

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

**AUDIT REPORT**

**JUNE 30, 2012**



KENTFIELD SCHOOL DISTRICT

JUNE 30, 2012

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KENTFIELD SCHOOL DISTRICT

JUNE 30, 2012

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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

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kentfield School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements 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. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the discretely presented component unit would have been reported as \$1,522,857, \$4,015, \$1,518,842, \$1,635,364, and \$1,379,428, respectively.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of the District, as of June 30, 2012, or the changes in financial position thereof for the year then ended.

Further, in our opinion, except for the effects of omitting the discretely presented component unit as discussed above, 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012 on our consideration of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, the budgetary comparison information on page 43, and the schedule of funding progress on page 48 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kentfield School District's financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

November 30, 2012



**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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, 2012. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

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

**FINANCIAL HIGHLIGHTS**

- The District's overall financial status declined during fiscal year 2011-12, as the District's total net assets decreased 7.0%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$399,515.
- Capital assets, net of depreciation, decreased \$816,196 due to accumulated depreciation growing at a faster rate than acquisitions and construction.
- Total long-term liabilities decreased \$542,798, due primarily to current year payments on the liability for general obligation bonds.
- The District's P-2 ADA increased from 1,088 ADA in fiscal year 2010-11, up to 1,136 ADA in fiscal year 2011-12, an increase of 4.4%.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year revenues and other sources exceeded total current year expenditures by \$76,619.
- During fiscal year 2011-12, the District's General Fund incurred an operating deficit of \$58,378 but increased its available reserves by \$326,981.
- 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 2011-12, General Fund expenditures totaled \$12,761,468. At June 30, 2012, the District has available reserves of \$1,022,435 in the General Fund, which represents a reserve of 8.0%.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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 Assets. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY DISTRICT MANAGEMENT)**

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**THE FINANCIAL REPORT (CONCLUDED)**

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

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

*Governmental Activities:*

The basic services provided by the District, such as regular and special education, 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, 2012  
(PREPARED BY DISTRICT MANAGEMENT)**

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

**GOVERNMENTAL ACTIVITIES**

The District's total net assets decreased from \$5,714,441 at June 30, 2011, down to \$5,314,926 at June 30, 2012, a decrease of 7.0%.

| <b><u>Comparative Statement of Net Assets</u></b> |                                    |                     |
|---|------------------------------------|---------------------|
|   | <b>Governmental<br/>Activities</b> |                     |
|   | <b>2011</b>                        | <b>2012</b>         |
| <b><u>Assets</u></b>                              |                                    |                     |
| Deposits and Investments                          | \$ 3,606,039                       | \$ 3,941,185        |
| Receivables                                       | 501,241                            | 332,502             |
| Prepaid Expenses                                  | 491,412                            | 897,175             |
| Capital Assets, net *                             | 23,009,154                         | 22,192,958          |
| <b>Total Assets *</b>                             | <b>27,607,846</b>                  | <b>27,363,820</b>   |
| <b><u>Liabilities</u></b>                         |                                    |                     |
| Current   | 1,753,495                          | 2,708,072           |
| Long-term   | 20,139,910                         | 19,340,822          |
| <b>Total Liabilities</b>                          | <b>21,893,405</b>                  | <b>22,048,894</b>   |
| <b><u>Net Assets</u></b>                          |                                    |                     |
| Invested in Capital Assets                        |                                    |                     |
| - Net of Related Debt *                           | 2,273,906                          | 2,464,404           |
| Restricted  | 1,507,515                          | 1,253,013           |
| Unrestricted                                      | 1,933,020                          | 1,597,509           |
| <b>Total Net Assets *</b>                         | <b>\$ 5,714,441</b>                | <b>\$ 5,314,926</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, 2012  
(PREPARED BY DISTRICT MANAGEMENT)**

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

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

The District's total current year expenses exceeded total current year revenues by \$399,515.

| <b><u>Comparative Statement of Changes in Net Assets</u></b>            |                            |                     |
|---|----------------------------|---------------------|
|   | Governmental<br>Activities |                     |
|   | 2011                       | 2012                |
| <b><u>Program Revenues</u></b>  |                            |                     |
| Operating Grants & Contributions  | \$ 1,203,737               | \$ 1,015,728        |
| <b><u>General Revenues</u></b>  |                            |                     |
| Taxes Levied  | 11,045,961                 | 11,274,988          |
| Federal & State Aid   | 611,445                    | 571,531             |
| Interest & Investment Earnings  | 11,528                     | 5,364               |
| Miscellaneous   | 1,624,476                  | 1,574,228           |
| <b>Total Revenues</b>   | <b>14,497,147</b>          | <b>14,441,839</b>   |
| <b><u>Expenses</u></b>  |                            |                     |
| Instruction   | 9,651,713                  | 9,770,948           |
| Instruction-Related Services  | 1,502,308                  | 1,548,349           |
| Pupil Services  | 300,976                    | 410,533             |
| General Administration  | 895,352                    | 937,892             |
| Plant Services  | 731,251                    | 783,124             |
| Ancillary Services  | 10,841                     | 14,116              |
| Interest on Long-Term Debt  | 910,662                    | 1,011,697           |
| Other Outgo   | 172,246                    | 364,695             |
| <b>Total Expenses</b>   | <b>14,175,349</b>          | <b>14,841,354</b>   |
| <b>Change in Net Assets</b>   | <b>\$ 321,798</b>          | <b>\$ (399,515)</b> |
| <i>Table includes financial data of the combined governmental funds</i> |                            |                     |

