

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

**AUDIT REPORT**

**JUNE 30, 2015**



KENTFIELD SCHOOL DISTRICT

JUNE 30, 2015

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KENTFIELD SCHOOL DISTRICT

JUNE 30, 2015

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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, 2015, 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 position, revenues, and expenses of the discretely presented component unit is not reported. The amounts by which this departure would affect the assets, liabilities, net position, 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, 2015, 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the budgetary comparison information on page 57, the schedule of funding progress on page 60, the schedules of the proportionate share of the net pension liability on pages 61 and 62, and the 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 the Kentfield School District's basic financial statements. The combining non-major fund financial statements and supplementary schedules and information listed in the table of contents, including the schedule of expenditures of federal awards, which is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements and supplementary schedules and information listed in the table of contents, including the schedule of expenditures of federal awards, are 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 combining non-major fund financial statements and supplementary schedules and information listed in the table of contents, including the schedule of expenditures of federal awards are 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 4, 2015 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 4, 2015

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(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, 2015. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 16 and 17, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 18 through 21, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

**FINANCIAL HIGHLIGHTS**

- Fiscal year 2014-15 was the first year the District was required to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans. To present meaningful comparative information, the beginning balances related to the pension liabilities were restated, as described in Note 20 of these financial statements.
- The District's overall financial status improved slightly during fiscal year 2014-15 as total current year revenues exceeded total current year expenses by \$261,630.
- Fiscal year 2014-15 represents the second year of implementation for the new Local Control Funding Formula.
- Capital assets, net of depreciation, decreased \$566,988 due to accumulated depreciation growing at a faster rate than acquisitions and construction.
- Total long-term liabilities increased \$8,758,912 due primarily to the issuance of \$12,000,000 of general obligation bonds in May 2015.
- The District's P-2 average daily attendance (ADA) decreased from 1,198 ADA in fiscal year 2013-14, down to 1,179 ADA in fiscal year 2014-15, a decrease of 1.6%.
- The General Fund incurred an operating deficit of \$148,028, but the fund balance in the Building Fund increased \$11,758,009 due to bond proceeds received in the current year that were unspent at June 30, 2015.
- 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 2014-15, General Fund expenditures totaled \$15,433,124. At June 30, 2015, the District has available reserves of \$1,346,258 in the General Fund, which represents a reserve of 8.7%.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(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, 2015  
(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, and the Building Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

*Proprietary Funds:*

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

*Fiduciary Funds:*

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

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(PREPARED BY DISTRICT MANAGEMENT)**

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

**GOVERNMENTAL ACTIVITIES**

The District's overall status improved slightly in fiscal year 2014-15.

<b><u>Comparative Statement of Net Position</u></b>		
	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2015</b>
<b><u>Assets</u></b>		
Deposits and Investments	\$ 4,053,276	\$ 16,481,560
Receivables	340,242	250,776
Capital Assets, net	20,505,999	19,939,011
<b>Total Assets</b>	<b>24,899,517</b>	<b>36,671,347</b>
<b><u>Deferred Outflows of Resources</u></b>		
Pension Deferrals*	775,068	1,274,873
Deferred Amount on Refunding	446,774	326,336
<b>Total Deferred Outflows of Resources*</b>	<b>1,221,842</b>	<b>1,601,209</b>
<b><u>Liabilities</u></b>		
Current*	2,051,024	2,468,467
Long-term*	31,681,987	40,224,697
<b>Total Liabilities*</b>	<b>33,733,011</b>	<b>42,693,164</b>
<b><u>Deferred Inflows of Resources</u></b>		
Pension Deferrals	0	2,929,414
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	2,719,546	2,270,430
Restricted	1,545,081	2,097,225
Unrestricted (Deficit)*	(11,876,279)	(11,717,677)
<b>Total Net Position (Deficit)*</b>	<b>\$ (7,611,652)</b>	<b>\$ (7,350,022)</b>
<i>Table includes financial data of the combined governmental funds</i>		
* The amounts presented for fiscal year 2013-14 have been adjusted to reflect the restatement discussed in Note 20 of these financial statements.		

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, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

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

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

The District's total current year revenues exceeded total current year expenses by \$261,630.

<b><u>Comparative Statement of Changes in Net Position</u></b>		
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2015</u>
<b><u>Program Revenues</u></b>		
Operating Grants & Contributions	\$ 1,151,033	\$ 1,522,778
<b><u>General Revenues</u></b>		
Taxes Levied	11,967,031	12,590,766
Federal & State Aid	1,083,363	1,165,942
Interest & Investment Earnings	3,527	11,382
Miscellaneous	1,669,484	1,734,016
<b>Total Revenues</b>	<b>15,874,438</b>	<b>17,024,884</b>
<b><u>Expenses</u></b>		
Instruction	10,688,428	11,198,949
Instruction-Related Services	1,551,845	1,488,268
Pupil Services	460,329	536,329
General Administration	1,145,037	1,185,053
Plant Services	884,552	939,226
Ancillary Services	16,082	18,520
Community Services	3,066	6,462
Interest on Long-Term Debt	678,895	632,547
Other Expenses	223,681	757,900
<b>Total Expenses</b>	<b>15,651,915</b>	<b>16,763,254</b>
<b>Changes in Net Position</b>	<b>222,523</b>	<b>261,630</b>
<b>Net Position (Deficit), Beginning*</b>	<b>(7,834,175)</b>	<b>(7,611,652)</b>
<b>Net Position (Deficit), Ending*</b>	<b>\$ (7,611,652)</b>	<b>\$ (7,350,022)</b>

*Table includes financial data of the combined governmental funds*

\* The amounts presented for fiscal year 2013-14 have been adjusted to reflect the restatement discussed in Note 20 of these financial statements.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(PREPARED BY DISTRICT MANAGEMENT)**

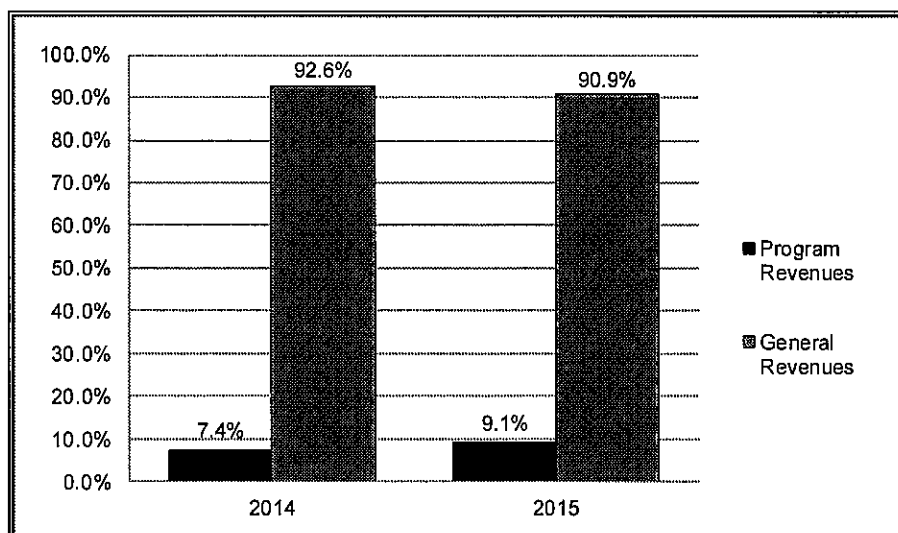
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

<b><u>Comparative Schedule of Costs of Services</u></b>				
	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
Instruction	\$ 10,688,428	\$ 11,198,949	\$ 9,773,320	\$ 9,780,373
Instruction-Related Services	1,551,845	1,488,268	1,338,209	1,449,156
Pupil Services	460,329	536,329	444,421	484,798
General Administration	1,145,037	1,185,053	1,145,037	1,171,824
Plant Services	884,552	939,226	884,552	939,226
Ancillary Services	16,082	18,520	16,082	18,190
Community Services	3,066	6,462	3,066	6,462
Interest on Long-Term Debt	678,895	632,547	678,895	632,547
Other Outgo	223,681	757,900	217,300	757,900
<b>Totals</b>	<b>\$ 15,651,915</b>	<b>\$ 16,763,254</b>	<b>\$ 14,500,882</b>	<b>\$ 15,240,476</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 \$15,240,476 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



In fiscal year 2014-15, program revenues financed 9.1% of the total cost of providing the services listed above, while the remaining 90.9% was financed by the general revenues of the District.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(PREPARED BY DISTRICT MANAGEMENT)**

