

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

**AUDIT REPORT**

**JUNE 30, 2013**



KENTFIELD SCHOOL DISTRICT

JUNE 30, 2013

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KENTFIELD SCHOOL DISTRICT

JUNE 30, 2013

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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, 2013, 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 are not reported.

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, 2013, or the changes in financial position thereof for the year then ended.

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, 2013, 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 45, and the schedule of funding progress on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kentfield School District's basic financial statements. The accompanying combining fund financial statements and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



Other Matters (Concluded)

*Other Information (Concluded)*

The accompanying combining fund financial statements and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are the responsibility of management and was derived from and relates 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 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

November 26, 2013

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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, 2013. 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**

- The District's overall financial status improved during fiscal year 2012-13, as the District's total net position increased 7.3%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$403,077.
- Capital assets, net of depreciation, decreased \$903,771 due to accumulated depreciation growing at a faster rate than acquisitions and construction.
- Total long-term liabilities decreased \$1,207,029, due primarily to current year payments on the liability for general obligation bonds.
- The District's P-2 ADA increased from 1,136 ADA in fiscal year 2011-12, up to 1,166 ADA in fiscal year 2012-13, an increase of 2.6%.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year revenues and other sources exceeded total current year expenditures by \$146,378.
- During fiscal year 2012-13, the District's General Fund produced an operating surplus of \$360,589 and increased its available reserves by \$336,811.
- 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 2012-13, General Fund expenditures totaled \$13,300,352. At June 30, 2013, the District has available reserves of \$1,359,246 in the General Fund, which represents a reserve of 10.2%.

**KENTFIELD SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(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, 2013  
(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 and Bond Interest and Redemption Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

*Proprietary Funds:*

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

*Fiduciary Funds:*

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in 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, 2013**  
(PREPARED BY DISTRICT MANAGEMENT)

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

**GOVERNMENTAL ACTIVITIES**

The District's total net position increased from \$5,512,729 at June 30, 2012, up to \$5,915,806 at June 30, 2013, an increase of 7.3%.

<b><u>Comparative Statement of Net Position</u></b>		
	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2013</b>
<b><u>Assets</u></b>		
Deposits and Investments	\$ 3,941,185	\$ 3,879,309
Receivables	332,502	548,856
Prepaid Expenses	897,175	832,112
Capital Assets, net	22,192,958	21,289,187
<b>Total Assets</b>	<b>27,363,820</b>	<b>26,549,464</b>
<b><u>Liabilities</u></b>		
Current *	2,069,917	1,906,533
Long-term *	19,781,174	18,727,125
<b>Total Liabilities</b>	<b>21,851,091</b>	<b>20,633,658</b>
<b><u>Net Position</u></b>		
Invested in Capital Assets		
- Net of Related Debt	2,464,404	2,764,576
Restricted *	1,450,816	1,316,101
Unrestricted *	1,597,509	1,835,129
<b>Total Net Position *</b>	<b>\$ 5,512,729</b>	<b>\$ 5,915,806</b>
<i>Table includes financial data of the combined governmental funds</i>		
<i>* The prior year balances have been adjusted to reflect the restatement described in Note 19 and the reclassification described in Note 11.</i>		

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(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 \$403,077.

**Comparative Statement of Changes in Net Position**

	Governmental Activities	
	2012	2013
<u>Program Revenues</u>		
Operating Grants & Contributions	\$ 1,015,728	\$ 1,085,486
<u>General Revenues</u>		
Taxes Levied	11,274,988	11,450,794
Federal & State Aid	571,531	988,791
Interest & Investment Earnings	5,364	2,986
Miscellaneous	1,574,228	1,824,329
Total Revenues	<u>14,441,839</u>	<u>15,352,386</u>
<u>Expenses</u>		
Instruction	9,770,948	9,906,732
Instruction-Related Services	1,548,349	1,683,262
Pupil Services	410,533	427,361
General Administration	937,892	1,078,779
Plant Services	783,124	773,264
Ancillary Services	14,116	12,994
Interest on Long-Term Debt *	813,894	702,044
Other Outgo	364,695	364,873
Total Expenses *	<u>14,643,551</u>	<u>14,949,309</u>
Change in Net Position *	<u>\$ (201,712)</u>	<u>\$ 403,077</u>

*Table includes financial data of the combined governmental funds*

\* The prior year balances have been adjusted to reflect the restatement described in Note 19.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(PREPARED BY DISTRICT MANAGEMENT)**