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY DISTRICT MANAGEMENT)**

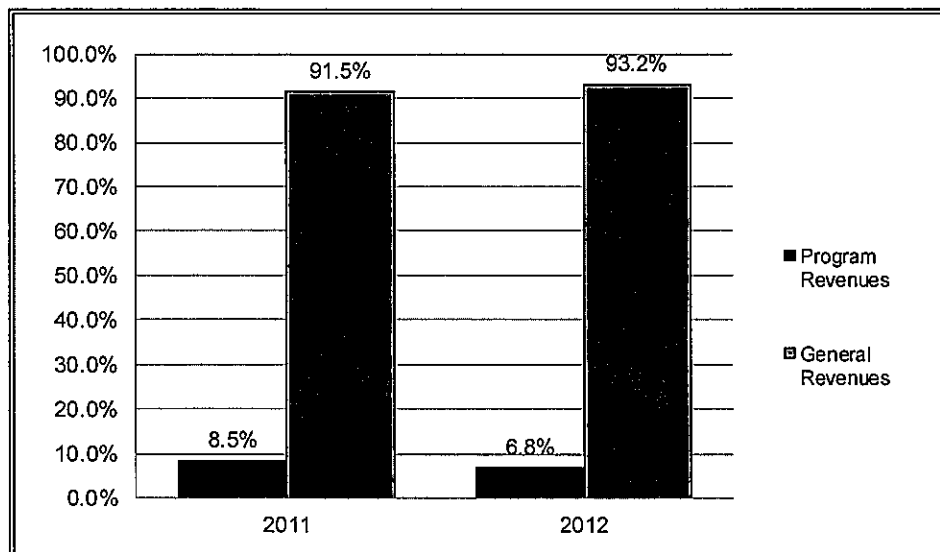
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

| <b><u>Comparative Schedule of Costs of Services</u></b> |                               |                      |                             |                      |
|---|-------------------------------|----------------------|-----------------------------|----------------------|
|   | <b>Total Cost of Services</b> |                      | <b>Net Cost of Services</b> |                      |
|   | <b>2011</b>                   | <b>2012</b>          | <b>2011</b>                 | <b>2012</b>          |
| Instruction   | \$ 9,651,713                  | \$ 9,770,948         | \$ 8,467,877                | \$ 8,769,813         |
| Instruction-Related Services                            | 1,502,308                     | 1,548,349            | 1,484,218                   | 1,533,756            |
| Pupil Services  | 300,976                       | 410,533              | 300,370                     | 410,533              |
| General Administration                                  | 895,352                       | 937,892              | 894,147                     | 937,892              |
| Plant Services  | 731,251                       | 783,124              | 731,251                     | 783,124              |
| Ancillary Services                                      | 10,841                        | 14,116               | 10,841                      | 14,116               |
| Interest on Long-Term Debt                              | 910,662                       | 1,011,697            | 910,662                     | 1,011,697            |
| Other Outgo   | 172,246                       | 364,695              | 172,246                     | 364,695              |
| <b>Totals</b>   | <b>\$ 14,175,349</b>          | <b>\$ 14,841,354</b> | <b>\$ 12,971,612</b>        | <b>\$ 13,825,626</b> |

*Table includes financial data of the combined governmental funds*

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$13,825,626 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



In fiscal year 2011-12, program revenues financed 6.8% of the total cost of providing the services listed above, while the remaining 93.2% 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, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

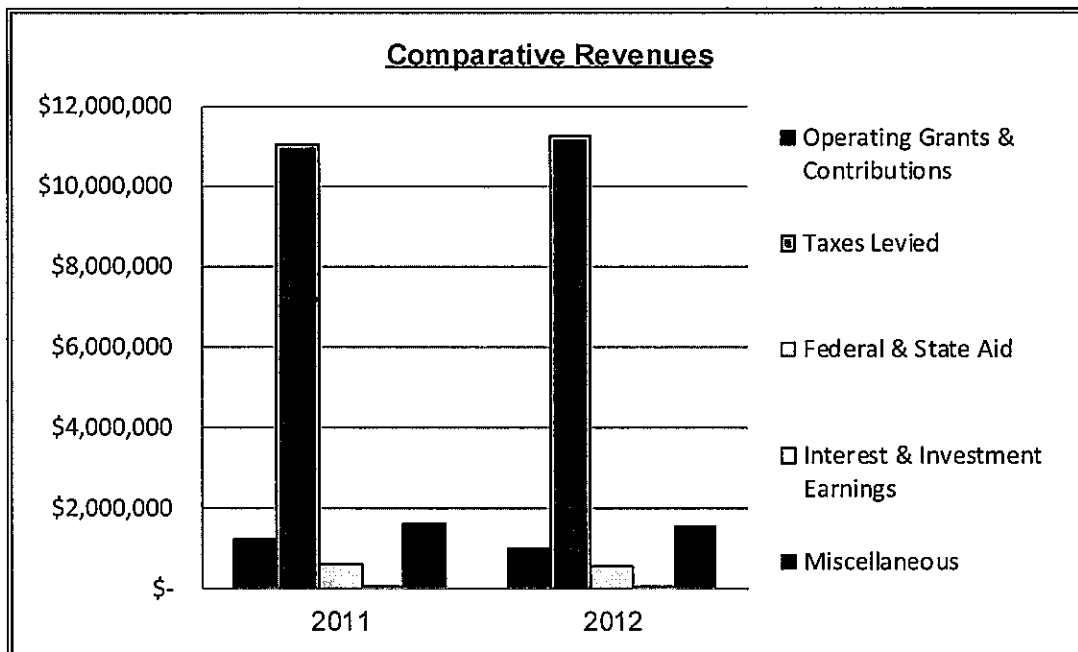
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Summary of Revenues For Governmental Functions**

|                                  | <u>FYE 2011<br/>Amount</u> | <u>Percent of<br/>Total</u> | <u>FYE 2012<br/>Amount</u> | <u>Percent of<br/>Total</u> |
|----------------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
| <b><u>Program Revenues</u></b>   |                            |                             |                            |                             |
| Operating Grants & Contributions | \$ 1,203,737               | 8.30%                       | \$ 1,015,728               | 7.03%                       |
| <b><u>General Revenues</u></b>   |                            |                             |                            |                             |
| Taxes Levied                     | 11,045,961                 | 76.19%                      | 11,274,988                 | 78.07%                      |
| Federal & State Aid              | 611,445                    | 4.22%                       | 571,531                    | 3.96%                       |
| Interest & Investment Earnings   | 11,528                     | 0.08%                       | 5,364                      | 0.04%                       |
| Miscellaneous                    | 1,624,476                  | 11.21%                      | 1,574,228                  | 10.90%                      |
| <b>Total Revenues</b>            | <b>\$ 14,497,147</b>       | <b>100.00%</b>              | <b>\$ 14,441,839</b>       | <b>100.00%</b>              |