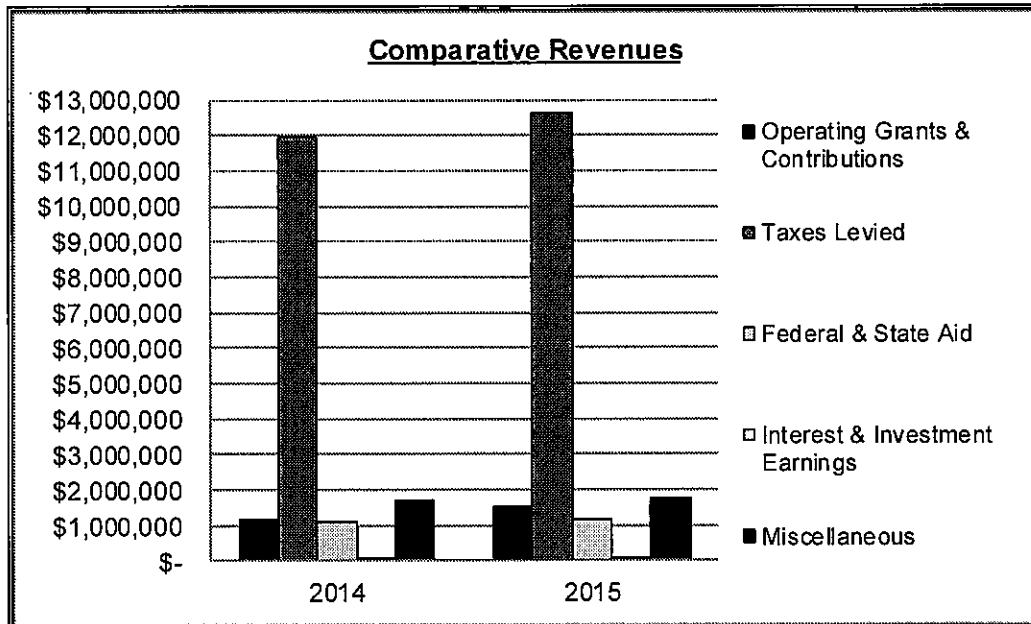
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Schedule of Revenues For Governmental Functions**

	FYE 2014 Amount	Percent of Total	FYE 2015 Amount	Percent of Total
<b><u>Program Revenues</u></b>				
Operating Grants & Contributions	\$ 1,151,033	7.25%	\$ 1,522,778	8.94%
<b><u>General Revenues</u></b>				
Taxes Levied	11,967,031	75.39%	12,590,766	73.96%
Federal & State Aid	1,083,363	6.82%	1,165,942	6.85%
Interest & Investment Earnings	3,527	0.02%	11,382	0.07%
Miscellaneous	1,669,484	10.52%	1,734,016	10.19%
<b>Total Revenues</b>	<b>\$ 15,874,438</b>	<b>100.00%</b>	<b>\$ 17,024,884</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, 2015  
(PREPARED BY DISTRICT MANAGEMENT)**

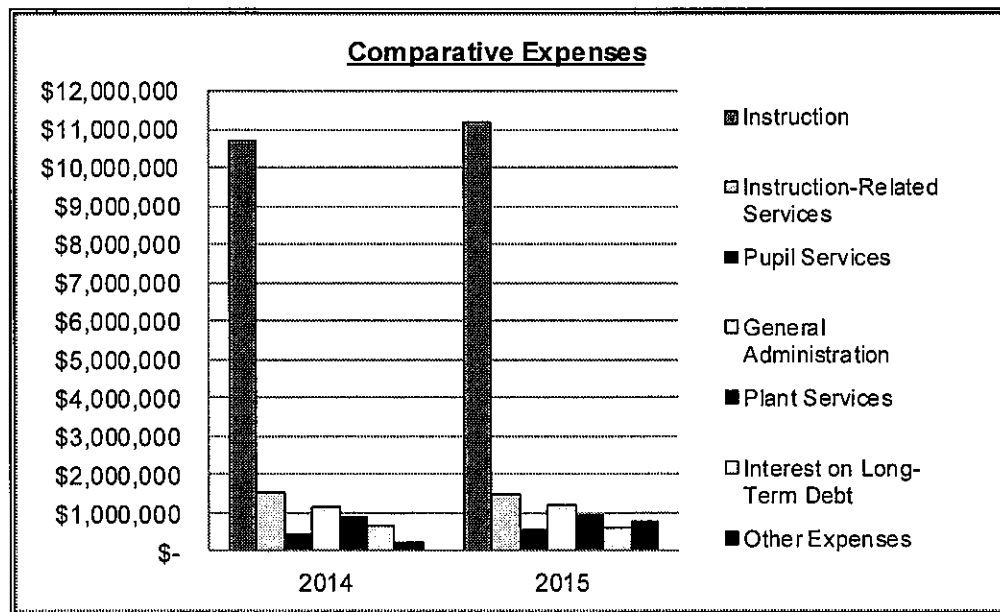
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Schedule of Expenses For Governmental Functions**

	FYE 2014 Amount	Percent of Total	FYE 2015 Amount	Percent of Total
<b><u>Expenses</u></b>				
Instruction	\$ 10,688,428	68.29%	\$ 11,198,949	66.81%
Instruction-Related Services	1,551,845	9.91%	1,488,268	8.88%
Pupil Services	460,329	2.94%	536,329	3.20%
General Administration	1,145,037	7.32%	1,185,053	7.07%
Plant Services	884,552	5.65%	939,226	5.60%
Interest on Long-Term Debt	678,895	4.34%	632,547	3.77%
Other Expenses	242,829	1.55%	782,882	4.67%
<b>Total Expenses</b>	<b>\$ 15,651,915</b>	<b>100.00%</b>	<b>\$ 16,763,254</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, 2015  
(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>		
	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2015</b>
Land	\$ 1,522,674	\$ 1,522,674
Sites and Improvements	3,277,612	3,401,533
Buildings and Improvements	29,734,854	29,781,081
Furniture and Equipment	149,607	215,984
Work-in-Progress	0	110,099
Subtotals	34,684,747	35,031,371
Less: Accumulated Depreciation	(14,178,748)	(15,092,360)
Capital Assets, net	<u>\$ 20,505,999</u>	<u>\$ 19,939,011</u>

Capital assets, net of depreciation, decreased \$566,988 due to accumulated depreciation growing at a faster rate than acquisitions and construction.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2015</b>
Compensated Absences	\$ 80,576	\$ 87,814
General Obligation Bonds:		
Current Interest	16,380,000	26,680,000
Bond Premiums	412,972	1,717,056
Capital Leases	1,553,201	1,405,299
Early Retirement Incentives	70,300	40,376
Other Post Employment Benefits	482,761	538,031
Net Pension Liability - CalSTRS*	11,715,668	9,583,668
Net Pension Liability - CalSTRS*	2,255,310	1,657,456
Totals*	<u>\$ 32,950,788</u>	<u>\$ 41,709,700</u>

\* The amounts presented for fiscal year 2013-14 have been adjusted to reflect the restatement discussed in Note 20 of these financial statements.

Total long-term liabilities increased \$8,758,912 due primarily to the issuance of \$12,000,000 of general obligation bonds in May 2015.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(PREPARED BY DISTRICT MANAGEMENT)**

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

**GOVERNMENTAL ACTIVITIES (CONCLUDED)**

The general obligation bonds are financed by local taxpayers and represent 68% 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 29% 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 June 30, 2014</u>	<u>Fund Balances June 30, 2015</u>	<u>Increase (Decrease)</u>
General*	\$ 2,150,206	\$ 2,002,178	\$ (148,028)
Bond Interest & Redemption	1,475,044	1,982,373	507,329
Building	0	11,758,009	11,758,009
Capital Facilities	31,991	32,376	385
Kent Middle School Gymnasium	123,128	114,044	(9,084)
Capital Projects - Special Reserve	88,068	88,230	162
Totals*	<u>\$ 3,868,437</u>	<u>\$ 15,977,210</u>	<u>\$ 12,108,773</u>
* The amounts presented at June 30, 2014 have been adjusted to reflect the restatement discussed in Note 21 of these financial statements.			

The fund balance of the General Fund decreased \$148,028 while the combined fund balances of all other District governmental funds increased \$12,256,801. The fund balance increase in the Building Fund was due to \$12,000,000 of bond proceeds received in May 2015 that were primarily left unspent at June 30, 2015.

