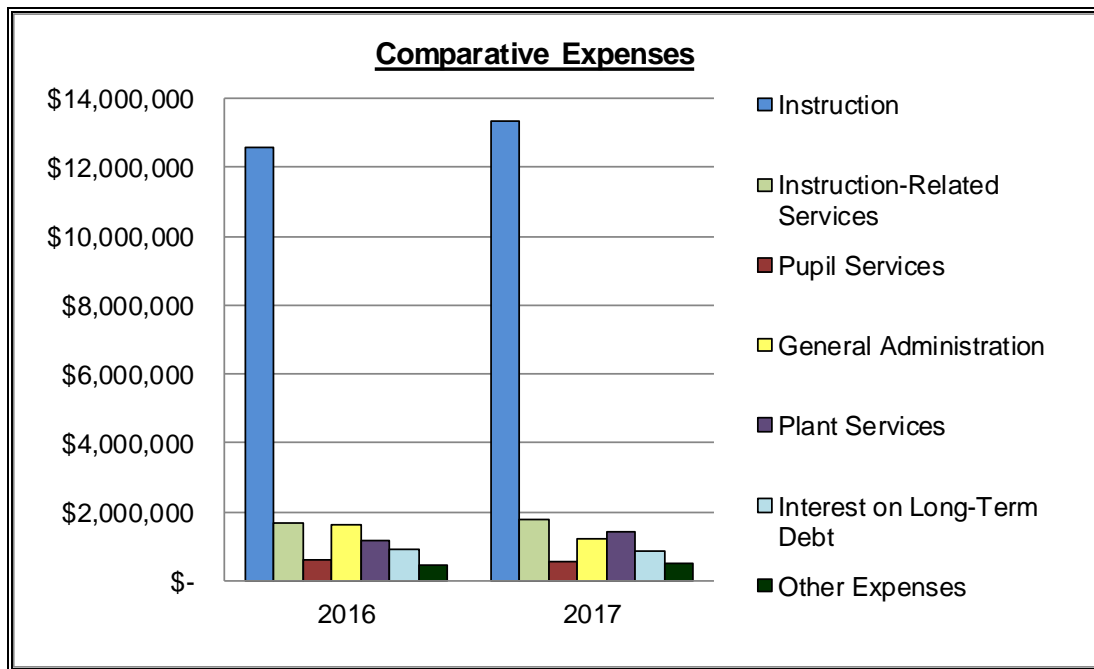
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Schedule of Expenses For Governmental Functions</u></b>				
	FYE 2016 Amount	Percent of Total	FYE 2017 Amount	Percent of Total
<b><u>Expenses</u></b>				
Instruction	\$ 12,558,600	66.22%	\$ 13,361,216	67.93%
Instruction-Related Services	1,674,125	8.83%	1,753,425	8.92%
Pupil Services	586,783	3.09%	565,203	2.87%
General Administration	1,603,840	8.46%	1,229,236	6.25%
Plant Services	1,138,470	6.00%	1,413,526	7.19%
Interest on Long-Term Debt	924,465	4.87%	855,966	4.35%
Other Expenses	478,553	2.52%	489,081	2.49%
<b>Total Expenses</b>	<b>\$ 18,964,836</b>	<b>100.00%</b>	<b>\$ 19,667,653</b>	<b>100.00%</b>

*Table includes financial data of the combined governmental funds*



**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Comparative Schedule of Capital Assets</u></b>		
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2017</u>
Land	\$ 1,522,674	\$ 1,514,919
Sites and Improvements	3,401,533	3,411,009
Buildings and Improvements	29,854,283	29,641,168
Furniture and Equipment	215,984	256,554
Work-in-Progress	398,262	1,240,868
Subtotals	<u>35,392,736</u>	<u>36,064,518</u>
Less: Accumulated Depreciation	<u>(15,987,015)</u>	<u>(16,672,706)</u>
Capital Assets, net	<u>\$ 19,405,721</u>	<u>\$ 19,391,812</u>

Capital assets, net of depreciation, decreased \$13,909 due to accumulated depreciation growing at a faster rate than acquisitions and construction.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2017</u>
Compensated Absences	\$ 102,331	\$ 114,519
General Obligation Bonds:		
Current Interest	25,525,000	23,485,000
Bond Premiums	1,566,631	1,416,207
Capital Leases	1,340,329	1,230,853
Early Retirement Incentives	39,761	140,574
Other Post Employment Benefits	658,498	766,226
Net Pension Liabilities	<u>13,427,307</u>	<u>15,817,705</u>
Totals	<u>\$ 42,659,857</u>	<u>\$ 42,971,084</u>

Total long-term liabilities increased \$311,277 due primarily to the decrease in the District's outstanding general obligation bonds liability offset by the increase in the District's proportionate share of the net pension liabilities related to their participation in the CalSTRS and CalPERS pension plans.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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

**GOVERNMENTAL ACTIVITIES (CONCLUDED)**

The general obligation bonds are financed by local taxpayers and represent 55% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current debt issues. The capital leases represent 3% of the District's total long-term liabilities and are financed by the General Fund and Capital Facilities Fund. The remaining liabilities represent 42% of the District's total long-term liabilities and will be financed by the General Fund.

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**

<b><u>Comparative Schedule of Fund Balances</u></b>			
	<u>Fund Balances</u> <u>June 30, 2016</u>	<u>Fund Balances</u> <u>June 30, 2017</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 2,285,888	\$ 2,225,901	\$ (59,987)
Bond Interest & Redemption	2,785,013	2,484,665	(300,348)
Building	11,472,191	10,212,196	(1,259,995)
Capital Projects - Special Reserve	9,557	1,201,054	1,191,497
Capital Facilities	48,776	43,241	(5,535)
Kent Middle School Gymnasium	111,784	109,313	(2,471)
Totals	<u>\$ 16,713,209</u>	<u>\$ 16,276,370</u>	<u>\$ (436,839)</u>

The fund balance of the General Fund decreased \$59,987. The \$1,259,995 decrease in the Building Fund is due to expenditures in the current year of bond proceeds received in a prior year and the \$1,191,497 increase in the Capital Projects - Special Reserve Fund is due to the proceeds received from the sale of District property. The combined fund balances of all the other governmental funds decreased \$308,354.

**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. The original budget presented on page 59 includes only new revenues for fiscal year 2016-17.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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

The Kent Middle School Modernization, Relocation of Administrative Building, and New Music Classroom construction projects began in the summer of 2017 and the projects are expected to be completed in the fall of 2018.

Employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the foreseeable future. In addition, the economy has finished its eighth year of expansion, lasting three years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislation and local governments, including local education agencies, to plan for the next recession.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Kentfield School District, 750 College Avenue, Kentfield, California 94904.

## BASIC FINANCIAL STATEMENTS

**KENTFIELD SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 16,127,466
Receivables (Note 3)	764,442
Long-Term Receivable (Note 4)	220,000
Capital Assets (Note 6)	
Land	1,514,919
Sites and Improvements	3,411,009
Buildings and Improvements	29,641,168
Furniture and Equipment	256,554
Work-in-Progress	1,240,868
Less: Accumulated Depreciation	(16,672,706)
Total Assets	36,503,720
<b><u>Deferred Outflows of Resources</u></b>	
Pension Deferrals (Note 11)	3,090,587
Bond Refunding	270,622
Total Deferred Outflows of Resources	3,361,209
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	615,538
Accrued Interest Payable	384,222
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	114,519
General Obligation Bonds	
Current Interest	1,795,000
Bond Premium	150,425
Capital Leases	140,141
Early Retirement Incentives	42,772
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 7)	
Current Interest	21,690,000
Bond Premium	1,265,782
Capital Leases (Note 8)	1,090,712
Early Retirement Incentives (Note 9)	97,802
Other Post Employment Benefits (Note 10)	766,226
Net Pension Liabilities (Note 11)	15,817,705
Total Liabilities	43,970,844
<b><u>Deferred Inflows of Resources</u></b>	
Pension Deferrals (Note 11)	919,550
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	3,742,570
Restricted:	
For Capital Projects	43,241
For Debt Service	2,100,443
For Educational Programs	470,198
For Other Purposes	700
Unrestricted (Deficit)	(11,382,617)
Total Net Position (Deficit)	\$ (5,025,465)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<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><u>Governmental Activities</u></b>				
Instruction	\$ 13,361,216		\$ 1,473,738	\$ (11,887,478)
Instruction-Related Services:				
Supervision of Instruction	106,953		10,417	(96,536)
Instructional Library and Technology	354,739		7,302	(347,437)
School Site Administration	1,291,733		35,587	(1,256,146)
Pupil Services:				
Other Pupil Services	565,203		59,658	(505,545)
General Administration:				
Data Processing Services	21,562			(21,562)
Other General Administration	1,207,674		20,960	(1,186,714)
Plant Services	1,413,526		101,025	(1,312,501)
Ancillary Services	20,521		233	(20,288)
Community Services	6,936			(6,936)
Interest on Long-Term Debt	855,966			(855,966)
Other Outgo	461,624			(461,624)
<b>Total Governmental Activities</b>	<b>\$ 19,667,653</b>	<b>\$ 0</b>	<b>\$ 1,708,920</b>	<b>\$ 0</b>
<b><u>General Revenues</u></b>				
Taxes Levied for General Purposes				8,311,687
Taxes Levied for Debt Service				2,699,527
Taxes Levied for Specific Purposes				4,118,083
Federal and State Aid - Unrestricted				1,391,238
Interest and Investment Earnings				66,651
Miscellaneous				1,536,614
<b>Total General Revenues</b>				<b>18,123,800</b>
<b><u>Special Item</u></b>				
Gain from Disposition of Capital Assets				1,412,245
<b>Change in Net Position</b>				<b>1,577,312</b>
Net Position (Deficit) - July 1, 2016				(6,602,777)
<b>Net Position (Deficit) - June 30, 2017</b>				<b>\$ (5,025,465)</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<b>General</b>	<b>Bond Interest and Redemption</b>
<b><u>Assets</u></b>		
Deposits and Investments (Note 2)	\$ 2,323,124	\$ 2,484,665
Receivables (Note 3)	314,442	
Long-Term Receivable (Note 4)		
Total Assets	\$ 2,637,566	\$ 2,484,665
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
Liabilities:		
Accounts Payable	\$ 411,665	
Total Liabilities	411,665	
<i>Deferred Inflows of Resources:</i>		
Unavailable Revenue (Note 4)		
Total Deferred Inflows of Resources		
Fund Balances: (Note 13)		
Nonspendable	700	
Restricted	470,198	\$ 2,484,665
Assigned	231,818	
Unassigned	1,523,185	
Total Fund Balances	2,225,901	2,484,665
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,637,566	\$ 2,484,665

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



<b>Building</b>	<b>Capital Projects - Special Reserve</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 10,416,069	\$ 751,054 450,000 220,000	\$ 152,554	\$ 16,127,466 764,442 220,000
<u>\$ 10,416,069</u>	<u>\$ 1,421,054</u>	<u>\$ 152,554</u>	<u>\$ 17,111,908</u>
<u>\$ 203,873</u>			<u>\$ 615,538</u>
<u>203,873</u>			<u>615,538</u>
	<u>\$ 220,000</u>		<u>220,000</u>
	<u>220,000</u>		<u>220,000</u>
10,212,196	1,201,054	\$ 43,241 109,313	700 13,210,300 1,542,185 1,523,185
<u>10,212,196</u>	<u>1,201,054</u>	<u>152,554</u>	<u>16,276,370</u>
<u>\$ 10,416,069</u>	<u>\$ 1,421,054</u>	<u>\$ 152,554</u>	<u>\$ 17,111,908</u>



**KENTFIELD SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

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**Total Fund Balances - Governmental Funds** \$ 16,276,370

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	\$ 36,064,518	
Accumulated Depreciation	(16,672,706)	
Net		19,391,812

Deferred recognition of earned but unavailable revenues: In governmental funds, revenue is recognized to the extent that it is available. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available. In government-side statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that are deferred in governmental funds, but are recognized in the government-wide statements are:

220,000

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

Deferred outflows of resources relating to pensions		3,090,587
Deferred inflows of resources relating to pensions		(919,550)

Unamortized costs: In governmental funds, the gain or loss from debt refunding activities is recognized in the period they are incurred. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. The deferred amount from refunding, reported as deferred outflows of resources, are:

270,622

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 relating to governmental activities are:

Compensated Absences	\$ 114,519	
General Obligation Bonds:		
Current Interest	23,485,000	
Bond Premium	1,416,207	
Capital Leases	1,230,853	
Early Retirement Incentives	140,574	
Other Post Employment Benefits	766,226	
Net Pension Liabilities	15,817,705	
Total		(42,971,084)

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 statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owed at the end of the period was:

(384,222)