*Table includes financial data of the combined governmental funds*



**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

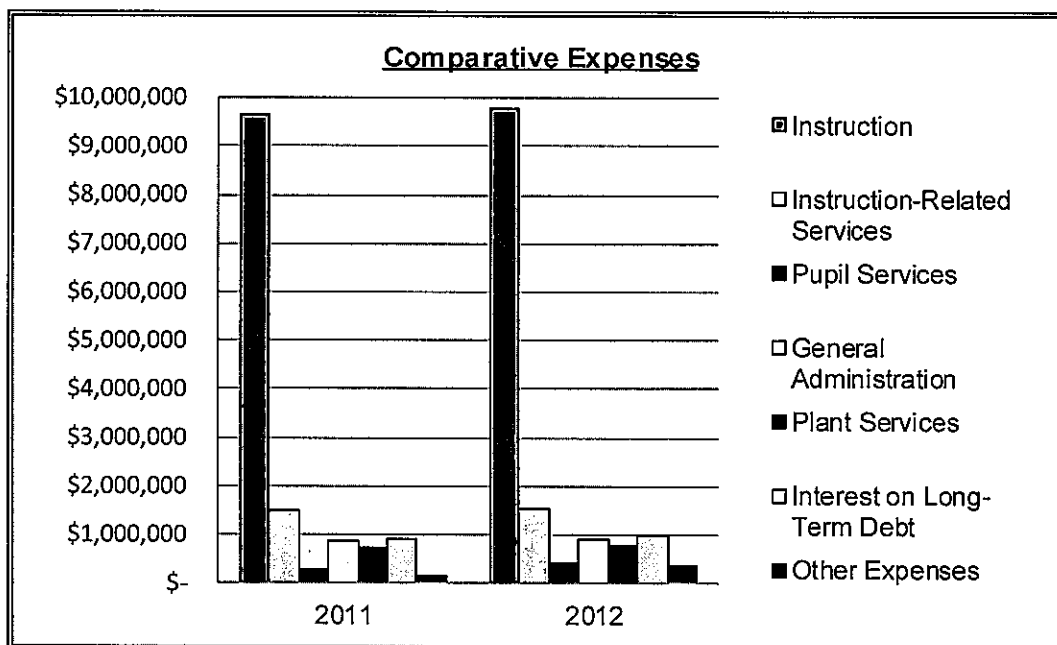
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Summary of Expenses For Governmental Functions**

|                              | FYE 2011<br>Amount   | Percent of<br>Total | FYE 2012<br>Amount   | Percent of<br>Total |
|------------------------------|----------------------|---------------------|----------------------|---------------------|
| <b><u>Expenses</u></b>       |                      |                     |                      |                     |
| Instruction                  | \$ 9,651,713         | 68.09%              | \$ 9,770,948         | 65.84%              |
| Instruction-Related Services | 1,502,308            | 10.60%              | 1,548,349            | 10.43%              |
| Pupil Services               | 300,976              | 2.12%               | 410,533              | 2.77%               |
| General Administration       | 895,352              | 6.32%               | 937,892              | 6.32%               |
| Plant Services               | 731,251              | 5.16%               | 783,124              | 5.28%               |
| Interest on Long-Term Debt   | 910,662              | 6.42%               | 1,011,697            | 6.82%               |
| Other Expenses               | 183,087              | 1.29%               | 378,811              | 2.55%               |
| <b>Total Expenses</b>        | <b>\$ 14,175,349</b> | <b>100.00%</b>      | <b>\$ 14,841,354</b> | <b>100.00%</b>      |

*Table includes financial data of the combined governmental funds*





**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY DISTRICT MANAGEMENT)**

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

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Comparative Schedule of Capital Assets**

|                                 | Governmental<br>Activities |                      |
|---------------------------------|----------------------------|----------------------|
|                                 | 2011                       | 2012                 |
| Land*                           | \$ 1,522,674               | \$ 1,522,674         |
| Sites and Improvements          | 3,231,475                  | 3,231,475            |
| Buildings and Improvements*     | 29,679,835                 | 29,771,820           |
| Furniture and Equipment*        | 55,929                     | 55,929               |
| Subtotals *                     | 34,489,913                 | 34,581,898           |
| Less: Accumulated Depreciation* | (11,480,759)               | (12,388,940)         |
| Capital Assets, net *           | <u>\$ 23,009,154</u>       | <u>\$ 22,192,958</u> |

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

Capital assets, net of depreciation, decreased \$816,196 due to accumulated depreciation growing at a faster rate than acquisitions and construction.

**Comparative Schedule of Long-Term Liabilities**

|                                | Governmental<br>Activities |                      |
|--------------------------------|----------------------------|----------------------|
|                                | 2011                       | 2012                 |
| Compensated Absences           | \$ 43,992                  | \$ 73,897            |
| General Obligation Bonds       | 19,275,000                 | 18,590,000           |
| Capital Leases                 | 1,716,394                  | 1,678,398            |
| Early Retirement Incentives    | 102,241                    | 80,191               |
| Other Post Employment Benefits | 170,395                    | 342,738              |
| Totals                         | <u>\$ 21,308,022</u>       | <u>\$ 20,765,224</u> |

Total long-term liabilities decreased \$542,798, 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, 2012  
(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 89.5% 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 10.5% of the District's total long-term liabilities.