**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 57 includes only new revenues for fiscal year 2014-15.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(PREPARED BY DISTRICT MANAGEMENT)**

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

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

Fiscal year 2015-16 will be the third year of the projected eight year phase-in period for the new Local Control Funding Formula (LCFF). Although more information regarding the new funding and accountability standards was released during the past year, it is very likely that there will be additional modifications in the future. As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

**KENTFIELD SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 16,481,560
Receivables (Note 4)	250,776
Capital Assets, Not Depreciated (Note 6)	1,522,674
Capital Assets, Net of Accumulated Depreciation (Note 6)	18,416,337
Total Assets	36,671,347
<b><u>Deferred Outflows of Resources</u></b>	
Pension Deferrals - CalSTRS (Note 12A)	1,076,261
Pension Deferrals - CalPERS (Note 12B)	198,612
Bond Refunding (Note 11)	326,336
Total Deferred Outflows of Resources	1,601,209
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	755,126
Accrued Interest Payable	228,338
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences	23,135
General Obligation Bonds	
Current Interest	1,155,000
Bond Premium	150,425
Capital Leases	137,212
Early Retirement Incentives	19,231
<i>Portion Due or Payable After One Year:</i>	
Compensated Absences (Note 11)	64,679
General Obligation Bonds (Note 7)	
Current Interest	25,525,000
Bond Premium	1,566,631
Capital Leases (Note 9)	1,268,087
Early Retirement Incentives (Note 10)	21,145
Other Post Employment Benefits (Note 11)	538,031
Net Pension Liability - CalSTRS (Note 12A)	9,583,668
Net Pension Liability - CalPERS (Note 12B)	1,657,456
Total Liabilities	42,693,164
<b><u>Deferred Inflows of Resources</u></b>	
Pension Deferrals - CalSTRS (Note 12A)	2,359,894
Pension Deferrals - CalPERS (Note 12B)	569,520
Total Deferred Inflows of Resources	2,929,414
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	2,270,430
Restricted:	
For Capital Projects	32,376
For Debt Service	1,754,035
For Educational Programs	310,114
For Other Purposes	700
Unrestricted (Deficit)	(11,717,677)
Total Net Position (Deficit)	\$ (7,350,022)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 11,198,949		\$ 1,418,576		\$ (9,780,373)
Instruction-Related Services:					
Supervision of Instruction	72,082		13,527		(58,555)
Instructional Library and Technology	329,436		5,004		(324,432)
School Site Administration	1,086,750		20,581		(1,066,169)
Pupil Services:					
Other Pupil Services	536,329		51,531		(484,798)
General Administration:					
Data Processing Services	12,820				(12,820)
Other General Administration	1,172,233		13,229		(1,159,004)
Plant Services	939,226				(939,226)
Ancillary Services	18,520		330		(18,190)
Community Services	6,462				(6,462)
Interest on Long-Term Debt	632,547				(632,547)
Other Outgo	757,900				(757,900)
Total Governmental Activities	\$ 16,763,254	\$ 0	\$ 1,522,778	\$ 0	(15,240,476)
<u>General Revenues</u>					
Taxes Levied for General Purposes					7,152,280
Taxes Levied for Debt Service					1,672,387
Taxes Levied for Specific Purposes					3,766,099
Federal and State Aid - Unrestricted					1,165,942
Interest and Investment Earnings					11,382
Miscellaneous					1,734,016
Total General Revenues					15,502,106
Change in Net Position					261,630
Net Position (Deficit) - July 1, 2014					(7,611,652)
(As Restated - Note 20)					
Net Position (Deficit) - June 30, 2015					\$ (7,350,022)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<b>General</b>	<b>Bond Interest and Redemption</b>	<b>Building</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>					
Deposits and Investments (Note 2)	\$ 2,389,451	\$ 1,982,373	\$ 11,875,086	\$ 234,650	\$ 16,481,560
Receivables (Note 4)	250,776				250,776
Due from Other Funds (Note 5)	117,077				117,077
<b>Total Assets</b>	<b>\$ 2,757,304</b>	<b>\$ 1,982,373</b>	<b>\$ 11,875,086</b>	<b>\$ 234,650</b>	<b>\$ 16,849,413</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 755,126				\$ 755,126
Due to Other Funds (Note 5)			\$ 117,077		117,077
<b>Total Liabilities</b>	<b>755,126</b>		<b>117,077</b>		<b>872,203</b>
<b>Fund Balances: (Note 14)</b>					
Nonspendable	700				700
Restricted	310,114	\$ 1,982,373	11,758,009	\$ 32,376	14,082,872
Assigned	345,106			202,274	547,380
Unassigned	1,346,258				1,346,258
<b>Total Fund Balances</b>	<b>2,002,178</b>	<b>1,982,373</b>	<b>11,758,009</b>	<b>234,650</b>	<b>15,977,210</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,757,304</b>	<b>\$ 1,982,373</b>	<b>\$ 11,875,086</b>	<b>\$ 234,650</b>	<b>\$ 16,849,413</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



**KENTFIELD SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

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<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 15,977,210</b>
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Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

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

Capital Assets	\$ 35,031,371	
Accumulated Depreciation	(15,092,360)	
Net		19,939,011

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 related to pensions	1,274,873
Deferred inflows of resources related to pensions	(2,929,414)

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

326,336

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

Compensated Absences	\$ 87,814	
General Obligation Bonds:		
Current Interest	26,680,000	
Bond Premiums	1,717,056	
Capital Leases	1,405,299	
Early Retirement Incentives	40,376	
Other Post Employment Benefits	538,031	
Net Pension Liability - CalSTRS	9,583,668	
Net Pension Liability - CalPERS	1,657,456	
Total		(41,709,700)

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

(228,338)

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<b>Total Net Position (Deficit) - Governmental Activities</b>	<b>\$ (7,350,022)</b>
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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, 2015**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>					
LCFF Sources:					
State Apportionment / Transfers	\$ 881,704				\$ 881,704
Local Taxes	7,152,280				7,152,280
Total LCFF Sources	8,033,984				8,033,984
Federal Revenue	188,310				188,310
State Revenue	931,904	\$ 6,964			938,868
Local Revenue	6,130,898	1,668,713	\$ 5,086	\$ 59,025	7,863,722
Total Revenues	15,285,096	1,675,677	5,086	59,025	17,024,884
<b><u>Expenditures</u></b>					
Current:					
Instruction	10,580,477				10,580,477
Supervision of Instruction	72,098				72,098
Instructional Library and Technology	334,478				334,478
School Site Administration	1,094,717				1,094,717
Other Pupil Services	547,998				547,998
Data Processing Services	11,487				11,487
Other General Administration	1,163,286				1,163,286
Plant Services	863,547				863,547
Facilities Acquisition and Construction	266,445		117,077	9,297	392,819
Ancillary Services	12,573				12,573
Other Outgo	333,267				333,267
Debt Service:					
Principal Retirement	112,336	7,235,000		35,566	7,382,902
Interest and Issuance Costs	40,415	810,065	172,000	22,699	1,045,179
Total Expenditures	15,433,124	8,045,065	289,077	67,562	23,834,828
Excess of Revenues (Under) Expenditures	(148,028)	(6,369,388)	(283,991)	(8,537)	(6,809,944)
<b><u>Other Financing Sources</u></b>					
Other Sources		6,876,717	12,042,000		18,918,717
Net Change in Fund Balances	(148,028)	507,329	11,758,009	(8,537)	12,108,773
Fund Balances - July 1, 2014 (As Restated - Note 21)	2,150,206	1,475,044	0	243,187	3,868,437
Fund Balances - June 30, 2015	\$ 2,002,178	\$ 1,982,373	\$ 11,758,009	\$ 234,650	\$ 15,977,210

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**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, 2015**

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**Net Change in Fund Balances - Governmental Funds** **\$ 12,108,773**

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	\$ 346,624	
Depreciation Expense	(913,612)	
Net		(566,988)

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:

7,382,902

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

(17,535,000)

Amortization of gain or loss from debt refunding: In governmental funds, any gain or loss resulting from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. Refunding costs recognized and amortized for the period are:

Refunding costs recognized during the period	\$ 70,647	
Refunding costs amortized for the period	(191,085)	
Net		(120,438)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized as an expenditure in the period that it becomes due. In the government-wide statements, 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 a prior period, was:

28,804

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 was:

22,686

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:

(55,270)

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:

300,245

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

Premiums received during the period	\$ (1,341,717)	
Premiums amortized for the period	37,633	
Net		(1,304,084)

<b>Change in Net Position of Governmental Activities</b>		<b>\$ 261,630</b>
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KENTFIELD SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

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	Agency Funds	Total Fiduciary Funds
<b><u>Assets</u></b>		
Deposits and Investments (Note 2)	\$ 31,367	\$ 31,367
<b><u>Liabilities</u></b>		
Due to Student Groups	31,367	31,367
<b><u>Net Position</u></b>		
Total Net Position	\$ 0	\$ 0

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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, 2015**

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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, 2015**

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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, 2015**

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

**B. Implementation of New Accounting Pronouncements**

In June 2012, the Governmental Accounting Standard Board (GASB) issued Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, with required implementation for the District during the year ended June 30, 2015. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions with regards to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

In November 2013, the Governmental Accounting Standard Board (GASB) issued Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date*, with required implementation for the District during the year ended June 30, 2015. The objective of this statement is to address an issue regarding application of the transition provisions of GASB 68. This issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of GASB 68.