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

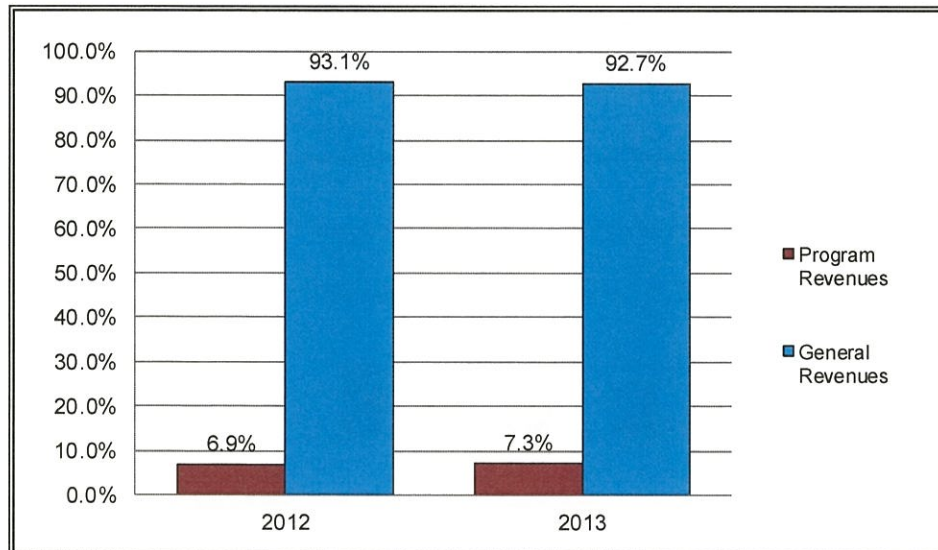
**GOVERNMENTAL ACTIVITIES (CONTINUED)**

<b><u>Comparative Schedule of Costs of Services</u></b>				
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2012	2013	2012	2013
Instruction	\$ 9,770,948	\$ 9,906,732	\$ 8,769,813	\$ 8,869,156
Instruction-Related Services	1,548,349	1,683,262	1,533,756	1,669,750
Pupil Services	410,533	427,361	410,533	392,963
General Administration	937,892	1,078,779	937,892	1,078,779
Plant Services	783,124	773,264	783,124	773,264
Ancillary Services	14,116	12,994	14,116	12,994
Interest on Long-Term Debt *	813,894	702,044	813,894	702,044
Other Outgo	364,695	364,873	364,695	364,873
Totals *	<u>\$ 14,643,551</u>	<u>\$ 14,949,309</u>	<u>\$ 13,627,823</u>	<u>\$ 13,863,823</u>

*Table includes financial data of the combined governmental funds*

*\* The prior year balances have been adjusted to reflect the restatement described in Note 19.*

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 \$13,863,823 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



In fiscal year 2012-13, program revenues financed 7.3% of the total cost of providing the services listed above, while the remaining 92.7% 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, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

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

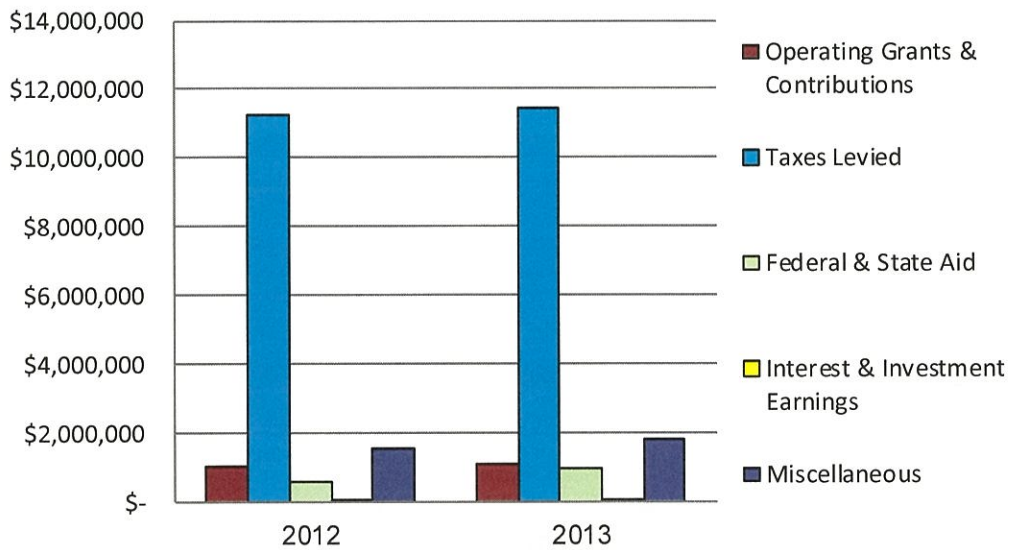
**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Summary of Revenues For Governmental Functions**

	FYE 2012 Amount	Percent of Total	FYE 2013 Amount	Percent of Total
<b><u>Program Revenues</u></b>				
Operating Grants & Contributions	\$ 1,015,728	7.03%	\$ 1,085,486	7.07%
<b><u>General Revenues</u></b>				
Taxes Levied	11,274,988	78.07%	11,450,794	74.59%
Federal & State Aid	571,531	3.96%	988,791	6.44%
Interest & Investment Earnings	5,364	0.04%	2,986	0.02%
Miscellaneous	1,574,228	10.90%	1,824,329	11.88%
<b>Total Revenues</b>	<b>\$ 14,441,839</b>	<b>100.00%</b>	<b>\$ 15,352,386</b>	<b>100.00%</b>

*Table includes financial data of the combined governmental funds*

**Comparative Revenues**





**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(PREPARED BY DISTRICT MANAGEMENT)**

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

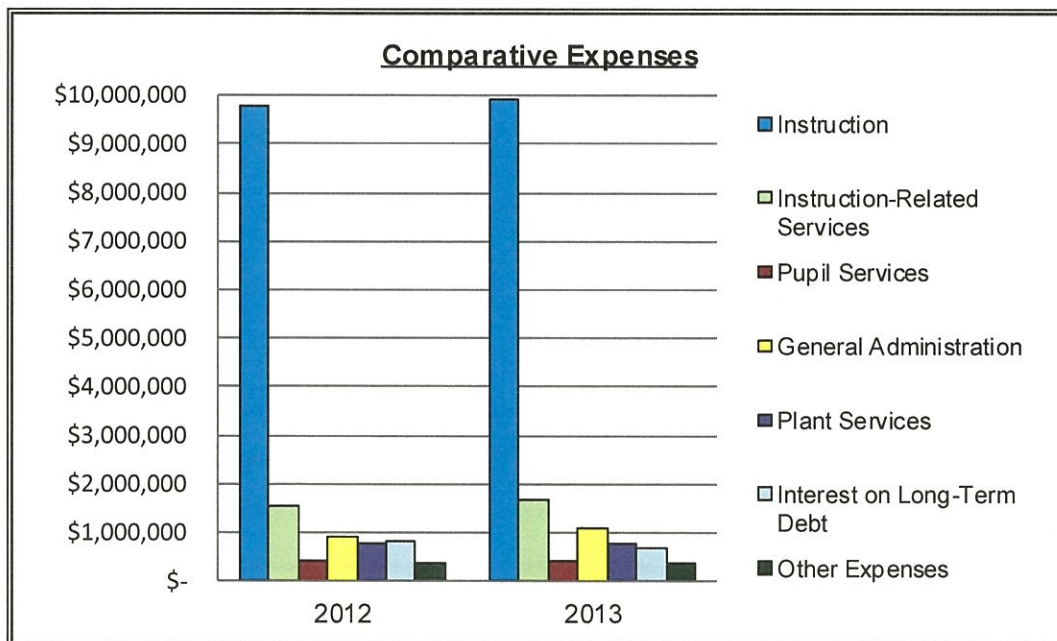
**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Summary of Expenses For Governmental Functions**