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

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

| <b><u>Comparative Schedule of Fund Balances</u></b> |  |  |                                |
|---|--|--|--------------------------------|
|   | <b>Fund Balances<br/>June 30, 2011</b> | <b>Fund Balances<br/>June 30, 2012</b> | <b>Increase<br/>(Decrease)</b> |
| General   | \$ 2,024,506                           | \$ 1,966,128                           | \$ (58,378)                    |
| Bond Interest & Redemption                          | 1,410,257                              | 1,652,660                              | 242,403                        |
| Capital Facilities                                  | 53,499                                 | 15,066                                 | (38,433)                       |
| Bond Proceeds - 1998                                | 767                                    | 769                                    | 2                              |
| Bond Proceeds - 2004                                | 106,635                                | 28,840                                 | (77,795)                       |
| Kent Middle School Gym                              | 176,991                                | 187,321                                | 10,330                         |
| Capital Projects - Special Reserve                  | 91,910                                 | 90,400                                 | (1,510)                        |
| Totals  | <u>\$ 3,864,565</u>                    | <u>\$ 3,941,184</u>                    | <u>\$ 76,619</u>               |

The fund balance of the General Fund decreased \$58,378 while the combined fund balances of all other District governmental funds increased \$134,997.

**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 43 includes only new revenues for fiscal year 2011-12.

**KENTFIELD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY DISTRICT MANAGEMENT)**

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

- The District is expected to maintain its basic aid status during fiscal year 2012-13. As a result, the anticipated increase in student enrollment will likely reduce per pupil funding.
- Due to the unprecedented nature of the current State and Federal fiscal crisis, the amount of funding that will be available to the District remains uncertain. As a result, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**KENTFIELD SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <hr/>   |                                    |
| <b><u>Assets</u></b>                            |                                    |
| Deposits and Investments (Note 2)               | \$ 3,941,185                       |
| Receivables (Note 4)                            | 332,502                            |
| Prepaid Expenses (Note 1H)                      | 897,175                            |
| Capital Assets: (Note 5)                        |                                    |
| Land  | 1,522,674                          |
| Sites and Improvements                          | 3,231,475                          |
| Buildings and Improvements                      | 29,771,820                         |
| Furniture and Equipment                         | 55,929                             |
| Less: Accumulated Depreciation                  | (12,388,940)                       |
| Total Assets                                    | <hr/> 27,363,820 <hr/>             |
| <b><u>Liabilities</u></b>                       |                                    |
| Accounts Payable and Other Current Liabilities  | 774,691                            |
| Deferred Revenue (Note 1H)                      | 508,979                            |
| Long-Term Liabilities:                          |                                    |
| <i>Portion Due or Payable Within One Year:</i>  |                                    |
| Compensated Absences (Note 1H)                  | 73,897                             |
| General Obligation Bonds                        | 1,195,000                          |
| Capital Leases                                  | 108,930                            |
| Early Retirement Incentives                     | 46,575                             |
| <i>Portion Due or Payable After One Year:</i>   |                                    |
| General Obligation Bonds (Note 6)               | 17,395,000                         |
| Capital Leases (Note 8)                         | 1,569,468                          |
| Early Retirement Incentives (Note 9)            | 33,616                             |
| Other Post Employment Benefits (Note 10)        | 342,738                            |
| Total Liabilities                               | <hr/> 22,048,894 <hr/>             |
| <b><u>Net Assets</u></b>                        |                                    |
| Invested in Capital Assets, Net of Related Debt | 2,464,404                          |
| Restricted:                                     |                                    |
| For Capital Projects                            | 15,066                             |
| For Debt Service                                | 1,169,224                          |
| For Educational Programs                        | 68,023                             |
| For Other Purposes                              | 700                                |
| Unrestricted                                    | <hr/> 1,597,509 <hr/>              |
| Total Net Assets                                | <hr/> \$ 5,314,926 <hr/>           |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| Functions   | Expenses             | Program Revenues        |   |   | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|---|----------------------|-------------------------|---|---|--|
|   |                      | Charges for<br>Services | Operating<br>Grants<br>and<br>Contributions | Capital<br>Grants<br>and<br>Contributions | Governmental<br>Activities                               |
| <b><u>Governmental Activities</u></b>             |                      |                         |   |   |  |
| Instruction                                       | \$ 9,770,948         |                         | \$ 1,001,135                                |   | \$ (8,769,813)   |
| Instruction-Related Services:                     |                      |                         |   |   |  |
| Supervision of Instruction                        | 54,190               |                         | 14,593                                      |   | (39,597)   |
| Instructional Library and Technology              | 310,226              |                         |   |   | (310,226)  |
| School Site Administration                        | 1,183,933            |                         |   |   | (1,183,933)  |
| Pupil Services:                                   |                      |                         |   |   |  |
| Other Pupil Services                              | 410,533              |                         |   |   | (410,533)  |
| General Administration:                           |                      |                         |   |   |  |
| Data Processing Services                          | 16,098               |                         |   |   | (16,098)   |
| Other General Administration                      | 921,794              |                         |   |   | (921,794)  |
| Plant Services                                    | 783,124              |                         |   |   | (783,124)  |
| Ancillary Services                                | 14,116               |                         |   |   | (14,116)   |
| Interest on Long-Term Debt                        | 1,011,697            |                         |   |   | (1,011,697)  |
| Other Outgo                                       | 364,695              |                         |   |   | (364,695)  |
| Total Governmental Activities                     | <u>\$ 14,841,354</u> | <u>\$ 0</u>             | <u>\$ 1,015,728</u>                         | <u>\$ 0</u>                               | <u>(13,825,626)</u>                                      |
| <b><u>General Revenues</u></b>                    |                      |                         |   |   |  |
| Taxes Levied for General Purposes                 |                      |                         |   |   | 6,222,985  |
| Taxes Levied for Debt Service                     |                      |                         |   |   | 1,756,649  |
| Taxes Levied for Specific Purposes                |                      |                         |   |   | 3,295,354  |
| Federal and State Aid - Unrestricted              |                      |                         |   |   | 571,531  |
| Interest and Investment Earnings                  |                      |                         |   |   | 5,364  |
| Miscellaneous                                     |                      |                         |   |   | 1,574,228  |
| Total General Revenues                            |                      |                         |   |   | <u>13,426,111</u>  |
| Change in Net Assets                              |                      |                         |   |   | (399,515)  |
| Net Assets - July 1, 2011 (As restated - Note 19) |                      |                         |   |   | 5,714,441  |
| Net Assets - June 30, 2012                        |                      |                         |   |   | \$ 5,314,926   |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