The effect on beginning net position that resulted from implementing GASB 68 and GASB 71 is presented in Note 20.

**C. 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 and business type columns has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**C. Basis of Presentation (Concluded)**

*Government-wide Financial Statements (Concluded):*

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.

**D. Basis of Accounting**

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

**Revenues - Exchange and Non-exchange Transactions:**

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



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**D. Basis of Accounting (Concluded)**

**Revenues - Exchange and Non-exchange Transactions (Concluded):**

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. The District had no unearned revenue at June 30, 2015.

**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.

**E. Fund Accounting**

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**E. Fund Accounting (Concluded)**

**Governmental fund types (Concluded):**

*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 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.

**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.

The *Capital Projects - Special Reserve Fund* was established to account for revenues and expenditures associated with the acquisition of the new District Office. The fund is currently used for maintenance and improvements of the District Office acquired in 2007.

**Fiduciary Funds:**

*Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains two agency funds 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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**F. Budgets and Budgetary Accounting**

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

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

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

**G. Use of Estimates**

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

**H. Encumbrances**

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

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

**1. Deposits and Investments**

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

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

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

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 statement of net position includes 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 expense or expenditure until then. The District has two items that meet this criterion for reporting in this category. The first item represents employer contributions and state on-behalf payments made to the pension plans subsequent to the measurement date of the net pension liability and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. The second item is the deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

I. 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 statement of net position includes 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 revenue until then. The District has one item that meets this criterion for reporting in this category. This item is the net difference between projected and actual earnings on pension plan investments and will be recognized in pension expense over a closed period of five years.

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 liabilities in the Statement of Net Position. Premiums and discounts as well as refunding costs are deferred and amortized over the life of the obligation, when applicable. Liabilities are reported net of applicable premiums, discounts or refunding costs.

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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 allowable fund balance classifications used in the governmental fund financial statements are as follows:

*Nonspendable Fund Balance* consists of funds that are not in spendable form (such as inventory) or are required to be maintained intact (for example; principal of an endowment fund).

*Restricted Fund Balance* consists of funds that are mandated for a specific purpose by external parties (e.g. creditors, grantors, and contributors), constitutional provisions or enabling legislation.

*Committed Fund Balance* consists of funds that are set aside for a specific purpose by the District's highest level of decision making authority, the Governing Board. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it used to previously commit the amounts. Any funds set aside as committed require the passage of a resolution by a simple majority vote. The passage of a resolution must take place prior to June 30th of the applicable fiscal year.

*Assigned Fund Balance* consists of funds that are set aside with the intent to be used for a specific purpose by the Governing Board or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. The Governing Board has delegated the authority to assign amounts to be used for a specific purpose to the Chief Business Official for the purposes of reporting these amounts in the annual financial statements.

*Unassigned Fund Balance* consists of the excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. Included in this category is the Reserve for Economic Uncertainty, which the District has specified to be in an amount at least 3% of total General Fund operating expenditures, including other financing. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

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

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

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks		\$ 31,367
Cash in Revolving Fund	\$ 700	
County Pool Investments	<u>16,480,860</u>	
Total Deposits and Investments	<u>\$ 16,481,560</u>	<u>\$ 31,367</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**Cash on Hand and in Banks**

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

**Cash in Revolving Fund**

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

**County Pool Investments**

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

**General Authorization**

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, 2015**

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 16,480,860	\$ 16,484,420	\$ 14,488,983	\$ 1,991,877

Credit Risk

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 16,480,860	\$ 16,484,420			\$ 16,480,860

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2015, the District does not have any investments that are held by counterparties.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District has no bank balance that is exposed to custodial credit risk.

**Derivative Investments**

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

**NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess of expenditures over appropriations at June 30, 2015 are as follows:

<u>General Fund</u>	<u>Excess Expenditures</u>
Certificated Salaries	\$ 47,776
Debt Service: Interest and Fiscal Charges	40,348

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

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2015 consist of the following:

	<u>General Fund</u>
Federal Government	\$ 43,044
State Government	117,037
Local Governments	80,103
Miscellaneous	<u>10,592</u>
Total	<u>\$ 250,776</u>

**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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)**

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.

**Due From/Due To Other Funds**

All interfund receivables and payables are scheduled to be paid within one year. Individual fund interfund receivable and payable balances at June 30, 2015 are as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 117,077	
Building		\$ 117,077
Totals	<u>\$ 117,077</u>	<u>\$ 117,077</u>

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Balances July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2015</u>
Land	\$ 1,522,674			\$ 1,522,674
Sites and Improvements	3,277,612	\$ 123,921		3,401,533
Buildings and Improvements	29,734,854	46,227		29,781,081
Furniture and Equipment	149,607	66,377		215,984
Work-in-Progress	0	110,099		110,099
Totals at Historical Cost	<u>34,684,747</u>	<u>346,624</u>	<u>\$ 0</u>	<u>35,031,371</u>
Less Accumulated Depreciation for:				
Sites and Improvements	2,316,082	77,843		2,393,925
Buildings and Improvements	11,806,853	817,604		12,624,457
Furniture and Equipment	55,813	18,165		73,978
Total Accumulated Depreciation	<u>14,178,748</u>	<u>913,612</u>	<u>0</u>	<u>15,092,360</u>
Governmental Activities				
Capital Assets, net	<u>\$ 20,505,999</u>	<u>\$ (566,988)</u>	<u>\$ 0</u>	<u>\$ 19,939,011</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 837,807
School Site Administration	16,296
Data Processing Services	1,333
Other General Administration	22,046
Plant Services	23,513
Ancillary Services	6,155
Community Services	<u>6,462</u>
Total Depreciation Expense	<u>\$ 913,612</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 7 - GENERAL OBLIGATION BONDS**

On May 13, 2015, the District issued \$12,000,000 of Series A general obligation bonds with interest rates ranging from 3.0% to 5.0%. The Series A bonds were issued to finance modernization, renovation, and/or construction of classrooms, restrooms and school facilities. The Series A bonds were authorized at an election of registered voters in the District held on November 4, 2014, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of general obligation bonds not to exceed the principal amount of \$30,000,000.

On May 13, 2015, the District also issued \$5,535,000 of 2015 refunding general obligation bonds with interest rates ranging from 2.00% to 5.00%. The refunding bonds were issued to lower the District's debt service requirements and reduce the tax burden on property owners in the District.

The outstanding general obligation debt of the District, excluding \$1,717,056 of bond premiums, as of June 30, 2015 is as follows:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2014</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2015</u>
8/18/05	3.00-4.25	8/1/23	\$ 11,805,000	\$ 7,450,000		\$ 6,805,000	\$ 645,000
1/18/12	2.00-3.50	8/1/29	9,585,000	8,930,000		430,000	8,500,000
5/13/15	3.00-5.00	8/1/44	12,000,000		\$ 12,000,000		12,000,000
5/13/15	2.00-5.00	8/1/23	<u>5,535,000</u>		<u>5,535,000</u>		<u>5,535,000</u>
<b>Totals</b>			<u>\$ 38,925,000</u>	<u>\$ 16,380,000</u>	<u>\$ 17,535,000</u>	<u>\$ 7,235,000</u>	<u>\$ 26,680,000</u>

The annual requirements to amortize the current interest general obligation bonds, as of June 30, 2015, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 1,155,000	\$ 816,254	\$ 1,971,254
2017	2,040,000	963,856	3,003,856
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
2021-2025	5,795,000	3,145,556	8,940,556
2026-2030	4,370,000	2,243,088	6,613,088
2031-2035	1,870,000	1,722,885	3,592,885
2036-2040	2,930,000	1,321,094	4,251,094
2041-2045	<u>4,415,000</u>	<u>583,538</u>	<u>4,998,538</u>
<b>Totals</b>	<u>\$ 26,680,000</u>	<u>\$ 13,291,839</u>	<u>\$ 39,971,839</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**NOTE 8 - DEBT REFUNDING NOTE**

On May 13, 2015, the District issued \$5,535,000 of 2015 general obligation refunding bonds and deposited the proceeds from the sale in the amount of \$6,306,605 into an irrevocable escrow account to advance refund, through an in-substance defeasance, \$6,180,000 of outstanding 2005 refunding general obligation bonds, with principal maturities from August 1, 2016 through August 1, 2023. As a result, the refunded 2005 refunding bonds are considered to be defeased and the escrowed assets and the liability for the bonds have been removed from these financial statements. The refunding will reduce the District's debt service payments by \$647,856 and resulted in an economic gain of \$561,912.

**NOTE 9 - 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. The District also leases computer equipment valued at \$148,853 under lease agreements, which provide for title to pass upon expiration of the lease periods.