**Total Net Position (Deficit) - Governmental Activities** **\$ (5,025,465)**

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**KENTFIELD SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Bond Interest and Redemption</u>
<b><u>Revenues</u></b>		
LCFF Sources:		
State Apportionment / Transfers	\$ 920,730	
Local Taxes	8,311,687	
Total LCFF Sources	9,232,417	
Federal Revenue	193,840	
State Revenue	1,316,452	\$ 9,544
Local Revenue	6,266,757	2,695,994
Total Revenues	17,009,466	2,705,538
<b><u>Expenditures</u></b>		
Current:		
Instruction	12,089,924	
Supervision of Instruction	106,887	
Instructional Library and Technology	356,546	
School Site Administration	1,251,161	
Other Pupil Services	553,511	
Data Processing Services	21,562	
Other General Administration	1,166,571	
Plant Services	943,532	
Facilities Acquisition and Construction	14,068	
Ancillary Services	14,266	
Other Outgo	459,594	
Debt Service:		
Principal Retirement	90,084	2,040,000
Interest and Issuance Costs	27,446	965,886
Total Expenditures	17,095,152	3,005,886
Excess of Revenues		
(Under) Expenditures	(85,686)	(300,348)
<b><u>Other Financing Sources (Uses)</u></b>		
Operating Transfers In		
Operating Transfers Out	(1,020)	
Other Sources	26,719	
Total Other Financing Sources (Uses)	25,699	0
Net Change in Fund Balances	(59,987)	(300,348)
Fund Balances - July 1, 2016	2,285,888	2,785,013
Fund Balances - June 30, 2017	\$ 2,225,901	\$ 2,484,665

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Building</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
			\$ 920,730
			8,311,687
			<u>9,232,417</u>
			193,840
			1,325,996
\$ 51,819	\$ 997	\$ 64,900	9,080,467
<u>51,819</u>	<u>997</u>	<u>64,900</u>	<u>19,832,720</u>
			12,089,924
			106,887
			356,546
			1,251,161
			553,511
			21,562
			1,166,571
		2,988	946,520
1,312,834	9,500		1,336,402
			14,266
			459,594
		46,111	2,176,195
		23,807	1,017,139
<u>1,312,834</u>	<u>9,500</u>	<u>72,906</u>	<u>21,496,278</u>
<u>(1,261,015)</u>	<u>(8,503)</u>	<u>(8,006)</u>	<u>(1,663,558)</u>
1,020			1,020
			(1,020)
	1,200,000		1,226,719
<u>1,020</u>	<u>1,200,000</u>	<u>0</u>	<u>1,226,719</u>
(1,259,995)	1,191,497	(8,006)	(436,839)
11,472,191	9,557	160,560	16,713,209
<u>\$ 10,212,196</u>	<u>\$ 1,201,054</u>	<u>\$ 152,554</u>	<u>\$ 16,276,370</u>

**KENTFIELD 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, 2017**

**Net Change in Fund Balances - Governmental Funds** \$ (436,839)

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 Outlay Expenditures	\$ 892,652	
Depreciation Expense	(898,806)	
Net		(6,154)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from 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 disposal of capital assets and the resulting gain or loss is: (7,755)

Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period is: 220,000

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: 2,176,195

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premiums or discounts, were: (26,719)

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, it is recognized in the period incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 35,576

Compensated absences and early retirement incentives: In governmental funds, compensated absences and early retirement incentives are measured by the amounts paid during the period. In the statement of activities, compensated absences and early retirement incentives are measured by the amounts earned. The difference between amounts paid and amounts earned were: (113,001)

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 and actual employer contributions was: (107,728)

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: (279,830)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as Other Financing Sources or Other Financing Uses in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premiums or discount, or deferred gain or loss from debt refunding, for the period are: 123,567

**Change in Net Position of Governmental Activities** \$ 1,577,312

**KENTFIELD SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2017**

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	<b>Agency Funds</b>	<b>Total Fiduciary Funds</b>
<b><u>Assets</u></b>		
Deposits and Investments (Note 2)	\$ 34,278	\$ 34,278
<b><u>Liabilities</u></b>		
Due to Student Groups	34,278	34,278
<b><u>Net Position</u></b>		
Total Net Position	\$ 0	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Kentfield 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).

The financial reporting entity consists of the following:

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

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

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

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

Component units include legally separate organizations (whether governmental, not-for-profit, or for-profit organizations) for which elected officials of the primary government are financially accountable. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. The primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

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

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

In addition, GASB 61 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary government are such that excluding them would cause the financial reporting entity's financial statements to be misleading. Based on the GASB 61 criteria and definitions, the District is the primary government and there are no material potential component units, which should be included in the Financial Reporting Entity in these financial statements.

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

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

The District has determined that the Kentfield Schools Foundation (the Foundation), a non-profit, public benefit corporation, 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 its respective changes in its financial position.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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 column has been removed from these statements.

Governmental activities are 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

Fund Financial Statements:

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

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Certain grant funds 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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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.

*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 funds are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. For financial reporting purposes the financial activities and balances of the Deferred Maintenance Fund and Special Revenue - Special Reserve Fund have been combined with the General Fund.

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 resources including bonds proceeds from the 2014 Measure D authorization to finance school improvement and expansion.

The *Capital Projects - Special Reserve Fund* was established to account for revenues and expenditures associated with the acquisition of the new District Office. The proceeds from the sale of property were deposited into the fund during fiscal year 2016-17 and will be used for capital improvements at Bacich Elementary and Kent Middle schools.

Non-Major Governmental Funds:

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

The *Kent Middle School Gymnasium Fund* was established to account for donations from the community and expenditures for the construction of a new gymnasium. The fund is currently used to account for facilities use fees generated by the gymnasium, which are used to maintain the facility.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Fiduciary Funds:

*Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body activities at Adeline E. Kent Middle School and Anthony G. Bacich Elementary School. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

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 59.

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).

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Concluded)

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

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

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

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

2. Capital Assets

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

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	6-36
Buildings and Improvements	7-40
Furniture and Equipment	5-20

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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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. 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.

5. 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.

6. Long-term Liabilities

In the government-wide financial statements, long-term obligations are reported as long-term liabilities in the Statement of Net Position. Premiums and discounts are deferred and amortized over the life of the obligation, when applicable. Liabilities are reported net of applicable premiums and discounts.

In the fund financial statements, governmental funds recognize premiums and discounts when the debt is issued. The face amount of the debt issued, premiums and discounts are reported as other financing sources or uses.

7. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy 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 five fund balance classifications used in the governmental fund financial statements are as follows:

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Fund Balances (Concluded)

*Nonspendable Fund Balance* includes amounts that are not expected to be converted to cash, such as resources that are not in spendable form (e.g., inventories and prepaids) or that are legally or contractually required to be maintained intact.

*Restricted Fund Balance* includes amounts constrained to a specific purpose by their providers (e.g., creditors, grantors, and contributors), or by law.

*Committed Fund Balance* includes amounts that are constrained to specific purposes by the Board. For this purpose, all commitments of funds shall be approved by majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period (June 30), although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.

*Assigned Fund Balance* includes amounts which are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. The Board delegates authority to assign funds to the Superintendent and authorizes the assignment of such funds to be made any time prior to the issuance of the financial statements. The Superintendent may further delegate the authority to assign funds at his/her discretion.

*Unassigned Fund Balance* includes amounts that are available for any purpose.

The Board intends to maintain a minimum assigned and unassigned fund balance in an amount the Board deems sufficient to maintain fiscal solvency and stability to protect the District against unforeseen circumstances. If the assigned and unassigned fund balance falls below the level set by the Board due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance, which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

When multiple types of funds are available for an expenditure, the District shall first utilize funds from the restricted fund balance, as appropriate, then from the committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

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

The formula for determining the level of funding per student is the "Local Control Funding Formula" (LCFF). 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.



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

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

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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks		\$ 34,278
Cash in Revolving Fund	\$ 700	
County Pool Investments	<u>16,126,766</u>	
Total Deposits and Investments	<u>\$ 16,127,466</u>	<u>\$ 34,278</u>

Cash on Hand and in Banks

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Summary of Deposits and Investments (Concluded)

Cash in Revolving Fund

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

County Pool Investments

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

General Authorization

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

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**Interest Rate Risk**

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

**Weighted Average Maturity**

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
County Pool Investments	\$ 16,126,766	\$ 16,135,057	231

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the County Treasury are not required to be rated.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Fair Value Measurements

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	\$ 16,135,057	\$ 16,135,057

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2017 consist of the following:

	<u>General Fund</u>	<u>Capital Projects- Special Reserve Fund</u>	<u>Totals</u>
Federal Government	\$ 143,079		\$ 143,079
State Government	59,571		59,571
Local Governments	96,194	\$ 450,000	546,194
Miscellaneous	15,598		15,598
Totals	<u>\$ 314,442</u>	<u>\$ 450,000</u>	<u>\$ 764,442</u>

**NOTE 4 - LONG-TERM RECEIVABLE**

The District entered into a settlement agreement on March 14, 2017 that required the transfer of title to certain District property in exchange for \$1,420,000. The agreement requires the buyer to make two installment payments, \$450,000 by July 5, 2017 and \$220,000 by July 5, 2018. The buyer paid the \$450,000 installment during fiscal year 2016-17. As of June 30, 2017, the outstanding balance due from the buyer is \$220,000. This long-term receivable is reported as deferred inflows of resources on the governmental fund financial statements, as the funds are not available and collection is anticipated after the period of availability.

**NOTE 5 - INTERFUND ACTIVITIES**

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

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

There were no interfund receivables or payables at June 30, 2017.

**B. Interfund Transfer**

Interfund transfers consist of operating transfers from funds receiving revenue to funds where the resources are to be expended. The interfund transfer made in fiscal year 2016-17 was as follows:

Transfer of \$1,020 from the General Fund to the Building Fund to reimburse expenditures paid with bond funds.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balances <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2017</u>
Land	\$ 1,522,674		\$ 7,755	\$ 1,514,919
Sites and Improvements	3,401,533	\$ 9,476		3,411,009
Buildings and Improvements	29,854,283		213,115	29,641,168
Furniture and Equipment	215,984	40,570		256,554
Work-in-Progress	<u>398,262</u>	<u>1,339,101</u>	<u>496,495</u>	<u>1,240,868</u>
Totals at Historical Cost	<u>35,392,736</u>	<u>1,389,147</u>	<u>717,365</u>	<u>36,064,518</u>
Less Accumulated Depreciation for:				
Sites and Improvements	2,471,768	78,317		2,550,085
Buildings and Improvements	13,425,388	800,931	213,115	14,013,204
Furniture and Equipment	<u>89,859</u>	<u>19,558</u>		<u>109,417</u>
Total Accumulated Depreciation	<u>15,987,015</u>	<u>898,806</u>	<u>213,115</u>	<u>16,672,706</u>
Governmental Activities Capital Assets, net	<u>\$ 19,405,721</u>	<u>\$ 490,341</u>	<u>\$ 504,250</u>	<u>\$ 19,391,812</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 820,848
School Site Administration	17,118
Other General Administration	24,974
Plant Services	22,775
Ancillary Services	6,155
Community Services	<u>6,936</u>
Total Depreciation Expense	<u>\$ 898,806</u>

**NOTE 7 - GENERAL OBLIGATION BONDS**

The District's outstanding general obligation debt, excluding \$1,416,207 of unamortized bond premiums, as of June 30, 2017 is as follows:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2016	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2017
1/18/12	2.00-3.50	8/1/29	\$ 9,585,000	\$ 8,055,000		\$ 460,000	\$ 7,595,000
5/13/15	3.00-5.00	8/1/44	12,000,000	12,000,000		995,000	11,005,000
5/13/15	2.00-5.00	8/1/23	<u>5,535,000</u>	<u>5,470,000</u>		<u>585,000</u>	<u>4,885,000</u>
Totals			<u>\$ 27,120,000</u>	<u>\$ 25,525,000</u>	<u>\$ 0</u>	<u>\$ 2,040,000</u>	<u>\$ 23,485,000</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)**

The annual requirements to amortize the current interest general obligation bonds, as of June 30, 2017, are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 1,795,000	\$ 887,156	\$ 2,682,156
2019	1,130,000	828,006	1,958,006
2020	1,180,000	780,406	1,960,406
2021	1,220,000	730,857	1,950,857
2022	1,280,000	679,156	1,959,156
2023-2027	4,895,000	2,721,356	7,616,356
2028-2032	3,410,000	1,981,653	5,391,653
2033-2037	2,255,000	1,587,363	3,842,363
2038-2042	3,450,000	1,092,275	4,542,275
2043-2047	2,870,000	223,500	3,093,500
Totals	<u>\$ 23,485,000</u>	<u>\$ 11,511,728</u>	<u>\$ 34,996,728</u>

**NOTE 8 - CAPITAL LEASES**

On October 7, 2011, the District refinanced the lease agreement for the District Office building on the outstanding principal amount of \$1,647,947 at an effective interest rate of 3.956%. The agreement requires monthly lease payments of \$11,652.94 and continues through September 7, 2027, at which time title will pass to the District.