|   | <u>General</u>      | <u>Bond<br/>Interest<br/>and<br/>Redemption</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|---|---|---|
| <b><u>Assets</u></b>                        |                     |   |   |   |
| Deposits and Investments (Note 2)           | \$ 1,966,081        | \$ 1,652,660                                    | \$ 322,444                                  | \$ 3,941,185                            |
| Receivables (Note 4)                        | 332,502             |   |   | 332,502                                 |
| Total Assets                                | <u>\$ 2,298,583</u> | <u>\$ 1,652,660</u>                             | <u>\$ 322,444</u>                           | <u>\$ 4,273,687</u>                     |
| <b><u>Liabilities and Fund Balances</u></b> |                     |   |   |   |
| Liabilities:                                |                     |   |   |   |
| Accounts Payable                            | \$ 291,207          |   | \$ 48                                       | \$ 291,255                              |
| Deferred Revenue (Note 1H)                  | 41,248              |   |   | 41,248                                  |
| Total Liabilities                           | <u>332,455</u>      |   | <u>48</u>                                   | <u>332,503</u>                          |
| Fund Balances: (Note 12)                    |                     |   |   |   |
| Nonspendable                                | 700                 |   |   | 700                                     |
| Restricted                                  | 68,023              | \$ 1,652,660                                    | 44,675                                      | 1,765,358                               |
| Assigned                                    | 874,970             |   | 277,721                                     | 1,152,691                               |
| Unassigned                                  | 1,022,435           |   |   | 1,022,435                               |
| Total Fund Balances                         | <u>1,966,128</u>    | <u>1,652,660</u>                                | <u>322,396</u>                              | <u>3,941,184</u>                        |
| Total Liabilities and Fund Balances         | <u>\$ 2,298,583</u> | <u>\$ 1,652,660</u>                             | <u>\$ 322,444</u>                           | <u>\$ 4,273,687</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 ASSETS**  
**JUNE 30, 2012**

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|   |                     |
|---|---------------------|
| <b>Total Fund Balances - Governmental Funds</b> | <b>\$ 3,941,184</b> |
|---|---------------------|

Amounts reported for governmental activities in the statement of net assets 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 assets, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:

|                          |                     |            |
|--------------------------|---------------------|------------|
| Capital Assets           | \$ 34,581,898       |            |
| Accumulated Depreciation | <u>(12,388,940)</u> |            |
| Net                      |                     | 22,192,958 |

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 assets are:

|                                      |                |         |
|--------------------------------------|----------------|---------|
| Deferred Charges - Costs of Issuance | \$ 297,211     |         |
| Deferred Charges - Discount          | 78,870         |         |
| Deferred Charges - Refunding         | <u>521,094</u> |         |
| Total                                |                | 897,175 |

Unamortized premiums: In governmental funds, bond premiums are recognized as revenues in the period they are received. In the government-wide statements, premiums are amortized over the life of the debt. Unamortized premiums at year-end consist of:

|                                |           |
|--------------------------------|-----------|
| Deferred Asset - Bond premiums | (467,731) |
|--------------------------------|-----------|

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

|                                |                |              |
|--------------------------------|----------------|--------------|
| Compensated Absences           | \$ 73,897      |              |
| General Obligation Bonds       | 18,590,000     |              |
| Capital Leases                 | 1,678,398      |              |
| Early Retirement Incentives    | 80,191         |              |
| Other Post Employment Benefits | <u>342,738</u> |              |
| Total                          |                | (20,765,224) |

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 unmaturred interest owed at the end of the period was:

(483,436)

|   |                     |
|---|---------------------|
| <b>Total Net Assets - Governmental Activities</b> | <b>\$ 5,314,926</b> |
|---|---------------------|