Future minimum lease payments under these agreements are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease</u> <u>Payments</u>
2016	\$ 192,950
2017	139,835
2018	139,835
2019	139,835
2020	139,835
2021-2025	699,177
2026-2030	<u>314,608</u>
Total payments	1,766,075
Less amounts representing interest	<u>(360,776)</u>
Present value of net minimum lease payments	<u>\$ 1,405,299</u>

The District will receive no sublease revenues or pay any contingent rentals for the leased assets.

**NOTE 10 - 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, whereby retiring employees receive a lump sum benefit based on years of service at retirement. In general, this benefit is payable to at least 50% FTE employees with 10 or more years of service with the District who retire under the California State Teachers' Retirement System (CalSTRS).

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**NOTE 10 - EARLY RETIREMENT INCENTIVES (CONCLUDED)**

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 2014-15 was \$29,924. At June 30, 2015, the liability is estimated to be \$40,376 for the six (6) retirees with up to three more years of annual payments remaining.

**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS**

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

Plan Descriptions: The District OPEB Plan provides medical, prescription drug, dental and vision coverage. Active employees and retirees are offered a choice of six fully insured medical/prescription drug options from Kaiser and HealthNet. 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 in the District 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 \$548.31/month), plus retiree-only dental and vision premiums (currently \$80.79/month and \$19.54/month, respectively) for a total of \$648.64/month, pro-rated for part-time service, if applicable. Retirees may cover dependents at their own expense. District-paid benefits end at age 65.

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 eighty-nine (89) active employees and three (3) retired employees covered by the OPEB plan as of July 1, 2012, 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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*Annual OPEB Cost and Net OPEB Obligation:* The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2015, the amount contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$538,031 for the year ended June 30, 2015.

Normal service cost at year-end	\$ 70,434
Amortization of UAAL	<u>38,102</u>
Annual required contribution (ARC)	108,536
Interest on Net OPEB Obligation	19,310
Adjustment to ARC	<u>(27,918)</u>
Annual OPEB cost (expense)	99,928
Contributions for the fiscal year	<u>(44,658)</u>
Increase in Net OPEB Obligation	55,270
Net OPEB Obligation - June 30, 2014	<u>482,761</u>
Net OPEB Obligation - June 30, 2015	<u><u>\$ 538,031</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 99,928	44.7%	\$ 538,031
June 30, 2014	100,875	47.4%	482,761
June 30, 2013	102,425	15.1%	429,661

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

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)**

*Actuarial Methods and Assumptions (Concluded):*

In the July 1, 2012, 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.

**NOTE 12 - 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).

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

*Plan Descriptions, Benefits Provided and Employees Covered*

The California State Teachers Retirement System (CalSTRS) administers a defined benefit plan, the State Teachers' Retirement Plan, which provides pension benefits to California full-time and part-time public school teachers and certain other employees of the public school system. The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. 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. The Teachers' Retirement Board (board) has exclusive control over the administration of the retirement system plans and the investment of funds. 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. CalSTRS issues a stand-alone comprehensive annual financial report available to the public that can be found on the CalSTRS website.

**Defined Benefit Program:**

The Defined Benefit Program has two benefit formulas: (1) CalSTRS 2% at 60 with members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS and (2) CalSTRS 2% at 62 with members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS. Members are eligible for normal retirement at age 60 (CalSTRS 2% at 60) or age 62 (CalSTRS 2% at 62), with a minimum of five years of credited service. After earning five years of credited service, members become fully vested in retirement benefits. There is a postretirement annual benefit adjustment increase of 2.0 percent per year on a simple basis and this benefit is vested for members who pay the higher contribution rates enacted in AB 1469, or retired in 2014.



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**NOTE 12 - RETIREMENT PLANS (CONTINUED)**

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

**Plan Descriptions, Benefits Provided and Employees Covered (Continued)**

**Defined Benefit Program (Concluded):**

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. The Teachers' Retirement Law (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.

Purchasing power protection is provided to members of the Defined Benefit Program through the Purchasing Power Protection Program. Quarterly annual distributions to retired and disabled members and beneficiaries restore purchasing power up to 85% of the initial monthly allowance. Funding for this program is from School Lands Revenue and the Supplemental Benefit Maintenance Account.

**Defined Benefit Supplement Program:**

The Defined Benefit Supplement Program, established pursuant to Chapter 74, Statutes of 2000 (AB 1509), is a defined benefit pension program that operates within the STRP. All members of the Defined Benefit Program who make contributions to CalSTRS on creditable compensation earned on and after January 1, 2001, have an account under the Defined Benefit Supplement Program and are eligible to receive a Defined Benefit Supplement benefit based on the amount of funds contributed to the Defined Benefit Supplement account. Membership in the Defined Benefit Supplement Program is mandatory. Interest is credited to the nominal DBS Program accounts at the minimum guaranteed annual rate established by the board prior to each plan year, which was 3% for the fiscal year ended June 30, 2014. The board may credit additional earnings to members' nominal accounts if actual investment earnings exceed the minimum guaranteed annual rate and meet the criteria set out in board policy.

**Cash Balance Benefit Program:**

The Cash Balance Benefit Program, established under Chapter 592, Statutes of 1995 (AB 1298), and subsequently merged into the STRP by Chapter 1048, Statutes of 1998 (SB 2085), is a defined benefit pension program. The Cash Balance Benefit Program is designed for employees of California's public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Participation in the Cash Balance Benefit Program is optional; a school district or county office of education may elect to offer the Cash Balance Benefit Program. The District has not made this election.

**STRP Replacement Benefits Program:**

The STRP Replacement Benefits Program is an excess benefits arrangement for Defined Benefit Program members that is administered as a qualified excess benefit arrangement through a separate pension program apart from the other three STRP programs and is established in accordance with Internal Revenue Code (IRC) Section 415(m).

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**NOTE 12 - RETIREMENT PLANS (CONTINUED)**

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

**Plan Descriptions, Benefits Provided and Employees Covered (Concluded)**

**STRP Replacement Benefits Program (Concluded):**

IRC Section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. The limit for individual CalSTRS members varies based on the age at which they retire. In 2014, the federal dollar limit for retirees is \$210,000, without considering the member's retirement age. Under CalSTRS 2% at 62, members will not receive any benefits in excess of the IRC Section 415(b) limit.

**Contributions**

**Defined Benefit Program:**

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law (Education Code Section 22000 et seq.) Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. The statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

**Members:** Under CalSTRS 2% at 60, the member contribution rate was 8.0% of applicable member earnings. Under CalSTRS 2% at 62, members contribute 50% of the normal cost of their retirement plan, which resulted in a contribution rate of 8.0% of applicable member earnings. In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2% annual benefit adjustment increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2% annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers the portion of the 2% annual benefit adjustment.

**Employers:** The required contribution rate was 8.25% of applicable member earnings. In accordance with AB 1469, employer contributions will increase from 8.25% to a total of 19.1% of applicable member earnings phased in over the next seven years, beginning in fiscal year 2014-15. The contribution rate for fiscal year 2014-15 was 8.88%.

**State:** The required contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. In addition, beginning October 1, 1998, a statutory contribution rate of 0.524%, adjustable annually in 0.25% increments up to a maximum of 1.505%, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments beginning in October 1, 2013, at an additional contribution rate of 1.024%.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**NOTE 12 - RETIREMENT PLANS (CONTINUED)**

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

**Contributions (Concluded)**

**Defined Benefit Program (Concluded):**

The amount of District contributions to CalSTRS for the fiscal year ended June 30, 2015, was 8.88% of applicable member earnings in the fiscal year. The District's contribution to CalSTRS for the fiscal year ended June 30, 2015 was \$680,699.

**Defined Benefit Supplement Program**

Beginning July 1, 2002, for creditable service in excess of one year credit within one fiscal year, member contributions of 2% and employer contributions of 8% are credited to the members nominal Defined Benefit Supplement Program account (up to the compensation cap). Contributions for compensation as a result of retirement incentives or limited-term enhancements are credited to the members' Defined Benefit Supplement Program accounts for CalSTRS 2% at 60 members.

**Cash Balance Benefit Program**

The District does not participate in this program.

**STRP Replacement Benefits Program**

The program is funded as needed. Contributions that would otherwise be credited to the Defined Benefit Program each month are instead credited to the Replacement Benefits Program to fund monthly program costs. Monthly employer contributions are received and paid to members in amounts equivalent to the benefits not paid as a result of IRC Section 415(b), subject to withholding for any applicable income or employment taxes.