On July 1, 2015, the District entered into a capital lease agreement to finance the purchase of \$110,319 of computer equipment, with one remaining lease payment of \$38,077 due in fiscal year 2017-18. On July 22, 2016, the District entered into a capital lease agreement to finance the purchase of \$26,719 of computer equipment. Future minimum lease payments under this agreement require two annual payments of \$9,535. The lease agreements provide for title to pass upon expiration of the lease periods.

The District will receive no sublease revenues or pay any contingent rentals for the leased assets. Future minimum lease payments under these agreements are as follows:

Year Ended <u>June 30</u>	<u>Lease Payments</u>
2018	\$ 187,447
2019	149,371
2020	139,835
2021	139,835
2022	139,835
2023-2027	699,177
2028-2032	<u>34,937</u>
Total payments	1,490,437
Less amounts representing interest	<u>(259,584)</u>
Present value of net minimum lease payments	<u>\$ 1,230,853</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 9 - EARLY RETIREMENT INCENTIVES**

In accordance with Governmental Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits*, termination benefits including benefits provided by employers to employees as an inducement to hasten the termination of services, such as early retirement incentives, should be recognized when the employees accept the offer and the amounts can be estimated.

The District offers an early retirement incentive program through the Public Agency Retirement Services (PARS), where eligible employees receive a lump sum benefit based on their years of service at retirement. In general, this benefit is available to employees who are at least 50% FTE with 10 or more years of service with the District and who retire under the California State Teachers' Retirement System (CalSTRS).

The table below outlines the prorated lump sum benefit amount offered:

<u>Years of Service</u>	<u>Benefit Amount</u>
10-14	\$ 10,000
15-19	15,000
20-24	20,000
25-29	25,000
30-34	30,000
35+	35,000

The liability reported is the present value of future expected cash flows, using a 5% discount rate. The cost for this benefit in fiscal year 2016-17 was \$20,193. At June 30, 2017, the liability is estimated to be \$140,574 for nine retirees with up to four more years of annual payments remaining.

**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 11, the District offers other post employment benefits (OPEB) to employees who meet certain criteria. The District records the liability for this benefit in accordance with Governmental Accounting Standards Board Statement No. 45 (GASB 45).

*Plan Descriptions:* The District's OPEB Plan provides medical, prescription drug, dental and vision benefits. Active employees and retirees are offered a choice of five medical/prescription drug options from Kaiser Permanente and Blue Shield of California, with prescription drug carved out and provided through Navitus for two Blue Shield options. These coverages are self-insured on a pooled basis by the Self-Insured Schools of California (SISC III), effective October 1, 2015. In addition, all groups are offered dental and vision benefits through Delta Dental and VSP Vision, respectively.

Certificated and classified employees (including management) who attain age 55 and have completed at least 5 years of continuous service are eligible to retire with District-paid medical, prescription drug, dental and vision coverages, to a maximum of the Kaiser Traditional single rate for active employees (currently \$600/month), plus retiree-only dental and vision premiums (currently \$55.95/month and \$17.70/month, respectively) for a total of \$673.65/month, pro-rated for part-time service, if applicable. Retirees may cover dependents at their own expense. District-paid benefits end at age 65.



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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 labor agreements.

The District had 118 active employees and 6 retired employees covered by the OPEB Plan as of July 1, 2015, the effective date of the triennial OPEB valuation. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

*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, 2017, the amount contributed to the Plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$766,226 for the year ended June 30, 2017.

Annual required contribution (ARC)	\$ 199,312
Interest on Net OPEB Obligation	26,340
Adjustment to ARC	<u>(38,081)</u>
Annual OPEB cost (expense)	187,571
Contributions for the fiscal year	<u>(79,843)</u>
Increase in Net OPEB Obligation	107,728
Net OPEB Obligation - June 30, 2016	<u>658,498</u>
Net OPEB Obligation - June 30, 2017	<u>\$ 766,226</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 187,571	42.5%	\$ 766,226
June 30, 2016	189,719	36.5%	658,498
June 30, 2015	99,928	44.7%	538,031

*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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)**

*Actuarial Methods and Assumptions (Concluded)*

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 actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the liabilities were computed using the projected unit credit cost method and the District's unfunded actuarial accrued liability is being amortized on the level dollar basis over an open 30 year amortization period. The actuarial assumptions utilized a 4% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial medical and prescription cost rate of 8%, which grades down to an ultimate rate of 5% by the 4<sup>th</sup> year, and constant 4% cost rate for dental and vision. The District caps on retiree health care premiums were assumed to increase at the full health care trend rates for all future years and assumes that 50% of future retirees will waive benefits.

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 liability for benefits.

**NOTE 11 - RETIREMENT PLANS**

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

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

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 12,911,214	\$ 2,196,655	\$ 726,955	\$ 1,893,972
CalPERS	2,906,491	893,932	192,595	346,745
Totals	<u>\$ 15,817,705</u>	<u>\$ 3,090,587</u>	<u>\$ 919,550</u>	<u>\$ 2,240,717</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 11 - RETIREMENT PLANS (CONTINUED)

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.

CalSTRS 2% at 60

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

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 11 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

CalSTRS 2% at 60 (Concluded)

One year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service a member could earn in a school year.

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service a member could earn in a school year.

Contributions

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

Members: Pursuant to Chapter 47, Statutes of 2014 (AB 1469 - Bonta), the CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, the member contribution rate was 9.205% of applicable member earnings for fiscal year 2016-17. The rate imposed on CalSTRS 2% at 62 members is based assuming no change in the normal cost of benefits.

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469 - Bonta), the employer contribution rate was 12.58% of applicable member earnings for fiscal year 2016-17. The District contributed \$1,057,934 to the plan for the fiscal year ended June 30, 2017.