	FYE 2012 Amount	Percent of Total	FYE 2013 Amount	Percent of Total
<b><u>Expenses</u></b>				
Instruction	\$ 9,770,948	66.73%	\$ 9,906,732	66.27%
Instruction-Related Services	1,548,349	10.57%	1,683,262	11.26%
Pupil Services	410,533	2.80%	427,361	2.86%
General Administration	937,892	6.40%	1,078,779	7.22%
Plant Services	783,124	5.35%	773,264	5.17%
Interest on Long-Term Debt *	813,894	5.56%	702,044	4.70%
Other Expenses	378,811	2.59%	377,867	2.53%
<b>Total Expenses *</b>	<b>\$ 14,643,551</b>	<b>100.00%</b>	<b>\$ 14,949,309</b>	<b>100.00%</b>

*Table includes financial data of the combined governmental funds*

*\* The prior year balances have been adjusted to reflect the restatement described in Note 19.*



**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(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>		
	Governmental Activities	
	2012	2013
Land	\$ 1,522,674	\$ 1,522,674
Sites and Improvements	3,231,475	3,231,475
Buildings and Improvements	29,771,820	29,771,820
Furniture and Equipment	55,929	71,929
Subtotals	34,581,898	34,597,898
Less: Accumulated Depreciation	(12,388,940)	(13,308,711)
Capital Assets, net	<u>\$ 22,192,958</u>	<u>\$ 21,289,187</u>

Capital assets, net of depreciation, decreased \$903,771 due to accumulated depreciation growing at a faster rate than acquisitions and construction.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2012	2013
Compensated Absences	\$ 73,897	\$ 109,738
General Obligation Bonds	18,590,000	17,395,000
Unamortized Bond Premiums *	467,731	440,352
Capital Leases	1,678,398	1,571,270
Early Retirement Incentives	80,191	79,905
Other Post Employment Benefits	342,738	429,661
Totals *	<u>\$ 21,232,955</u>	<u>\$ 20,025,926</u>

\* The prior year balances have been adjusted for the reclassification described in Note 11.

Total long-term liabilities decreased \$1,207,029, due primarily to current year payments on the liability for general obligation bonds.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(PREPARED BY DISTRICT MANAGEMENT)

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

**GOVERNMENTAL ACTIVITIES (CONCLUDED)**

The general obligation bonds are financed by local taxpayers and represent 86.9% 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 District's obligations for compensated absences, capital leases, early retirement incentives, and other post employment benefits are financed by the General Fund and Capital Facilities Fund, as appropriate, and represent 10.9% of the District's total long-term liabilities.

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

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

<b><u>Comparative Schedule of Fund Balances</u></b>			
	Fund Balances June 30, 2012	Fund Balances June 30, 2013	Increase (Decrease)
General	\$ 1,966,128	\$ 2,326,717	\$ 360,589
Bond Interest & Redemption	1,652,660	1,454,000	(198,660)
Capital Facilities	15,066	32,419	17,353
Bond Proceeds - 1998	769	0	(769)
Bond Proceeds - 2004	28,840	0	(28,840)
Kent Middle School Gym	187,321	183,910	(3,411)
Capital Projects - Special Reserve	90,400	90,516	116
Totals	<u>\$ 3,941,184</u>	<u>\$ 4,087,562</u>	<u>\$ 146,378</u>

The fund balance of the General Fund increased \$360,589 while the combined fund balances of all other District governmental funds decreased \$214,211.

**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 45 includes only new revenues for fiscal year 2012-13.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(PREPARED BY DISTRICT MANAGEMENT)**

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

For the 2013-14 fiscal year, the District remains Community Funded (Basic Aid). With the implementation of the Local Control Funding Formula (LCFF), the District's 2013-14 Budget will reflect the minimum state funding of no less than the amount received in the 2012-13 fiscal year. The hold harmless amount is calculated based on the categorical allocation net of the 8.92% fair share reduction (excess taxes). The fair share reduction is limited by the District's property taxes in excess of the 2012-13 revenue limit and by the total of all the categorical allocation received in 2012-13. Local property taxes and enrollment continue to increase, it is uncertain at this time when the District will transition into LCFF.

**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, 2013**

	<b>Governmental Activities</b>
<hr/>	
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 3,879,309
Receivables (Note 4)	548,856
Prepaid Expenses (Note 1I)	832,112
Capital Assets: (Note 6)	
Land	1,522,674
Sites and Improvements	3,231,475
Buildings and Improvements	29,771,820
Furniture and Equipment	71,929
Less: Accumulated Depreciation	(13,308,711)
Total Assets	<hr/> 26,549,464 <hr/>
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	601,741
Deferred Revenue (Note 1I)	5,991
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1I)	109,738
General Obligation Bonds	1,015,000
Unamortized Bond Premiums	27,379
Capital Leases	113,809
Early Retirement Incentives	32,875
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 7)	16,380,000
Unamortized Bond Premiums	412,973
Capital Leases (Note 8)	1,457,461
Early Retirement Incentives (Note 9)	47,030
Other Post Employment Benefits (Note 10)	429,661
Total Liabilities	<hr/> 20,633,658 <hr/>
<b><u>Net Position</u></b>	
Investment in Capital Assets, Net of Related Debt	2,764,576
Restricted:	
For Capital Projects	32,419
For Debt Service	1,186,871
For Educational Programs	96,111
For Other Purposes	700
Unrestricted	1,835,129
Total Net Position	<hr/> <hr/> \$ 5,915,806 <hr/>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 9,906,732		\$ 1,037,576		\$ (8,869,156)
Instruction-Related Services:					
Supervision of Instruction	153,436		13,512		(139,924)
Instructional Library and Technology	317,163				(317,163)
School Site Administration	1,212,663				(1,212,663)
Pupil Services:					
Other Pupil Services	427,361		34,398		(392,963)
General Administration:					
Data Processing Services	13,917				(13,917)
Other General Administration	1,064,862				(1,064,862)
Plant Services	773,264				(773,264)
Ancillary Services	12,994				(12,994)
Interest on Long-Term Debt	702,044				(702,044)
Other Outgo	364,873				(364,873)
Total Governmental Activities	<u>\$ 14,949,309</u>	<u>\$ 0</u>	<u>\$ 1,085,486</u>	<u>\$ 0</u>	<u>(13,863,823)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					6,368,975
Taxes Levied for Debt Service					1,641,044
Taxes Levied for Specific Purposes					3,440,775
Federal and State Aid - Unrestricted					988,791
Interest and Investment Earnings					2,986
Miscellaneous					1,824,329
Total General Revenues					<u>14,266,900</u>
Change in Net Position					403,077
Net Position - July 1, 2012 (As Restated - Note 19)					<u>5,512,729</u>
Net Position - June 30, 2013					\$ 5,915,806