**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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
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
	Not applicable for DBS/CBB

<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, 2015**

**NOTE 12 - 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 experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. Refer to CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis available on CalSTRS website 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 rates of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

\* 10-year geometric average

**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 per AB 1469. 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, 2015**

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**NOTE 12 - RETIREMENT PLANS (CONTINUED)**

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

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

	Discount Rate 1% Decrease 6.60%	Discount Rate Current Rate 7.60%	Discount Rate 1% Increase 8.60%
District's proportionate share of the net pension liability	\$ 14,938,432	\$ 9,583,668	\$ 5,118,768

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

The State of California is considered to be a nonemployer contributing entity of the STRP. The state's proportionate share of the collective net pension liability used in the proportionate share calculation was 37.65% for the year ended June 30, 2014. The District's proportionate share of the STRP net pension liability and deferred items was calculated by multiplying the District's proportionate share of contributions for employers and nonemployer contributing entity by the aggregate amounts reported by CalSTRS as of June 30, 2014.

As of June 30, 2015, the District reported a liability of \$9,583,668 for its proportionate share of the net pension liability. For the fiscal year ended June 30, 2015, the District recognized pension expense of \$827,314.

The District's proportionate share of the net pension liability as of June 30, 2013 and June 30, 2014 was as follows:

	<u>CalSTRS</u>
Proportion - June 30, 2013	0.0164%
Proportion - June 30, 2014	0.0164%
Change - Increase (Decrease)	<u>0.0000%</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 12 - RETIREMENT PLANS (CONTINUED)**

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

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

At June 30, 2015, 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 measurement date	\$ 680,699	
District's Proportionate share of State On-Behalf payments subsequent to measurement date	395,562	
Net differences between projected and actual earnings on plan investments *		\$ 2,359,894
Totals	<u>\$ 1,076,261</u>	<u>\$ 2,359,894</u>

\* 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.

\$680,699 reported as deferred outflows of resources were related to District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. The District also recognized revenue in the amount of \$395,562 for their proportionate support provided by the state as on-behalf payments subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. 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	
2016	\$ 589,974
2017	589,974
2018	589,973
2019	589,973

**Pension Plan's Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the comprehensive annual financial report issued by CalSTRS available on their website. The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. CalSTRS maintains its accounting records using the accrual basis of accounting. It recognizes member contributions in the period in which the contributions are earned. CalSTRS recognizes employer and state contributions when earned and the employer or state has made a formal commitment to provide the contributions.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**NOTE 12 - RETIREMENT PLANS (CONTINUED)**

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

*Plan Description, Benefits Provided, and Employees Covered*

The District contributes to the Employers Schools Pool Plan (the Plan) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer 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 disability benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*Contributions*

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 shall pay the higher of fifty percent of normal costs or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2015 was 11.771% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2015 was \$198,612.

*Pension Liabilities, Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

As of June 30, 2015, the District reported a liability of \$1,657,456 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 12 - RETIREMENT PLANS (CONTINUED)**

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

**Pension Liabilities, Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)**

The District's proportionate share of the net pension liability as of June 30, 2013 and June 30, 2014 was as follows:

	<u>CalPERS</u>
Proportion - June 30, 2013	0.0146%
Proportion - June 30, 2014	<u>0.0146%</u>
Change - Increase (Decrease)	<u><u>0.0000%</u></u>

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$147,314. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 198,612	
Net differences between projected and actual earnings on pension plan investments		\$ 569,520
Totals	<u><u>\$ 198,612</u></u>	<u><u>\$ 569,520</u></u>

\$198,612 reported as 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, 2016. 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>	
2016	\$ 142,380
2017	142,380
2018	142,380
2019	142,380

**Actuarial Assumptions**

The total pension liability in the June 30, 2013 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, 2015**

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**NOTE 12 - RETIREMENT PLANS (CONTINUED)**

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

**Actuarial Assumptions (Concluded)**

	<u>CalPERS</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases (1)	
Investment Rate of Return (2)	7.50%
Post Retirement Benefit Increase (3)	

(1) Varies by entry age and service

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

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

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS' website.

**Discount Rate**

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

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 12 - RETIREMENT PLANS (CONTINUED)**

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

**Discount Rate (Concluded)**

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

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

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

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

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

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 12 - RETIREMENT PLANS (CONCLUDED)**

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

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

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

	Discount Rate 1% Decrease 6.50%	Discount Rate Current Rate 7.50%	Discount Rate 1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 2,907,555	\$ 1,657,456	\$ 612,871

**Pension Plan Fiduciary Net Position**

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

**C. Social Security**

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

**NOTE 13 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2015, is shown below.

	Balances July 1, 2014	Additions	Deductions	Balances June 30, 2015	Due within One Year
Compensated Absences	\$ 80,576	\$ 87,814	\$ 80,576	\$ 87,814	\$ 23,135
General Obligation Bonds:					
Current Interest	16,380,000	17,535,000	7,235,000	26,680,000	1,155,000
Bond Premiums	412,972	1,341,717	37,633	1,717,056	150,425
Capital Leases	1,553,201		147,902	1,405,299	137,212
Early Retirement Incentives	70,300		29,924	40,376	19,231
Other Post Employment Benefits	482,761	99,928	44,658	538,031	
Net Pension Liability - CalSTRS *	11,715,668		2,132,000	9,583,668	
Net Pension Liability - CalPERS *	2,255,310		597,854	1,657,456	
Totals *	\$ 32,950,788	\$ 19,064,459	\$ 10,305,547	\$ 41,709,700	\$ 1,485,003

\* The July 1, 2014 balances have been restated to reflect the restatement presented in Note 20.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 13 - LONG-TERM LIABILITIES (CONCLUDED)**

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 will be financed by the General Fund.

**NOTE 14 - FUND BALANCES**

The District's fund balances at June 30, 2015 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 700				\$ 700
Restricted	310,114	\$ 1,982,373	\$ 11,758,009	\$ 32,376	14,082,872
Assigned	345,106			202,274	547,380
Unassigned:					
Economic Uncertainties	769,005				769,005
Other	577,253				577,253
Total Fund Balances	<u>\$ 2,002,178</u>	<u>\$ 1,982,373</u>	<u>\$ 11,758,009</u>	<u>\$ 234,650</u>	<u>\$ 15,977,210</u>

**NOTE 15 - 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 \$395,562 (5.678848% of creditable compensation subject to CalSTRS).

**NOTE 16 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014-15, 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 17 - 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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**NOTE 17 - JOINT VENTURES (CONCLUDED)**

**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.

**NOTE 18 - ECONOMIC DEPENDENCY**

During the year, the District received \$3,764,567 of parcel tax revenue that is subject to voter approval. The District also received \$1,267,981 from the Kentfield Schools Foundation, a non-profit, public benefit corporation, that is subject to voluntary public contributions to the organization.

**NOTE 19 - COMMITMENTS AND CONTINGENCIES**

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

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

**B. Litigation**

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

**NOTE 20 - RESTATEMENT OF NET POSITION**

During fiscal year 2014-15, the District implemented Governmental Accounting Standards Board Statement No. 68 (GASB 68) and Statement No. 71 (GASB 71), as discussed in Note 1B. As a result, the beginning net position of the District has been restated to reflect the District's proportionate share of the net pension liability related to its participation in the CalSTRS and CalPERS pension plans, and the deferral of prior year contributions made to CalSTRS and CalPERS, which were previously reported as components of pension expense in the prior fiscal year.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 20 - RESTATEMENT OF NET POSITION (CONCLUDED)**

In accordance with GASB 71, the beginning net position restatement does not reflect any other adjustments related to deferred inflows or outflows of resources related to pensions, which result from differences between expected and actual, projected and actual earnings on investments, or changes in assumptions, as the information required to determine such amounts was not available during the first year implementation of GASB 68. The beginning net position of the District has also been restated to reflect a prior year understatement in the health and welfare clearing account. The effect of the restatements on the current year financial statements is as follows:

	<u>Statement of Activities</u>
Net Position - July 1, 2014 (as originally stated)	\$ 5,790,151
Understatement of Deferred Outflows of Resources - CalSTRS	599,420
Understatement of Deferred Outflows of Resources - CalPERS	175,648
Understatement of Accounts Payable & Other Current Liabilities	(205,893)
Understatement of Net Pension Liability - CalSTRS	(11,715,668)
Understatement of Net Pension Liability - CalPERS	<u>(2,255,310)</u>
Net Restatement	<u>(13,401,803)</u>
Net Position (Deficit) - July 1, 2014 (as restated)	\$ <u>(7,611,652)</u>

**NOTE 21 - RESTATEMENT OF FUND BALANCE**

The beginning fund balance of the General Fund has been restated to reflect a prior year understatement in the health and welfare clearing account. The effect of the restatement on the current year financial statements is as follows:

	<u>General Fund</u>
Fund Balance - July 1, 2014 (as originally stated)	\$ 2,356,099
Understatement of Accounts Payable	<u>(205,893)</u>
Fund Balance - July 1, 2014 (as restated)	<u>\$ 2,150,206</u>

**NOTE 22 - 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 4, 2015, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions, except as noted below, that require disclosure in or adjustment to the current year financial statements.