**KENTFIELD SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|  | <u>General</u> | <u>Bond<br/>Interest<br/>and<br/>Redemption</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------|---|---|---|
| <b><u>Revenues</u></b>                     |                |   |   |   |
| Revenue Limit Sources:                     |                |   |   |   |
| State Apportionment                        | \$ (35,113)    |   |   | \$ (35,113)                             |
| Local Taxes                                | 6,222,985      |   |   | 6,222,985                               |
| Total Revenue Limit Sources                | 6,187,872      |   |   | 6,187,872                               |
| Federal Revenue                            | 239,601        |   |   | 239,601                                 |
| State Revenue                              | 668,800        | \$ 9,031  |   | 677,831                                 |
| Local Revenue                              | 5,540,212      | 1,749,880                                       | \$ 46,443                                   | 7,336,535                               |
| Total Revenues                             | 12,636,485     | 1,758,911                                       | 46,443                                      | 14,441,839                              |
| <b><u>Expenditures</u></b>                 |                |   |   |   |
| Instruction                                | 8,960,935      |   |   | 8,960,935                               |
| Supervision of Instruction                 | 50,531         |   |   | 50,531                                  |
| Instructional Library and Technology       | 288,165        |   |   | 288,165                                 |
| School Site Administration                 | 1,103,915      |   |   | 1,103,915                               |
| Other Pupil Services                       | 382,814        |   |   | 382,814                                 |
| Data Processing Services                   | 15,011         |   |   | 15,011                                  |
| Other General Administration               | 855,073        |   |   | 855,073                                 |
| Plant Services                             | 676,590        |   |   | 676,590                                 |
| Facilities Acquisition and Construction    | 40,778         |   | 80,640                                      | 121,418                                 |
| Ancillary Services                         | 14,116         |   |   | 14,116                                  |
| Debt Service:                              |                |   |   |   |
| Principal Retirement                       | 69,444         | 10,270,000                                      | 35,157                                      | 10,374,601                              |
| Interest and Issuance Costs                | 35,931         | 1,312,929                                       | 38,052                                      | 1,386,912                               |
| Other Outgo                                | 268,165        |   |   | 268,165                                 |
| Total Expenditures                         | 12,761,468     | 11,582,929                                      | 153,849                                     | 24,498,246                              |
| Excess of Revenues<br>(Under) Expenditures | (124,983)      | (9,824,018)                                     | (107,406)                                   | (10,056,407)                            |
| <b><u>Other Financing Sources</u></b>      |                |   |   |   |
| Other Sources                              | 66,605         | 10,066,421                                      |   | 10,133,026                              |
| Net Change in Fund Balances                | (58,378)       | 242,403   | (107,406)                                   | 76,619                                  |
| Fund Balances - July 1, 2011               | 2,024,506      | 1,410,257                                       | 429,802                                     | 3,864,565                               |
| Fund Balances - June 30, 2012              | \$ 1,966,128   | \$ 1,652,660                                    | \$ 322,396                                  | \$ 3,941,184                            |

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, 2012**

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|   |                  |
|---|------------------|
| <b>Net Change in Fund Balances - Governmental Funds</b> | <b>\$ 76,619</b> |
|---|------------------|

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

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

|                             |           |           |
|-----------------------------|-----------|-----------|
| Capital Outlay Expenditures | \$ 91,985 |           |
| Depreciation Expense        | (908,181) |           |
| Net                         |           | (816,196) |

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

(9,651,605)

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.

|   |            |         |
|---|------------|---------|
| Debt Issue Costs Incurred during the period | \$ 515,983 |         |
| Debt Issue Costs amortized for the period   | (110,220)  |         |
| Net   |            | 405,763 |

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.

|                                     |              |           |
|-------------------------------------|--------------|-----------|
| Premiums received during the period | \$ (481,421) |           |
| Premiums amortized for the period   | 13,690       |           |
| Net                                 |              | (467,731) |

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 | \$ 10,270,000 |            |
| Capital Leases           | 104,601       |            |
| Total                    |               | 10,374,601 |

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:

(29,905)

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:

22,050

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:

(172,343)

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:

(140,768)

**Change in Net Assets of Governmental Activities**

**\$ (399,515)**

**KENTFIELD SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

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|                                   | <u>Agency<br/>Funds</u> | <u>Total<br/>Fiduciary<br/>Funds</u> |
|-----------------------------------|-------------------------|--------------------------------------|
| <b><u>Assets</u></b>              |                         |                                      |
| Deposits and Investments (Note 2) | \$ 49,520               | \$ 49,520                            |
| <b><u>Liabilities</u></b>         |                         |                                      |
| Due to Student Groups             | 49,520                  | 49,520                               |
| <b><u>Net Assets</u></b>          |                         |                                      |
| Total Net Assets                  | <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, 2012**

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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 governmental financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete

The nucleus of a financial reporting entity is usually a primary government. Governmental Accounting Standards Board Statement No. 14 (GASB 14), The Financial Reporting Entity, 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 may be financially accountable if an organization is fiscally dependent 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, 2012**

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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 and indicates that an organization has a financial benefit or burden relationship with a primary government if any one of the following conditions exist:

- 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 14 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary governments are such that excluding them would render the financial reporting entity's financial statements misleading or incomplete.

Based on the GASB 14 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. Basis of Presentation**

*Government-wide Financial Statements:*

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity within the governmental activities and business type columns has been removed from these statements.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

*Government-wide Financial Statements (Concluded):*

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, 2012**

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

**C. Basis of Accounting**

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

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

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

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

**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, 2012**

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

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

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

**D. Fund Accounting**

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

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

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

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

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

**Major Governmental Funds:**

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**D. Fund Accounting (Concluded)**

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

The *Kent Middle School Gym 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.

**E. Budgets and Budgetary Accounting**

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 43.

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).

**F. Use of Estimates**

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



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**G. Encumbrances**

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

**H. Assets, 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 assets reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

**3. Capital Assets**

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**H. 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.

Deferred revenue on the government-wide financial statements includes the premiums associated with general obligation bonds issued since the implementation of Governmental Accounting Standards Board Statement No. 34, and will be amortized over the life of the debt.

**5. Compensated Absences**

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

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

**6. Long-term Liabilities**

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

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

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

**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:

*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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**H. Assets, Liabilities and Equity (Concluded)**

**8. Revenue Limit/Property Tax**

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

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

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District. The 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, 2012, consist of the following:

|                                | <u>Governmental<br/>Activities</u> | <u>Fiduciary<br/>Activities</u> |
|--------------------------------|------------------------------------|---------------------------------|
| Cash on Hand and in Banks      |                                    | \$ 49,520                       |
| Cash in Revolving Fund         | \$ 700                             |                                 |
| County Pool Investments        | <u>3,940,485</u>                   |                                 |
| Total Deposits and Investments | <u>\$ 3,941,185</u>                | <u>\$ 49,520</u>                |

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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<br>Investment Type           | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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, 2012**

**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 | \$ 3,940,485          | \$ 3,941,993      | \$ 3,112,052            | \$ 828,433              |