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Deposits and Investments (Note 2)	\$ 2,117,481	\$ 1,454,000	\$ 307,828	\$ 3,879,309
Receivables (Note 4)	548,856			548,856
Due from Other Funds (Note 5)	983			983
Total Assets	<u>\$ 2,667,320</u>	<u>\$ 1,454,000</u>	<u>\$ 307,828</u>	<u>\$ 4,429,148</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts Payable	\$ 334,612			\$ 334,612
Due to Other Funds (Note 5)			\$ 983	983
Deferred Revenue (Note 11)	5,991			5,991
Total Liabilities	<u>340,603</u>		<u>983</u>	<u>341,586</u>
Fund Balances: (Note 12)				
Nonspendable	700			700
Restricted	96,111	\$ 1,454,000	32,419	1,582,530
Assigned	870,660		274,426	1,145,086
Unassigned	1,359,246			1,359,246
Total Fund Balances	<u>2,326,717</u>	<u>1,454,000</u>	<u>306,845</u>	<u>4,087,562</u>
Total Liabilities and Fund Balances	<u>\$ 2,667,320</u>	<u>\$ 1,454,000</u>	<u>\$ 307,828</u>	<u>\$ 4,429,148</u>

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, 2013**

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<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 4,087,562</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	\$ 34,597,898	
Accumulated Depreciation	(13,308,711)	
Net		21,289,187

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs, reported as prepaid expenses on the statement of net position are:

Deferred Charges - Costs of Issuance	\$ 276,424	
Deferred Charges - Discount	71,754	
Deferred Charges - Refunding	483,934	
Total		832,112

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	\$ 109,738	
General Obligation Bonds	17,395,000	
Unamortized Bond Premiums	440,352	
Capital Leases	1,571,270	
Early Retirement Incentives	79,905	
Other Post Employment Benefits	429,661	
Total		(20,025,926)

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 unmatrued interest owed at the end of the period was:

(267,129)

<b>Total Net Position - Governmental Activities</b>	<b>\$ 5,915,806</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, 2013**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
Revenue Limit Sources:				
State Apportionment	\$ 208,222			\$ 208,222
Local Taxes	6,368,975			6,368,975
Total Revenue Limit Sources	6,577,197			6,577,197
Federal Revenue	252,449			252,449
State Revenue	863,160	\$ 8,015		871,175
Local Revenue	5,968,135	1,637,730	\$ 41,017	7,646,882
Total Revenues	13,660,941	1,645,745	41,017	15,347,703
<b><u>Expenditures</u></b>				
Instruction	9,143,385			9,143,385
Supervision of Instruction	143,261			143,261
Instructional Library and Technology	289,644			289,644
School Site Administration	1,132,421			1,132,421
Other Pupil Services	399,020			399,020
Data Processing Services	12,994			12,994
Other General Administration	945,505			945,505
Plant Services	724,799			724,799
Facilities Acquisition and Construction	18,858		33,262	52,120
Ancillary Services	12,994			12,994
Debt Service:				
Principal Retirement	93,917	1,195,000	13,211	1,302,128
Interest and Issuance Costs	56,365	654,088	10,095	720,548
Other Outgo	327,189			327,189
Total Expenditures	13,300,352	1,849,088	56,568	15,206,008
Excess of Revenues Over (Under) Expenditures	360,589	(203,343)	(15,551)	141,695
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In			769	769
Operating Transfers Out			(769)	(769)
Other Sources		4,683		4,683
Total Other Financing Sources (Uses)	0	4,683	0	4,683
Net Change in Fund Balances	360,589	(198,660)	(15,551)	146,378
Fund Balances - July 1, 2012	1,966,128	1,652,660	322,396	3,941,184
Fund Balances - June 30, 2013	\$ 2,326,717	\$ 1,454,000	\$ 306,845	\$ 4,087,562

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, 2013**

**Net Change in Fund Balances - Governmental Funds** **\$ 146,378**

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	\$	16,000	
Depreciation Expense		(919,771)	
Net			(903,771)

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The issue costs amortized for the period are: (65,063)

Bond premiums: In governmental funds, bond premiums are recognized as Other Financing Sources in the period they are received. In the government-wide statements, bond premiums are amortized over the life of the debt. The premiums amortized for the period are: 27,379

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

General Obligation Bonds	\$	1,195,000	
Capital Leases		107,128	
Total			1,302,128

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (35,841)

Early Retirement Incentives: In governmental funds, early retirement incentives are measured by the amounts paid during the period. In the statement of activities, early retirement incentives are measured by the amounts earned. The difference between early retirement incentives paid and early retirement incentives earned was: 286

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: (86,923)

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: 18,504

**Change in Net Position of Governmental Activities** **\$ 403,077**

KENTFIELD SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

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	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<b><u>Assets</u></b>		
Deposits and Investments (Note 2)	\$ 47,342	\$ 47,342
<b><u>Liabilities</u></b>		
Due to Student Groups	47,342	47,342
<b><u>Net Position</u></b>		
Total Net Position	<u>\$ 0</u>	<u>\$ 0</u>

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, 2013**

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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, 2013**

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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) meets the criteria set forth in GASB 39 and should be included in the financial reporting entity in these financial statements; however audited financial statements of the Foundation were not available for inclusion in the District's financial statements.