On July 1, 2015, the District entered into a capital lease agreement to finance the purchase of \$110,319 of computer equipment. The lease agreement provides for title to pass upon expiration of the lease period. Future minimum lease payments under the agreement require three annual payments of \$38,077 beginning in fiscal year 2015-16.

## 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, 2015**

	<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	\$ 864,781	\$ 881,746	\$ 881,704	\$ (42)
Local Sources	6,896,291	7,132,581	7,152,280	19,699
Total LCFF Sources	7,761,072	8,014,327	8,033,984	19,657
Federal Revenue	175,769	187,521	188,310	789
Other State Revenue	473,111	1,076,111	931,904	(144,207)
Other Local Revenue	6,077,746	6,194,783	6,130,898	(63,885)
Total Revenues	14,487,698	15,472,742	15,285,096	(187,646)
<b><u>Expenditures</u></b>				
Certificated Salaries	7,894,022	7,859,768	7,907,544	(47,776)
Classified Salaries	1,906,296	1,901,197	1,875,035	26,162
Employee Benefits	2,813,922	3,223,256	3,089,632	133,624
Books and Supplies	630,845	736,757	570,043	166,714
Services and Other				
Operating Expenditures	1,500,555	1,680,666	1,264,732	415,934
Capital Outlay	237,400	410,060	240,120	169,940
Debt Service:				
Principal Retirement	114,507	114,507	112,336	2,171
Interest and Fiscal Charges	67	67	40,415	(40,348)
Other Expenditures	262,278	355,282	333,267	22,015
Total Expenditures	15,359,892	16,281,560	15,433,124	848,436
Net Change in Fund Balances	(872,194)	(808,818)	(148,028)	\$ 660,790
Fund Balances - July 1, 2014 (As Restated - Note 21)	2,150,206	2,150,206	2,150,206	
Fund Balances - June 30, 2015	\$ 1,278,012	\$ 1,341,388	\$ 2,002,178	

SEE NOTES TO SUPPLEMENTARY INFORMATION

**KENTFIELD SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<b>Capital Facilities</b>	<b>Kent Middle School Gymnasium</b>	<b>Capital Projects - Special Reserve</b>	<b>Total Non-Major Governmental Funds</b>
<b><u>Assets</u></b>				
Deposits and Investments	\$ 32,376	\$ 114,044	\$ 88,230	\$ 234,650
Total Assets	<u>\$ 32,376</u>	<u>\$ 114,044</u>	<u>\$ 88,230</u>	<u>\$ 234,650</u>
<b><u>Fund Balances</u></b>				
Restricted	\$ 32,376			\$ 32,376
Assigned		\$ 114,044	\$ 88,230	202,274
Total Fund Balances	<u>\$ 32,376</u>	<u>\$ 114,044</u>	<u>\$ 88,230</u>	<u>\$ 234,650</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, 2015

	<u>Capital Facilities</u>	<u>Kent Middle School Gymnasium</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Revenues</u></b>				
Local Revenue	\$ 58,650	\$ 213	\$ 162	\$ 59,025
<b><u>Expenditures</u></b>				
Current:				
Facilities Acquisition and Construction		9,297		9,297
Debt Service:				
Principal Retirement	35,566			35,566
Interest and Issuance Costs	22,699			22,699
Total Expenditures	58,265	9,297	0	67,562
Net Change in Fund Balances	385	(9,084)	162	(8,537)
Fund Balances - July 1, 2014	31,991	123,128	88,068	243,187
Fund Balances - June 30, 2015	<u>\$ 32,376</u>	<u>\$ 114,044</u>	<u>\$ 88,230</u>	<u>\$ 234,650</u>

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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>
7/1/12	\$ 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%

SEE NOTES TO SUPPLEMENTARY INFORMATION

KENTFIELD SCHOOL DISTRICT

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

JUNE 30, 2015

<u>CalSTRS</u>	<u>6/30/14 *</u>
District's proportion of the collective net pension liability	0.0164%
District's proportionate share of the collective net pension liability	\$ 9,583,668
Portion of state's total proportionate share of the collective net pension liability associated with the District	<u>226,889</u>
Total collective net pension liability attributed to District	<u>\$ 9,810,557</u>
District's covered-employee payroll	\$ 7,294,958
District's proportionate share of the collective net pension liability as a percentage of covered-employee payroll	131.37%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

\* The information presented above is determined as of the measurement date of the collective net pension liability. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. In the future, additional years will be added to this schedule as information becomes available until 10-years are presented.

SEE NOTES TO SUPPLEMENTARY INFORMATION

KENTFIELD SCHOOL DISTRICT

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

JUNE 30, 2015

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<u>CalPERS</u>	<u>6/30/14 *</u>
District's proportion of the collective net pension liability	0.0146%
District's proportionate share of the collective net pension liability	\$ 1,657,456
District's covered-employee payroll	\$ 1,531,035
District's proportionate share of the collective net pension liability as a percentage of covered-employee payroll	108.26%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

\* The information presented above is determined as of the measurement date of the collective net pension liability. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. In the future, additional years will be added to this schedule as information becomes available until 10-years are presented.

SEE NOTES TO SUPPLEMENTARY INFORMATION

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - CALSTRS**

**JUNE 30, 2015**

<b><u>CalSTRS</u></b>	<b><u>6/30/14 *</u></b>
Statutorily required District contributions (actuarially determined)	\$ 680,699
Contributions recognized by pension plan in relation to the statutorily required District contributions	<u>680,699</u>
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	\$ 7,665,529
Contributions recognized by pension plan in relation to statutorily required District contribution as a percentage of covered-employee payroll	8.88%

**Methods and Assumptions Used to Determine Contribution Rates**

The following actuarial methods and assumptions were used to determine the actuarially determined contribution for the STRP presented above:

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll basis
Amortization Period	Open
Remaining Amortization Period	30 years
Asset Valuation Method	Expected value with 33% adjustment to market value
<b>Actuarial Assumptions:</b>	
Investment Rate of Return	7.50%
Interest on Accounts	4.50%
Wage Growth	3.75%
Consumer Price Inflation	3.00%
Post-retirement Benefit Increases	2.00% simple

**Changes in Benefit Terms**

The California Public Employees' Pension Reform Act of 2013 (PEPRA) resulted in a new benefit formula. CalSTRS 2% at 62, for members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. Significant changes compared to CalSTRS 2% at 60 benefit formula include raising the normal retirement age from 60 to 62 and placing a limit on creditable compensation to 120 percent of the Social Security wage base, annually adjusted for changes to the Consumer Price Index.

**Changes of Assumptions**

There were no changes in major assumptions from the June 30, 2012, actuarial valuation.

\* This information is determined as of June 30, 2014, reflecting the most recent information available from the pension plan. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. In the future, additional years will be added to this schedule as information becomes available until 10-years are presented.

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - CALPERS**  
**JUNE 30, 2015**

<u>CalPERS</u>	<u>6/30/14 *</u>
Contractually required District contribution (actuarially determined)	\$ 198,612
Contributions recognized by pension plan in relation to the contractually required District contributions	<u>198,612</u>
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	\$ 1,687,299
Contributions recognized by pension plan in relation to contractually required District contribution as a percentage of covered-employee payroll	11.771%

**Methods and Assumptions Used to Determine Contribution Rates**

Valuation Date	June 30, 2013
Funding Method	Individual Entry Age Normal Cost
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Varies
Asset Valuation Method	Expected Value of Assets Smoothing Technique
Inflation	2.75%
Salary Increases	5.06% Average, Including Inflation of 3.00%
Investment Rate of Return	7.50%, net of Administrative Expenses
Retirement Age	CalPERS Experience Study
Mortality	CalPERS Experience Study

**Changes in Benefit Terms**

There were no changes to benefit terms that applied to all members of the CalPERS.

**Changes of Assumptions**

There were no changes in assumptions.

\* This information is determined as of June 30, 2014, reflecting the most recent information available from the pension plan. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. In the future, additional years will be added to this schedule as information becomes available until 10-years are presented.