**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 | \$ 3,940,485          | \$ 3,941,993      |                              |           | \$ 3,940,485   |

**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, 2012**

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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, 2012, 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, 2012, 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 2011-12 are as follows:

| <u>General Fund</u>         | <u>Excess<br/>Expenditures</u> |
|-----------------------------|--------------------------------|
| Debt Service:               |                                |
| Interest and Fiscal Charges | \$ 35,931                      |
| Other Expenditures          | 33,385                         |

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

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2012 consist of the following:

|                     |                   |
|---------------------|-------------------|
| <u>General Fund</u> |                   |
| Federal Government  | \$ 78,572         |
| State Government    | 245,287           |
| Miscellaneous       | <u>8,643</u>      |
| Total               | <u>\$ 332,502</u> |

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2012, was as follows:

|  | Balances<br>July 1, 2011 | Additions           | Deletions   | Balances<br>June 30, 2012 |
|--|--------------------------|---------------------|-------------|---------------------------|
| Land *   | \$ 1,522,674             |                     |             | \$ 1,522,674              |
| Sites and Improvements                           | 3,231,475                |                     |             | 3,231,475                 |
| Buildings and Improvements *                     | 29,679,835               | \$ 91,985           |             | 29,771,820                |
| Furniture and Equipment *                        | 55,929                   |                     |             | 55,929                    |
| Totals at Historical Cost *                      | <u>34,489,913</u>        | <u>91,985</u>       | <u>\$ 0</u> | <u>34,581,898</u>         |
| Less Accumulated Depreciation for:               |                          |                     |             |                           |
| Sites and Improvements                           | 2,041,553                | 105,930             |             | 2,147,483                 |
| Buildings and Improvements *                     | 9,392,410                | 799,968             |             | 10,192,378                |
| Furniture and Equipment *                        | 46,796                   | 2,283               |             | 49,079                    |
| Total Accumulated Depreciation *                 | <u>11,480,759</u>        | <u>908,181</u>      | <u>0</u>    | <u>12,388,940</u>         |
| Governmental Activities<br>Capital Assets, net * | <u>\$ 23,009,154</u>     | <u>\$ (816,196)</u> | <u>\$ 0</u> | <u>\$ 22,192,958</u>      |

\* The balances at July 1, 2011 have been adjusted to reflect the restatement explained in Note 19.

Depreciation expense was charged to governmental activities as follows:

**Governmental Activities:**

|                                      |                   |
|--------------------------------------|-------------------|
| Instruction                          | \$ 659,720        |
| Supervision of Instruction           | 3,659             |
| Instructional Library and Technology | 20,946            |
| School Site Administration           | 79,937            |
| Other Pupil Services                 | 27,719            |
| Data Processing Services             | 1,087             |
| Other General Administration         | 62,238            |
| Plant Services                       | <u>52,875</u>     |
| Total Depreciation Expense           | <u>\$ 908,181</u> |

**NOTE 6 - GENERAL OBLIGATION BONDS**

In January 2012, the District issued \$9,585,000 of general obligation refunding bonds to refund a portion of the District's outstanding general obligation bonds with a principal balance of \$9,350,000, and to pay the costs of issuance related to the refunding bonds. As a result of issuing the refunding bonds, the District recognized an estimated net present value cost savings of \$1,109,297.



**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

The outstanding general obligation debt of the District as of June 30, 2012 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, 2011</u> | <u>Issued Current Year</u> | <u>Redeemed Current Year</u> | <u>Outstanding June 30, 2012</u> |
|----------------------|------------------------|----------------------|---------------------------------|---------------------------------|----------------------------|------------------------------|----------------------------------|
| 7/14/04              | 4.00-5.00              | 8/1/29               | \$ 11,900,000                   | \$ 10,075,000                   |                            | \$ 9,705,000                 | \$ 370,000                       |
| 8/18/05              | 3.00-4.25              | 8/1/23               | 11,805,000                      | 9,200,000                       |                            | 565,000                      | 8,635,000                        |
| 1/18/12              | 2.00-3.50              | 8/1/29               | 9,585,000                       | 0                               | \$ 9,585,000               |                              | 9,585,000                        |
| <b>Totals</b>        |                        |                      | <b>\$ 33,290,000</b>            | <b>\$ 19,275,000</b>            | <b>\$ 9,585,000</b>        | <b>\$ 10,270,000</b>         | <b>\$ 18,590,000</b>             |

The annual requirements to amortize the current interest general obligation bonds, as of June 30, 2012, are as follows:

| <u>Year Ended June 30</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Totals</u>        |
|---------------------------|----------------------|---------------------|----------------------|
| 2013                      | \$ 1,195,000         | \$ 652,957          | \$ 1,847,957         |
| 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            |
| 2018-2022                 | 6,345,000            | 1,794,435           | 8,139,435            |
| 2023-2027                 | 4,720,000            | 681,669             | 5,401,669            |
| 2028-2032                 | 2,035,000            | 106,319             | 2,141,319            |
| <b>Totals</b>             | <b>\$ 18,590,000</b> | <b>\$ 5,467,551</b> | <b>\$ 24,057,551</b> |

**NOTE 7 - DEFEASED DEBT**

Certain general obligation bonds of the District have been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts held and managed by bank trustees, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bond obligation are not included in the District's financial statements. The defeased bonds outstanding at June 30, 2012 considered extinguished are as follows:

| <u>Bond Series</u>         | <u>Maturities Refunded</u> | <u>Principal Refunded</u> |
|----------------------------|----------------------------|---------------------------|
| 2004 Election, Series 2004 | 2013-2029                  | \$ 9,350,000              |

**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.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**NOTE 8 - CAPITAL LEASES (CONCLUDED)**