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. In addition, 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, 2017 was 4.311%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 8.828% for the fiscal year ended June 30, 2017.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - 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

At June 30, 2017, 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	\$ 12,911,214
State's proportionate share of the net pension liability associated with the District	9,109,184
Total net pension liability attributed to District	\$ 22,020,398

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2015 and June 30, 2016 was as follows:

Proportion - June 30, 2015	0.0166%
Proportion - June 30, 2016	0.0160%
Change - Increase (Decrease)	-0.0006%

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$1,893,972, which includes \$652,635 of support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 1,057,934	
Differences between expected and actual experience		\$ 321,061
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	116,460	405,894
Net differences between projected and actual earnings on plan investments	1,022,261	
Totals	\$ 2,196,655	\$ 726,955

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - 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)

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, 2018. 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	
2018	\$ (87,033)
2019	(87,033)
2020	502,161
2021	281,946
2022	(103,055)
2023	(95,220)

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, 2016. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
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 Increases	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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

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 specific experience through June 30, 2015. RP2000 series tables are an industry standard set of mortality rates published in 2000 by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis and June 30, 2015 Actuarial Program Valuations 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 investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016, 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%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return / Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash / Liquidity	2%	-1.00%
Total	<u>100%</u>	

\* 20-year geometric average

Discount Rate

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - RETIREMENT PLANS (CONTINUED)

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

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

The following table presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the current 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	\$ 18,582,149	\$ 12,911,214	\$ 8,201,265

Pension Plan's Fiduciary Net Position

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

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

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

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

Contributions

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



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 11 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Concluded)

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 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, 2017 was 13.888% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2017 was \$250,318.

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, 2017, the District reported a liability of \$2,906,491 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2015 and June 30, 2016 was as follows:

Proportion - June 30, 2015	0.0152%
Proportion - June 30, 2016	0.0147%
Change - Increase (Decrease)	-0.0005%

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$346,745. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - RETIREMENT PLANS (CONTINUED)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 250,318	
Differences between expected and actual experience	130,492	
Changes of assumptions		\$ 92,814
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	50,038	99,781
Net differences between projected and actual earnings on plan investments	<u>463,084</u>	
Totals	<u>\$ 893,932</u>	<u>\$ 192,595</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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2018	\$ 44,725
2019	84,068
2020	204,521
2021	117,705

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, 2016. Differences between projected and actual earnings on plan investments are netted and reduced over a closed 5-year period.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuations were determined using the following actuarial methods and assumptions:

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 11 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions (Concluded)

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies
Investment Rate of Return	7.65%
Post Retirement Benefit Increase <sup>1</sup>	

<sup>1</sup> 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 projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2015 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 7.65%. 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.

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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

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.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10<sup>(a)</sup></u>	<u>Real Return Years 11+<sup>(b)</sup></u>
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	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	1.0%	-0.55%	-1.05%
Total	<u>100%</u>		

<sup>(a)</sup> An expected inflation of 2.5% used for this period

<sup>(b)</sup> An expected inflation of 3.0% used for this period

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65%, 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 (6.65%) or one percentage point higher (8.65%) than the current rate:

	<u>Discount Rate 1% Decrease 6.65%</u>	<u>Discount Rate Current Rate 7.65%</u>	<u>Discount Rate 1% Increase 8.65%</u>
District's proportionate share of the net pension liability	\$ 4,336,501	\$ 2,906,491	\$ 1,715,726

Pension Plan Fiduciary Net Position

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 11 - RETIREMENT PLANS (CONCLUDED)**

**C. Social Security**

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

**NOTE 12 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2017, is shown below.

	Balances July 1, 2016	Additions	Deductions	Balances June 30, 2017	Due within One Year
Compensated Absences	\$ 102,331	\$ 114,519	\$ 102,331	\$ 114,519	\$ 114,519
General Obligation Bonds:					
Current Interest	25,525,000		2,040,000	23,485,000	1,795,000
Bond Premiums	1,566,631		150,424	1,416,207	150,425
Capital Leases	1,340,329	26,719	136,195	1,230,853	140,141
Early Retirement Incentives	39,761	121,006	20,193	140,574	42,772
Other Post Employment Benefits	658,498	187,571	79,843	766,226	
Net Pension Liabilities	13,427,307	2,390,398		15,817,705	
Totals	<u>\$ 42,659,857</u>	<u>\$ 2,840,213</u>	<u>\$ 2,528,986</u>	<u>\$ 42,971,084</u>	<u>\$ 2,242,857</u>

The general obligation bonds are an obligation of the Bond Interest and Redemption Fund, which is primarily funded by property tax collections. The capital leases are obligations of the General Fund and Capital Facilities Fund. The remaining long-term liabilities are obligations of the General Fund.

**NOTE 13 - FUND BALANCES**

The District's fund balances at June 30, 2017 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Building Fund	Capital Projects- Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable:						
Revolving Cash	\$ 700					\$ 700
Total Nonspendable	<u>700</u>					<u>700</u>
Restricted:						
Categorical Programs	470,198					470,198
Capital Projects			\$ 10,212,196			10,255,437
Debt Service		\$ 2,484,665			\$ 43,241	2,484,665
Total Restricted	<u>470,198</u>	<u>2,484,665</u>	<u>10,212,196</u>		<u>43,241</u>	<u>13,210,300</u>
Assigned:						
Special Education	100,000					100,000
Other Assignments	131,818			\$ 1,201,054	109,313	1,442,185
Total Assigned	<u>231,818</u>	<u>0</u>	<u>0</u>	<u>1,201,054</u>	<u>109,313</u>	<u>1,542,185</u>
Unassigned:						
Reserve for Economic Uncertainties	862,289					862,289
Remaining Unassigned Balances	660,896					660,896
Total Unassigned	<u>1,523,185</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,523,185</u>
Total Fund Balances	<u>\$ 2,225,901</u>	<u>\$ 2,484,665</u>	<u>\$ 10,212,196</u>	<u>\$ 1,201,054</u>	<u>\$ 152,554</u>	<u>\$ 16,276,370</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 14 - 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. This payment consists of state general fund contributions to CalSTRS of \$652,635 (8.57825% of creditable compensation subject to CalSTRS).

**NOTE 15 - 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 2016-17, the District participated in one joint power authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

**NOTE 16 - JOINT VENTURES**

**A. Marin Schools Insurance Authority (MSIA)**

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

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

**B. Marin Pupil Transportation Agency (MPTA)**

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

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 17 - ECONOMIC DEPENDENCY**

During the year, the District received \$4,118,083 of parcel tax revenue that is subject to voter approval. The District also received \$1,071,111 from the Kentfield Schools Foundation, a non-profit, public benefit corporation that is subject to voluntary public contributions to the organization.