**B. Implementation of New Accounting Pronouncements**

In June of 2011, the Governmental Accounting Standard Board issued Statement No. 63 (GASB 63) *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, with required implementation for the District during the year ended June 30, 2013. The objective of GASB 63 is to identify net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. There was no effect on beginning net position/fund balance as a result of implementing GASB 63.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**C. Basis of Presentation**

*Government-wide Financial Statements:*

The government-wide financial statements (i.e., the Statement of Net 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.

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

*Fund Financial Statements:*

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

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**D. Basis of Accounting**

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

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

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

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

**Deferred Revenue:**

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

**Expenses/Expenditures:**

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



KENTFIELD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Expenses/Expenditures (Concluded):

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

E. Fund Accounting

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

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

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

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

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

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. For financial reporting purposes the financial activities and balances of the Deferred Maintenance Fund has 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.

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 *Bond Proceeds - 1998 Fund* is used to account for the acquisition and construction of certain improvements to school facilities funded by the sale of the Series 1998 general obligation bonds. The District closed this fund in fiscal year 2012-13.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**E. Fund Accounting (Concluded)**

**Non - Major Governmental Funds (Concluded):**

The *Bond Proceeds - 2004 Fund* is used to account for the acquisition and construction of certain improvements to school facilities funded by the sale of the Series 2004 general obligation bonds.

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.

**F. Budgets and Budgetary Accounting**

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

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

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

**G. Use of Estimates**

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**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, Liabilities and Equity**

**1. Deposits and Investments**

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

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

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

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

**2. Prepaid Expenses**

Prepaid expenses consist of bond discounts, bond refunding costs, and costs of issuance associated with the bond issues, which are amortized over the life of the bond obligation. Reported expenses are equally offset by a net position reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

**3. Capital Assets**

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**I. Assets, Liabilities and Equity (Continued)**

**3. Capital Assets (Concluded)**

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	6-10

**4. Deferred Revenue**

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

**5. Compensated Absences**

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

**6. Long-term Liabilities**

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

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

**7. Fund Balance**

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**I. Assets, Liabilities and Equity (Continued)**

**7. Fund Balance (Concluded)**

*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 requires a passage of a resolution by a simple majority vote. The passage of a resolution must take place prior to June 30<sup>th</sup> 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.

**8. Revenue Limit/Property Tax**

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

KENTFIELD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Liabilities and Equity (Concluded)

8. Revenue Limit/Property Tax (Concluded)

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

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District. The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the applicable attendance period ADA to derive the District's total entitlement.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment. Since the total computed entitlement is generally less than the allocated property tax revenues, the District continues to be funded under the basic aid provision.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks		\$ 47,342
Cash in Revolving Fund	\$ 700	
County Pool Investments	<u>3,878,609</u>	
Total Deposits and Investments	<u>\$ 3,879,309</u>	<u>\$ 47,342</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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, 2013**

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

**Interest Rate Risk**

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

**Segmented Time Distribution**

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 3,878,609	\$ 3,878,277	\$ 3,355,868	\$ 522,741

**Credit Risk**

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 3,878,609	\$ 3,878,277			\$ 3,878,609

**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 - 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).



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Custodial Credit Risk - Deposits (Concluded)

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, 2013, the District has no bank balance that is exposed to custodial credit risk.

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, 2013, the District does not have any investments that are held by counterparties.

Derivative Investments

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

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

Excess of expenditures over appropriations in the General Fund for fiscal year 2012-13 are as follows:

<u>General Fund</u>	<u>Excess Expenditures</u>
Capital Outlay	\$ 12,048

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

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2013 consist of the following:

	<u>General Fund</u>
Federal Government	\$ 145,776
State Government	330,050
Local Governments	71,593
Miscellaneous	<u>1,437</u>
Total	<u>\$ 548,856</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 5 - INTERFUND ACTIVITIES**

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

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

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 983	
Bond Proceeds - 2004		\$ 983
Totals	<u>\$ 983</u>	<u>\$ 983</u>

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

**B. Interfund Transfers**

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

The District transferred \$769 from the Bond Proceeds - 1998 Fund to the Bond Proceeds - 2004 Fund to close out the fund.

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balances July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2013</u>
Land	\$ 1,522,674			\$ 1,522,674
Sites and Improvements	3,231,475			3,231,475
Buildings and Improvements	29,771,820			29,771,820
Furniture and Equipment	55,929	\$ 16,000		71,929
Totals at Historical Cost	<u>34,581,898</u>	<u>16,000</u>	<u>\$ 0</u>	<u>34,597,898</u>
Less Accumulated Depreciation for:				
Sites and Improvements	2,147,483	83,146		2,230,629
Buildings and Improvements	10,192,378	832,742		11,025,120
Furniture and Equipment	49,079	3,883		52,962
Total Accumulated Depreciation	<u>12,388,940</u>	<u>919,771</u>	<u>0</u>	<u>13,308,711</u>
Governmental Activities				
Capital Assets, net	<u>\$ 22,192,958</u>	<u>\$ (903,771)</u>	<u>\$ 0</u>	<u>\$ 21,289,187</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)**

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$ 656,981
Supervision of Instruction	10,175
Instructional Library and Technology	21,033
School Site Administration	80,420
Other Pupil Services	28,341
Data Processing Services	923
Other General Administration	70,618
Plant Services	<u>51,280</u>
Total Depreciation Expense	<u>\$ 919,771</u>