**KENTFIELD SCHOOL DISTRICT**  
**ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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>
Juli Kauffman	President	December 2015
Ashley Paff	Clerk	December 2017
Cynthia Roenisch	Member	December 2017
Ross McKenna	Member	December 2015
Heather McPhail Sridharan	Member	December 2017

ADMINISTRATION

Elizabeth Schott  
Superintendent

Barbara Johnson  
Business Manager

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	P-2 Report			
	TK / K - 3	4 - 6	7 - 8	Total
Regular ADA	528.21	409.08	239.90	1,177.19
Extended Year - Special Education		0.14	0.41	0.55
Special Education - Nonpublic		0.16	0.96	1.12
Totals	528.21	409.38	241.27	1,178.86

	Annual Report			
	TK / K - 3	4 - 6	7 - 8	Total
Regular ADA	528.32	409.67	240.14	1,178.13
Extended Year - Special Education		0.14	0.41	0.55
Special Education - Nonpublic		0.12	0.95	1.07
Totals	528.32	409.93	241.50	1,179.75

SEE NOTES TO SUPPLEMENTARY INFORMATION

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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<u>Grade Level</u>	<u>Minutes Required</u>	<u>Adjusted Minutes Required</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	42,240	180	N/A	In Compliance
Grade 1	50,400	49,000	50,450	180	N/A	In Compliance
Grade 2	50,400	49,000	50,450	180	N/A	In Compliance
Grade 3	50,400	49,000	55,568	180	N/A	In Compliance
Grade 4	54,000	52,500	55,568	180	N/A	In Compliance
Grade 5	54,000	52,500	61,480	180	N/A	In Compliance
Grade 6	54,000	52,500	61,480	180	N/A	In Compliance
Grade 7	54,000	52,500	61,480	180	N/A	In Compliance
Grade 8	54,000	52,500	61,485	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b><u>Program Name</u></b>	<b><u>Federal Catalog Number</u></b>	<b><u>Pass-Through Identification Number</u></b>	<b><u>Federal Program Expenditures</u></b>
U.S. Department of Education:			
Passed through California Department of Education:			
NCLB: Title I, Part A Basic Grant Low-Income & Neglected	84.010	14329	\$ 45,175
NCLB: Title II Improving Teacher Quality	84.367	14341	13,501
NCLB: Title III Immigrant Education Program	84.365	15146	1,495
NCLB: Title III Limited English Proficient	84.365	14346	6,063
Passed through Marin County SELPA:			
<i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	114,819
IDEA Part B Mental Health Allocation Plan	84.027A	14468	7,257
Total			<u>\$ 188,310</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**KENTFIELD SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund	Deferred Maintenance Fund
June 30, 2015 Annual Financial and Budget Report Fund Balances	\$ 2,224,244	\$ 25,638
Restatement Increasing (Decreasing) Fund Balance:		
Understatement of Health & Welfare Clearing Account	(205,893)	
Adjustments Increasing (Decreasing) Fund Balance:		
Understatement of Health & Welfare Expenditures	(41,811)	
Reclassifications Increasing (Decreasing) Fund Balances:		
Reclassification of Fund Balance	25,638	(25,638)
Net Restatements, Adjustments and Reclassifications	(222,066)	(25,638)
June 30, 2015 Audited Financial Statements Fund Balances	\$ 2,002,178	\$ 0

Auditor's Comments

The fund balances of the General Fund and Deferred Maintenance 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, 2015.

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	GENERAL FUND			
	(Budget) <sup>(1)</sup> 2015-16 <sup>(2)</sup>	2014-15	2013-14	2012-13
Revenues and Other Financial Sources	\$ 15,979,626	\$ 15,285,096	\$ 14,392,236	\$ 13,660,941
Expenditures	15,692,809	15,433,124	14,362,854	13,300,352
Other Uses and Transfers Out	0	0	0	0
Total Outgo	15,692,809	15,433,124	14,362,854	13,300,352
Change in Fund Balance	286,817	(148,028)	29,382	360,589
Ending Fund Balance	\$ 2,288,995	\$ 2,002,178	\$ 2,150,206 <sup>(4)</sup>	\$ 2,120,824 <sup>(4)</sup>
Available Reserves	\$ 1,140,539	\$ 1,346,258	\$ 1,521,667 <sup>(4)</sup>	\$ 1,153,353 <sup>(4)</sup>
Reserve for Economic Uncertainties <sup>(3)</sup>	\$ 783,640	\$ 769,005	\$ 708,513	\$ 664,075
Available Reserves as a Percentage of Total Outgo	7.3%	8.7%	10.6%	8.7%
Average Daily Attendance at P-2	1,175	1,179	1,198	1,166
Total Long-Term Liabilities <sup>(5)</sup>	\$ 40,224,697	\$ 41,709,700	\$ 32,950,788	\$ 20,025,926

<sup>(1)</sup> Amounts reported for the 2015-16 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.

<sup>(4)</sup> The amounts presented have been adjusted to reflect the restatement discussed in Note 21.

<sup>(5)</sup> The amount presented for 2013-14 has been adjusted to reflect the restatement discussed in Note 20 related to the implementation of Governmental Accounting Standards Board Statement No. 68 (GASB 68).

The fund balance of the General Fund decreased \$118,646 (5.6%) over the past two years. The fiscal year 2015-16 budget projects an increase of \$286,817 (14.3%). 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 incurred an operating deficit of \$148,028 during fiscal year 2014-15 and produced operating surpluses of \$29,382 and \$360,589 during fiscal years 2013-14 and 2012-13, respectively.

Average daily attendance (ADA) increased 13 ADA (1.1%) over the past two years. The District anticipates a decrease of 4 ADA during fiscal year 2015-16.

Total long-term liabilities increased \$21,683,774 over the past two years due to the issuance of \$12,000,000 of general obligation bonds and the implementation of GASB 68 in fiscal year 2014-15.

SEE NOTES TO SUPPLEMENTARY INFORMATION

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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. See Note 3 for any excess of expenditures over appropriations.

**B. Combining Statements**

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

**C. Schedule of Funding Progress**

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

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

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

**E. Schedule of Contributions**

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)**

**F. 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.

**G. 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.

**H. Schedule of Expenditures of Federal Awards**

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

**I. 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.

**J. 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 *2014-15 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* for the fiscal year ended June 30, 2015.

**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 *2014-15 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (K-12 Audit Guide)*, 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 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>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios 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	Not Applicable
Regional Occupational Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/ Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

#### Opinion on State Compliance

In our opinion, Kentfield School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

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 *2014-15 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 4, 2015



**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, 2015, 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 4, 2015 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness, as noted in **Finding 15-001**.

Compliance and Other Matters

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

District's Response to Finding

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

Purpose of this Report

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

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 4, 2015



## FINDINGS AND QUESTIONED COSTS SECTION



KENTFIELD SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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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?

  X   Yes        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**

Internal control over state programs:

Material weaknesses identified?

       Yes   X   No

Significant deficiencies identified not considered  
to be material weaknesses?

       Yes   X   None reported

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, 2015**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**15 - 001 / 30000**

**MATERIAL WEAKNESS**

**CLEARING ACCOUNTS RECONCILIATION**

<u>Criteria:</u>	An appropriate system of internal control over financial reporting requires that clearing accounts used to facilitate the payment of health and welfare benefits, taxes, and insurance, should be reconciled on a monthly basis, to ensure that liabilities and expenditures are properly reported.
<u>Condition:</u>	The District's primary health and welfare clearing account was not reconciled during the year.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The District performed an analytical analysis to determine the reasonableness of health and welfare expenditures in fiscal year 2014-15; however, they did not perform a reconciliation of the balance of their primary health and welfare clearing account during the year or at June 30, 2015.
<u>Effect:</u>	When an effective system of internal controls is not in place, there is a reasonable possibility that material misstatements of the District's financial statements will not be prevented, or detected and corrected on a timely basis. The restatement and audit adjustment required to ensure the financial statements are fairly stated is presented on page 69.
<u>Cause:</u>	The District does not have appropriate procedures in place to ensure that clearing accounts, which are used to facilitate the payment of health and welfare benefits, taxes, and insurance, are reconciled on a monthly basis.
<u>Recommendation:</u>	The District should establish appropriate procedures to ensure that clearing accounts that are used to facilitate the payment of health and welfare benefits should be reconciled on a monthly basis and the reconciliation should be retained for audit purposes.
<u>District Response:</u>	The District maintains detailed tracking spreadsheets for all employee health & welfare benefits, medical, dental, vision, and insurance programs. The District also tracks 10 month employee's summer benefits for employer paid benefits paid during the months of July and August. All health & welfare benefits for 10 month employees require reconciliation to ensure the expenditures are posted to the proper fiscal year.

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)**

**CLEARING ACCOUNTS RECONCILIATION (CONCLUDED)**

**District Response**  
**(Concluded):**

In 2015-16, the Marin County Office of Education will be implementing procedures and establishing training for all Marin County school district business officials to reconcile the health & welfare clearing accounts (object code 9520) to ensure the expenditures are posted to the correct fiscal year. Reconciliation of all health & welfare expenditures will be maintained on a monthly basis to ensure all clearing accounts are reconciled throughout the year.

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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, 2015.

KENTFIELD SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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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>14 - 1 / 40000</b>		
<b><u>UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS</u></b>		
The District should establish procedures to ensure that counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report are supported by appropriate documentation.	Implemented	