**NOTE 18 - COMMITMENTS AND CONTINGENCIES**

**A. State and Federal Allowances, Awards and Grants**

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

**B. Litigation**

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

**C. Construction Commitments**

As of June 30, 2017, the District has the following commitments with respect to unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Bacich Elementary School New Classroom Building *	\$ 275,100	Summer 2019
Bacich Elementary School Modernization *	114,053	Fall 2018
Kent Middle School Modernization and New Music Classroom *	190,155	Fall 2018

*\* Represents ongoing contracts for architectural services only*

**D. Lease-Leaseback Agreement**

During 2016-17, the District entered into a Facilities Lease and Construction Provisions agreement with Lathrop Construction Associates, Inc. (Lessor), where the District has leased the Site to the Lessor for the development and construction of modernization and new classroom projects at the Bacich and Kent campuses and in return, the District will lease back the Site from the Lessor.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 18 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

D. Lease-Leaseback Agreement (Concluded)

In June 2017, the parties established the guaranteed maximum price (GMP) related to the agreement at \$9,299,542, a construction contingency of \$804,081, and \$261,000 of allowances. In accordance with the terms of the agreement, the District will begin making the first of twelve lease payments beginning in fiscal year 2017-18. The work is scheduled for summer 2017 and summer 2018 with completion of all work by September 30, 2018.

NOTE 19 - FUTURE GASB IMPLEMENTATION

In June 2015, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District in fiscal year 2017-18. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and establishes new accounting and financial reporting requirements for OPEB plans.

NOTE 20 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 7, 2017, 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



**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<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	\$ 915,690	\$ 918,756	\$ 920,730	\$ 1,974
Local Sources	8,011,223	8,255,717	8,311,687	55,970
Total LCFF Sources	8,926,913	9,174,473	9,232,417	57,944
Federal Revenue	194,290	192,931	193,840	909
Other State Revenue	1,394,073	1,381,892	1,316,452	(65,440)
Other Local Revenue	6,264,247	6,214,272	6,266,757	52,485
Total Revenues	16,779,523	16,963,568	17,009,466	45,898
<b><u>Expenditures</u></b>				
Current:				
Certificated Salaries	8,373,206	8,624,239	8,591,889	32,350
Classified Salaries	1,999,670	2,122,603	2,141,480	(18,877)
Employee Benefits	3,906,753	3,928,899	3,875,286	53,613
Books and Supplies	559,477	563,398	438,604	124,794
Services and Other				
Operating Expenditures	1,466,701	1,582,552	1,459,969	122,583
Capital Outlay	10,800	10,800	10,800	
Debt Service:				
Principal Retirement	81,571	81,571	90,084	(8,513)
Interest and Fiscal Charges			27,446	(27,446)
Other Expenditures	485,589	469,418	459,594	9,824
Total Expenditures	16,883,767	17,383,480	17,095,152	288,328
Excess of Revenues (Under) Expenditures	(104,244)	(419,912)	(85,686)	334,226
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers Out			(1,020)	(1,020)
Other Sources		26,719	26,719	
Total Other Financing Sources (Uses)	0	26,719	25,699	(1,020)
Net Change in Fund Balances	(104,244)	(393,193)	(59,987)	\$ 333,206
Fund Balances - July 1, 2016	2,285,888	2,285,888	2,285,888	
Fund Balances - June 30, 2017	\$ 2,181,644	\$ 1,892,695	\$ 2,225,901	

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
7/1/15	\$ 0	\$ 1,340,399	\$ 1,340,399	0%	\$ 8,495,882	15.8%
7/1/12	0	658,863	658,863	0%	6,446,099	10.2%
7/1/09	0	1,432,000	1,432,000	0%	7,212,321	19.9%

KENTFIELD SCHOOL DISTRICT

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

JUNE 30, 2017

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Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2017	0.0160%	\$ 12,911,214	\$ 9,109,184	\$ 22,020,398	\$ 7,955,620	162.29%	70.04%
2016	0.0166%	11,180,790	7,398,590	18,579,380	7,708,288	145.05%	74.02%
2015	0.0164%	9,583,668	6,536,727	16,120,395	7,294,958	131.37%	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.

KENTFIELD SCHOOL DISTRICT

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

JUNE 30, 2017

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Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2017	0.0147%	\$ 2,906,491	\$ 1,765,527	164.62%	73.90%
2016	0.0152%	2,246,517	1,687,308	133.14%	79.43%
2015	0.0146%	1,657,455	1,531,035	108.26%	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.

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - CALSTRS \***  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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<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 Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
2017	\$ 1,057,934	\$ 1,057,934	\$ -	\$ 8,409,650	12.58%
2016	856,411	856,411	-	7,981,463	10.73%
2015	680,699	680,699	-	7,665,529	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.

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - CALPERS \***  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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<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 Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
2017	\$ 250,318	\$ 250,318	\$ -	\$ 1,802,405	13.888%
2016	208,867	208,867	-	1,763,037	11.847%
2015	198,612	198,612	-	1,687,299	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.



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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

Excess of expenditures over appropriations at June 30, 2017 are as follows:

<u>General Fund</u>	<u>Excess Expenditures</u>
Classified Salaries	\$ 18,877
Debt Service: Principal Retirement	8,513
Debt Service: Interest and Fiscal Charges	27,446

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

**B. Schedule of Funding Progress**

In accordance with Governmental Accounting Standards Board 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 payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

D. Schedule of Contributions

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

NOTE 2 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

Benefit Terms

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

Changes in Assumptions

There are no changes in assumptions for either CalSTRS or CalPERS from the previous valuation.

SUPPLEMENTARY INFORMATION SECTION



**KENTFIELD SCHOOL DISTRICT**  
**ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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ORGANIZATION

The Kentfield School District is situated in Marin County, approximately 10 miles north of San Francisco. The District currently operates one elementary school and one middle school. There were no changes in the boundaries of the District during the year.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
July Kauffman	President	December 2019
Quoc Tran	Clerk	December 2019
Ashley Paff	Member	December 2018
Cynthia Roenisch	Member	December 2018
Heather McPhail Sridharan	Member	December 2018

ADMINISTRATION

Elizabeth Schott  
Superintendent

Barbara Johnson  
Business Manager

**KENTFIELD SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017**

	<u>Capital Facilities</u>	<u>Kent Middle School Gymnasium</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Assets</u></b>			
Deposits and Investments	\$ 43,241	\$ 109,313	\$ 152,554
Total Assets	<u>\$ 43,241</u>	<u>\$ 109,313</u>	<u>\$ 152,554</u>
<b><u>Fund Balances</u></b>			
Fund Balances:			
Restricted	\$ 43,241		\$ 43,241
Assigned		\$ 109,313	109,313
Total Fund Balances	<u>\$ 43,241</u>	<u>\$ 109,313</u>	<u>\$ 152,554</u>