**NOTE 7 - GENERAL OBLIGATION BONDS**

The outstanding general obligation debt of the District as of June 30, 2013 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, 2012</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
7/14/04	4.00-5.00	8/1/29	\$ 11,900,000	\$ 370,000		\$ 370,000	\$ 0
8/18/05	3.00-4.25	8/1/23	11,805,000	8,635,000		585,000	8,050,000
1/18/12	2.00-3.50	8/1/29	<u>9,585,000</u>	<u>9,585,000</u>		<u>240,000</u>	<u>9,345,000</u>
Totals			<u>\$ 33,290,000</u>	<u>\$ 18,590,000</u>	<u>\$ 0</u>	<u>\$ 1,195,000</u>	<u>\$ 17,395,000</u>

The annual requirements to amortize the current interest general obligation bonds, as of June 30, 2013, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 1,015,000	\$ 616,487	\$ 1,631,487
2015	1,055,000	579,913	1,634,913
2016	1,090,000	539,230	1,629,230
2017	1,135,000	496,541	1,631,541
2018	1,175,000	451,185	1,626,185
2019-2023	6,580,000	1,557,013	8,137,013
2024-2028	3,965,000	526,000	4,491,000
2029-2033	<u>1,380,000</u>	<u>48,225</u>	<u>1,428,225</u>
Totals	<u>\$ 17,395,000</u>	<u>\$ 4,814,594</u>	<u>\$ 22,209,594</u>

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 8 - CAPITAL LEASES**

On October 7, 2011, the District refinanced the lease agreement for the District Office building on the outstanding principal amount of \$1,647,947 at an effective interest rate of 3.956%, which lowers the required monthly payments by \$822.90 per month. The new agreement requires monthly lease payments of \$11,652.94, beginning on November 7, 2011 through September 7, 2027, at which time title will pass to the District.

In addition, the District leases computer equipment valued at \$129,903 under lease agreements, which provide for title to pass upon expiration of the lease periods. The District will receive no sublease revenues or pay any contingent rentals for the leased assets.

Future minimum lease payments under these agreements are as follows:

<u>Year Ended June 30</u>	<u>Lease Payments</u>
2014	\$ 175,293
2015	157,901
2016	139,835
2017	139,835
2018	139,835
2019 - 2023	699,177
2024 - 2028	<u>594,278</u>
Total payments	2,046,154
Less amounts representing interest	<u>(474,884)</u>
Present value of net minimum lease payments	<u>\$ 1,571,270</u>

**NOTE 9 - EARLY RETIREMENT INCENTIVES**

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

The District offers an early retirement incentive program, 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). 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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 9 - EARLY RETIREMENT INCENTIVES (CONCLUDED)**

The liability reported is the present value of future expected cash flows, discounted using a 5% discount rate. The cost for this benefit in fiscal year 2012-13 was \$37,518. At June 30, 2013, the liability is estimated to be \$79,905 for the eight participating retirees with up to four more years of annual payments remaining.

**NOTE 10 - 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.

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, 2013, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$429,661 for the year ended June 30, 2013.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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	13,710
Adjustment to ARC	<u>(19,821)</u>
Annual OPEB cost (expense)	102,425
Contributions for the fiscal year	<u>(15,502)</u>
Increase in Net OPEB Obligation	86,923
Net OPEB Obligation - June 30, 2012	<u>342,738</u>
Net OPEB Obligation - June 30, 2013	<u>\$ 429,661</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, 2013	\$ 102,425	15.1%	\$ 429,661
June 30, 2012	217,900	20.9%	342,738
June 30, 2011	164,300	44.9%	170,395

**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.

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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 11 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2013, is shown below.

	Balances July 1, 2012	Additions	Deductions	Balances June 30, 2013	Due within One Year
Compensated Absences	\$ 73,897	\$ 109,738	\$ 73,897	\$ 109,738	\$ 109,738
General Obligation Bonds	18,590,000		1,195,000	17,395,000	1,015,000
Unamortized Bond Premiums *	467,731		27,379	440,352	27,379
Capital Leases	1,678,398		107,128	1,571,270	113,809
Early Retirement Incentives	80,191	37,232	37,518	79,905	32,875
Other Post Employment Benefits	342,738	102,425	15,502	429,661	
Totals *	<u>\$ 21,232,955</u>	<u>\$ 249,395</u>	<u>\$ 1,456,424</u>	<u>\$ 20,025,926</u>	<u>\$ 1,298,801</u>

\* The prior year balances have been adjusted to reclassify unamortized bond premiums as a component of long-term liabilities instead of a component of deferred revenue on the Statement of Net Position.

**NOTE 12 - FUND BALANCES**

The District's fund balances at June 30, 2013 consisted of the following:

	General Fund	Bond Interest Redemption Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 700			\$ 700
Restricted	96,111	\$ 1,454,000	\$ 32,419	1,582,530
Assigned	870,660		274,426	1,145,086
Unassigned:				
Economic Uncertainties	664,075			664,075
Other	695,171			695,171
Total Fund Balances	<u>\$ 2,326,717</u>	<u>\$ 1,454,000</u>	<u>\$ 306,845</u>	<u>\$ 4,087,562</u>

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

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

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

**Plan Description**

The District contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)**

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$574,658, \$562,208, and \$552,599, respectively, and equal 100% of the required contributions for each year.

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

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$176,862, \$169,040, and \$174,525, respectively, and equal 100% of the required contributions for each year.

**C. Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (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 contributes 6.2% of an employee's gross earnings and employees were required to contribute 4.2% of their gross earnings from July 2012 through December 2012 and 6.2% from January 2013 through June 2013.



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 14 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA**

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 Education. This payment consists of state general fund contributions to CalSTRS of \$346,665 (5.175512% of salaries subject to CalSTRS).

**NOTE 15 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012-13, the District participated in one joint power authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

**NOTE 16 - JOINT VENTURES**

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

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

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

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

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

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 17 - ECONOMIC DEPENDENCY**

During the year, the District received \$3,436,886 of parcel tax revenue that is subject to voter approval, and \$1,252,463 from the Kentfield Schools Foundation, a non-profit charitable organization, that is subject to voluntary public contributions to the foundation.