**KENTFIELD SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Capital Facilities</u>	<u>Kent Middle School Gymnasium</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Revenues</u></b>			
Local Revenue	\$ 64,383	\$ 517	\$ 64,900
<b><u>Expenditures</u></b>			
Current:			
Plant Services		2,988	2,988
Debt Service:			
Principal Retirement	46,111		46,111
Interest and Issuance Costs	23,807		23,807
Total Expenditures	69,918	2,988	72,906
Net Change in Fund Balances	(5,535)	(2,471)	(8,006)
Fund Balances - July 1, 2016	48,776	111,784	160,560
Fund Balances - June 30, 2017	\$ 43,241	\$ 109,313	\$ 152,554

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<b>P-2 Report</b>			<b>Total</b>
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	
Regular ADA	513.02	410.03	284.35	1,207.40
Special Education - Nonpublic		0.97	1.10	2.07
Extended Year - Nonpublic		0.12		0.12
<b>Totals</b>	<b>513.02</b>	<b>411.12</b>	<b>285.45</b>	<b>1,209.59</b>

	<b>Annual Report</b>			<b>Total</b>
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	
Regular ADA	514.49	409.15	283.04	1,206.68
Special Education - Nonpublic		1.44	1.60	3.04
Extended Year - Nonpublic		0.12	0.10	0.22
<b>Totals</b>	<b>514.49</b>	<b>410.71</b>	<b>284.74</b>	<b>1,209.94</b>



**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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<u>Grade Level</u>	<u>Minutes Required</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	42,960	180	N/A	In Compliance
Grade 1	50,400	50,530	180	N/A	In Compliance
Grade 2	50,400	50,530	180	N/A	In Compliance
Grade 3	50,400	55,666	180	N/A	In Compliance
Grade 4	54,000	55,666	180	N/A	In Compliance
Grade 5	54,000	61,584	180	N/A	In Compliance
Grade 6	54,000	61,584	180	N/A	In Compliance
Grade 7	54,000	61,584	180	N/A	In Compliance
Grade 8	54,000	61,584	180	N/A	In Compliance

**KENTFIELD SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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	General Fund	Deferred Maintenance Fund	Special Revenue - Special Reserve Fund
June 30, 2017 Annual Financial and Budget Report Fund Balances	\$ 1,609,172	\$ 14,478	\$ 602,251
Reclassifications Increasing/(Decreasing) Fund Balances:			
Reclassification of Fund Balances	<u>616,729</u>	<u>(14,478)</u>	<u>(602,251)</u>
June 30, 2017 Audited Financial Statements Fund Balances	<u>\$ 2,225,901</u>	<u>\$ 0</u>	<u>\$ 0</u>

Auditor's Comments

The fund balances of the General Fund, Deferred Maintenance Fund, and Special Revenue - Special Reserve Fund have been combined for financial reporting purposes in accordance with GASB 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2017.

**KENTFIELD SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	GENERAL FUND			
	(Budget) <sup>(1)</sup>			
	2017-18 <sup>(2)</sup>	2016-17	2015-16	2014-15
Revenues and Other Financial Sources	\$ 17,601,361	\$ 17,036,185	\$ 16,977,995	\$ 15,285,096
Expenditures	17,604,182	17,095,152	16,694,285	15,433,124
Other Uses and Transfers Out	0	1,020	0	0
Total Outgo	17,604,182	17,096,172	16,694,285	15,433,124
Change in Fund Balance	(2,821)	(59,987)	283,710	(148,028)
Ending Fund Balance	\$ 2,223,080	\$ 2,225,901	\$ 2,285,888	\$ 2,002,178
Available Reserves	\$ 1,491,908	\$ 1,523,185	\$ 1,498,186	\$ 1,346,258
Reserve for Economic Uncertainties <sup>(3)</sup>	\$ 879,959	\$ 862,289	\$ 828,798	\$ 769,005
Available Reserves as a Percentage of Total Outgo	8.5%	8.9%	9.0%	8.7%
Average Daily Attendance at P-2	1,163	1,210	1,181	1,179
Total Long-Term Liabilities	\$ 40,728,227	\$ 42,971,084	\$ 42,659,857	\$ 41,709,700

<sup>(1)</sup> Amounts reported for the budget are presented for analytical purposes only and have not been audited.

<sup>(2)</sup> Amounts have been adjusted to ensure comparability with the current year GASB 54 financial statement presentation.

<sup>(3)</sup> Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$223,723 (11.1%) over the past two years. The fiscal year 2017-18 budget projects a decrease of \$2,821. 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 an operating surplus of \$283,710 during fiscal year 2015-16, and incurred operating deficits of \$59,987 and \$148,028 during fiscal years 2016-17 and 2014-15, respectively.

Average daily attendance (ADA) increased 31 ADA (2.6%) over the past two years. The District anticipates a decrease of 47 ADA (3.8%) during fiscal year 2017-18.

Total long-term liabilities increased \$1,261,384 over the past two years, due primarily to increases in the District's proportionate share of the net pension liabilities related to their participation in the CalSTRS and CalPERS pension plans.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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  
Kentfield School District  
Kentfield, California

Report on State Compliance

We have audited Kentfield School District's compliance with the types of compliance requirements described in the *2016-17 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, 2017.

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 *2016-17 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 Kentfield 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 Kentfield School District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Kentfield 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	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	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

Opinion on State Compliance

In our opinion, Kentfield School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.



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 *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 7, 2017



**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  
Kentfield School District  
Kentfield, 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 Kentfield School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2017 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.

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

Compliance and Other Matters

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

Purpose of this Report

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

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 7, 2017

FINDINGS AND QUESTIONED COSTS SECTION



**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**Financial Statements**

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

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ Yes      X   No

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**State Awards**

Any audit findings required to be reported in accordance  
with the *2016-17 Guide for Annual Audits of K-12 Local  
Educational Agencies and State Compliance Reporting*? \_\_\_\_\_ Yes      X   No

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

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

There are no matters to report for the fiscal year ended June 30, 2017.



**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

There are no matters to report for the fiscal year ended June 30, 2017.

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<b><u>STATE AWARDS</u></b>		
<b>2016 - 001 / 71000</b>		
<b><u>TEACHER MISASSIGNMENT</u></b>		
<p>The District should report this as a teacher misassignment in the school's School Accountability Report Card. The District should implement procedures to ensure that all teachers are assigned to teach in classes that are (a) consistent with the authorization of certification document, (b) assigned by Governing Board action to teach classes in accordance with Education Code Sections 44256, 44258.2, 44258.3, 44263, or (c) approved by a committee on assignments pursuant to Education Code Section 44258.7.</p>	<p>Implemented</p>	