**NOTE 18 - COMMITMENTS AND CONTINGENCIES**

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

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

**B. Litigation**

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

**NOTE 19 - RESTATEMENT OF NET POSITION**

The July 1, 2012 government-wide net position balance has been restated to reflect the adjustment to interest expense that was incorrectly overstated in the prior year. The effect of the restatement on the current year financial statements is as follows:

	<u>Statement of Activities</u>
Net Position - July 1, 2012 (as originally stated)	\$ 5,314,926
Overstatement of Interest Expense	<u>197,803</u>
Net Position - July 1, 2012 (as restated)	<u>\$ 5,512,729</u>

**NOTE 20 - SUBSEQUENT EVENT**

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 November 26, 2013, 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.

In July 2013, the District entered into two lease agreements to finance the purchase of technology equipment valued at \$148,854. The lease agreements require three annual payments of \$53,114, beginning in fiscal year 2013-14, and provide for title to pass upon expiration of the lease periods.

## 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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
Revenue Limit Sources:				
State Apportionment	\$ (31,674)	\$ (36,211)	\$ 208,222	\$ 244,433
Local Sources	6,344,858	6,361,907	6,368,975	7,068
Total Revenue Limit Sources	6,313,184	6,325,696	6,577,197	251,501
Federal Revenue	238,001	229,290	252,449	23,159
Other State Revenue	840,439	846,955	863,160	16,205
Other Local Revenue	5,858,900	6,014,372	5,968,135	(46,237)
Total Revenues	13,250,524	13,416,313	13,660,941	244,628
<b><u>Expenditures</u></b>				
Certificated Salaries	7,216,156	7,268,445	7,203,160	65,285
Classified Salaries	1,615,560	1,591,314	1,571,084	20,230
Employee Benefits	2,640,831	2,596,435	2,495,965	100,470
Books and Supplies	394,732	529,877	372,646	157,231
Services and Other				
Operating Expenditures	950,719	1,190,904	1,161,979	28,925
Capital Outlay	6,000	6,000	18,048	(12,048)
Debt Service:				
Principal Retirement	125,000	93,917	93,917	
Interest and Fiscal Charges		56,365	56,365	
Other Expenditures	303,486	358,104	327,188	30,916
Total Expenditures	13,252,484	13,691,361	13,300,352	391,009
Net Change in Fund Balances	(1,960)	(275,048)	360,589	\$ 635,637
Fund Balances - July 1, 2012	1,966,128	1,966,128	1,966,128	
Fund Balances - June 30, 2013	\$ 1,964,168	\$ 1,691,080	\$ 2,326,717	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

KENTFIELD SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013

	Capital Facilities	Bond Proceeds - 1998
<b><u>Assets</u></b>		
Deposits and Investments	\$ 32,419	
Total Assets	<u>\$ 32,419</u>	<u>\$ 0</u>
<b><u>Liabilities and Fund Balances</u></b>		
Due to Other Funds		
Total Liabilities		
Fund Balances:		
Restricted	\$ 32,419	
Assigned		
Total Fund Balances	<u>32,419</u>	
Total Liabilities and Fund Balances	<u>\$ 32,419</u>	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Bond Proceeds - 2004</u>	<u>Kent Middle School Gymnasium</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
\$ 983	\$ 183,910	\$ 90,516	\$ 307,828
<u>\$ 983</u>	<u>\$ 183,910</u>	<u>\$ 90,516</u>	<u>\$ 307,828</u>
 \$ 983			 \$ 983
<u>983</u>			<u>983</u>
			32,419
	\$ 183,910	\$ 90,516	<u>274,426</u>
<u>0</u>	<u>183,910</u>	<u>90,516</u>	<u>306,845</u>
<u>\$ 983</u>	<u>\$ 183,910</u>	<u>\$ 90,516</u>	<u>\$ 307,828</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, 2013

	<u>Capital Facilities</u>	<u>Bond Proceeds - 1998</u>
<b><u>Revenues</u></b>		
Local Revenue	\$ 40,659	
<b><u>Expenditures</u></b>		
Facilities Acquisition and Construction		
Debt Service:		
Principal Retirement	13,211	
Interest and Issuance Costs	10,095	
Total Expenditures	23,306	
Excess of Revenues Over (Under) Expenditures	17,353	
<b><u>Other Financing Sources (Uses)</u></b>		
Operating Transfers In		
Operating Transfers Out		\$ (769)
Total Other Financing Sources (Uses)	0	(769)
Net Change in Fund Balances	17,353	(769)
Fund Balances - July 1, 2012	15,066	769
Fund Balances - June 30, 2013	\$ 32,419	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



<u>Bond Proceeds - 2004</u>	<u>Kent Middle School Gymnasium</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
\$ 5	\$ 237	\$ 116	\$ 41,017
29,614	3,648		33,262
			13,211
			10,095
<u>29,614</u>	<u>3,648</u>	<u>0</u>	<u>56,568</u>
<u>(29,609)</u>	<u>(3,411)</u>	<u>116</u>	<u>(15,551)</u>
769			769
			(769)
<u>769</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(28,840)</u>	<u>(3,411)</u>	<u>116</u>	<u>(15,551)</u>
<u>28,840</u>	<u>187,321</u>	<u>90,400</u>	<u>322,396</u>
<u>\$ 0</u>	<u>\$ 183,910</u>	<u>\$ 90,516</u>	<u>\$ 306,845</u>

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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**  
**ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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 2013
Ashley Paff	Clerk	December 2013
Cynthia Roenisch	Member	December 2013
Ross McKenna	Member	December 2015
Vacant	Member	December 2015

ADMINISTRATION

Mary Jo Pettegrew  
Superintendent

Barbara Johnson  
Business Manager

KENTFIELD SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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<u>Elementary</u>	<u>P-2 Report</u>	<u>Annual Report</u>
Kindergarten	118.83	119.10
First through Third	398.95	399.41
Fourth through Sixth	376.68	377.81
Seventh and Eighth	266.24	266.86
Special Education - Nonpublic	5.22	5.37
Extended Year - Nonpublic	0.40	0.40
Totals	<u>1,166.32</u>	<u>1,168.95</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Adjusted 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Required</u>	<u>Adjusted 1986-87 Minutes Required</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	31,960	31,072	36,000	35,000	42,200	180	N/A	In Compliance
Grade 1	47,250	45,938	50,400	49,000	50,530	180	N/A	In Compliance
Grade 2	47,250	45,938	50,400	49,000	50,530	180	N/A	In Compliance
Grade 3	47,250	45,938	50,400	49,000	55,666	180	N/A	In Compliance
Grade 4	55,440	53,900	54,000	52,500	55,666	180	N/A	In Compliance
Grade 5	55,440	53,900	54,000	52,500	61,774	180	N/A	In Compliance
Grade 6	60,720	59,033	54,000	52,500	61,774	180	N/A	In Compliance
Grade 7	60,720	59,033	54,000	52,500	61,774	180	N/A	In Compliance
Grade 8	60,720	59,033	54,000	52,500	61,774	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, 2013

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Education:			
Passed through California Department of Education:			
NCLB: Title I, Part A Basic Grant Low-Income & Neglected	84.010	14329	\$ 38,886
Education Jobs Fund	84.410	25152	37,733
NCLB: Title II Improving Teacher Quality	84.367	14341	13,512
NCLB: Title III Immigrant Education Program	84.365	15146	3,600
NCLB: Title III Limited English Proficient	84.365	14346	5,390
Passed through Marin County SELPA:			
<i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	129,130
IDEA Part B Mental Health Allocation Plan	84.027A	14468	24,198
Total			<u>\$ 252,449</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, 2013**

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	General Fund	Deferred Maintenance Fund
June 30, 2013 Annual Financial and Budget Report Fund Balances	\$ 2,277,195	\$ 49,522
Reclassifications Increasing (Decreasing) Fund Balances:		
Overstatement of Fund Balance		(49,522)
Understatement of Fund Balance	<u>49,522</u>	<u>          </u>
June 30, 2013 Audited Financial Statements Fund Balances	<u><u>\$ 2,326,717</u></u>	<u><u>\$ 0</u></u>

Auditor's Comments

The reclassification of fund balance above was required as a result of the definition of special revenue funds prescribed by 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, 2013.

**KENTFIELD SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	GENERAL FUND			
	(Budget)* 2013-14 **	2012-13	2011-12	2010-11
Revenues and Other Financial Sources	\$ 13,782,775	\$ 13,660,941	\$ 12,703,090	\$ 12,764,417
Expenditures	14,052,566	13,300,352	12,761,468	12,200,007
Other Uses and Transfers Out	0	0	0	0
Total Outgo	14,052,566	13,300,352	12,761,468	12,200,007
Change in Fund Balance	(269,791)	360,589	(58,378)	564,410
Ending Fund Balance	\$ 2,056,926	\$ 2,326,717	\$ 1,966,128	\$ 2,024,506
Available Reserves	\$ 1,580,578	\$ 1,359,246	\$ 1,022,435	\$ 695,454
Reserve for Economic Uncertainties***	\$ 700,383	\$ 664,075	\$ 632,705	\$ 364,059
Available Reserves as a Percentage of Total Outgo	11.2%	10.2%	8.0%	5.7%
Average Daily Attendance at P-2	1,180	1,166	1,136	1,088
Total Long-Term Liabilities	\$ 18,727,125	\$ 20,025,926	\$ 21,232,955 <sup>(1)</sup>	\$ 21,308,022

\* Amounts reported for the 2013-14 budget are presented for analytical purposes only and have not been audited.

\*\* Amounts have been adjusted to ensure comparability with the current year GASB 54 financial statement presentation.

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

(1) The amounts presented have been adjusted to reflect the reclassification of unamortized bond premiums described in Note 11.

The fund balance of the General Fund increased \$302,211 (14.9%) over the past two years. The fiscal year 2013-14 budget projects a decrease of \$269,791 (11.6%). For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses of \$360,589 and \$564,410 during fiscal years 2012-13 and 2010-11, respectively, and incurred an operating deficit of \$58,378 in fiscal year 2011-12.

Average daily attendance (ADA) increased 78 ADA (7.2%) over the past two years. The District anticipates an increase of 14 ADA (1.2%) during fiscal year 2013-14.

Total long-term liabilities decreased \$1,282,096 over the past two years.

SEE NOTES TO SUPPLEMENTARY INFORMATION



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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.

**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 Average Daily Attendance**

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

**E. Schedule of Instructional Time**

The District received state funding under the Basic Aid Provision and therefore did not receive incentive funding for increasing instructional time as provided by the incentives for longer instructional day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

**F. Schedule of Expenditures of Federal Awards**

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

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

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION



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

**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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13* for the year ended June 30, 2013.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on Kentfield School District's compliance based on our compliance audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13*, 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 on compliance with state laws and regulations applicable in the following areas. However, our audit does not provide a legal determination of Kentfield School District's compliance with those requirements.

<u>Description</u>	Procedures in Education Audit Appeals Panel's <u>Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

<u>Description</u>	Procedures In Education Audit Appeals Panel's <u>Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Contemporaneous Records of Attendance		
For Charter Schools	1	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/		
Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based		
For Charter Schools	4	Not Applicable

Opinion on Compliance

In our opinion, Kentfield School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2013.

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

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

November 26, 2013

**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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2013. The report on the financial statements was qualified because the financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements.

**Internal Control Over Financial Reporting**

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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*.

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

November 26, 2013



## FINDINGS AND QUESTIONED COSTS SECTION



KENTFIELD SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**Financial Statements**

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ Yes        X   No

Significant deficiencies identified not considered  
to be material weaknesses?

\_\_\_\_\_ Yes        X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes        X   No

**State Awards**

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, 2013**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

There are no matters to report for the fiscal year ended June 30, 2013.

KENTFIELD SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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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, 2013.

**KENTFIELD SCHOOL DISTRICT  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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