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</u><br><u>June 30</u>         | <u>Lease</u><br><u>Payments</u> |
|---|---------------------------------|
| 2013  | \$ 175,293                      |
| 2014  | 175,293                         |
| 2015  | 157,901                         |
| 2016  | 139,835                         |
| 2017  | 139,835                         |
| 2018 - 2022                                 | 699,177                         |
| 2023 - 2027                                 | 699,176                         |
| 2028 - 2032                                 | <u>31,873</u>                   |
| Total payments                              | 2,218,383                       |
| Less amounts representing interest          | <u>(539,985)</u>                |
| Present value of net minimum lease payments | <u>\$ 1,678,398</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                |

The liability reported is the present value of future expected cash flows, discounted using a 5% discount rate and including administrative fees. The cost for this benefit in fiscal year 2011-12 was \$40,666. At June 30, 2012, the liability is estimated to be \$80,191 for the six participating retirees with up to four more years of annual payments remaining.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

*Plan Descriptions:* The District provides medical, dental and vision coverage to certificated and classified employees who retire at a minimum age of 55 with at least 5 years of consecutive service in the District and are eligible for pension benefits under the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS).

The District subsidizes the single active employee coverage cap towards retirees' health premiums for retirees after June 30, 2003, which is \$493.11 per month plus dental and vision. The current cap for retirees' prior to June 30, 2003 is \$751.64 per month plus dental and vision. The District subsidy ceases at age 65. The retiree is responsible for self-paying any excess premiums above the District subsidy for his/her coverage and is responsible for self-paying 100% of all premiums for spouses or dependents of any age.

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

The District had ninety-nine (99) active employees and ten (10) retired employees covered by the OPEB plan as of July 1, 2009, the effective date of the triennial OPEB valuation. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

*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, 2012, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$342,738 for the year ended June 30, 2012.

|                                     |                          |
|-------------------------------------|--------------------------|
| Normal service cost                 | \$ 120,000               |
| Amortization of UAAL                | <u>100,000</u>           |
| Annual required contribution (ARC)  | 220,000                  |
| Interest on Net OPEB Obligation     | 8,500                    |
| Adjustment to ARC                   | <u>(10,600)</u>          |
| Annual OPEB cost (expense)          | 217,900                  |
| Contributions for the fiscal year   | <u>(45,557)</u>          |
| Increase in Net OPEB Obligation     | 172,343                  |
| Net OPEB Obligation - June 30, 2011 | <u>170,395</u>           |
| Net OPEB Obligation - June 30, 2012 | <u><u>\$ 342,738</u></u> |

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

***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.

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<br/>OPEB Cost</u> | <u>Percentage<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|--------------------------|-----------------------------|-----------------------------------|--------------------------------|
| June 30, 2012            | \$ 217,900                  | 20.9%                             | \$ 342,738                     |
| June 30, 2011            | 164,300                     | 44.9%                             | 170,395                        |
| June 30, 2010            | 157,000                     | 49.1%                             | 79,875                         |

***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, 2009, 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 5% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial healthcare cost trend rate of 10%, which grades down to an ultimate rate of 5% by the 6<sup>th</sup> year.

**NOTE 11 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2012, is shown below.

|                                | <u>Balances<br/>July 1, 2011</u> | <u>Additions</u>    | <u>Deductions</u>    | <u>Balances<br/>June 30, 2012</u> | <u>Due within<br/>One Year</u> |
|--------------------------------|----------------------------------|---------------------|----------------------|-----------------------------------|--------------------------------|
| Compensated Absences           | \$ 43,992                        | \$ 71,202           | \$ 41,297            | \$ 73,897                         | \$ 73,897                      |
| General Obligation Bonds       | 19,275,000                       | 9,585,000           | 10,270,000           | 18,590,000                        | 1,195,000                      |
| Capital Leases                 | 1,716,394                        | 66,605              | 104,601              | 1,678,398                         | 108,930                        |
| Early Retirement Incentives    | 102,241                          | 18,616              | 40,666               | 80,191                            | 46,575                         |
| Other Post Employment Benefits | 170,395                          | 217,900             | 45,557               | 342,738                           |                                |
| <b>Totals</b>                  | <b>\$ 21,308,022</b>             | <b>\$ 9,959,323</b> | <b>\$ 10,502,121</b> | <b>\$ 20,765,224</b>              | <b>\$ 1,424,402</b>            |

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 12 - FUND BALANCES**

The District's fund balances at June 30, 2012 consisted of the following:

|                            | <u>General<br/>Fund</u> | <u>Bond Interest<br/>Redemption<br/>Fund</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Totals</u>       |
|----------------------------|-------------------------|--|---|---------------------|
| Nonspendable               | \$ 700                  |  |   | \$ 700              |
| Restricted                 | 68,023                  | \$ 1,652,660                                 | \$ 44,675                                   | 1,765,358           |
| Assigned                   | 874,970                 |  | 277,721                                     | 1,152,691           |
| Unassigned:                |                         |  |   |                     |
| Economic Uncertainties     | 632,705                 |  |   | 632,705             |
| Other                      | 389,730                 |  |   | 389,730             |
| <b>Total Fund Balances</b> | <b>\$ 1,966,128</b>     | <b>\$ 1,652,660</b>                          | <b>\$ 322,396</b>                           | <b>\$ 3,941,184</b> |

**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.

**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 2011-12 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, 2012, 2011, and 2010, were \$562,208, \$552,599, and \$537,076, respectively, and equal 100% of the required contributions for each year.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**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 2011-12 was 10.923%. 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, 2012, 2011, and 2010, were \$169,040, \$174,525, and \$155,131, 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 2011 through June 2012.

**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 \$316,035 (4.854597% 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 2011-12, 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 in any of the past three years.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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.

**NOTE 17 - ECONOMIC DEPENDENCY**

During the year, the District received \$3,294,624 of parcel tax revenue that is subject to voter approval, and \$1,080,000 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.

KENTFIELD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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NOTE 18 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

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 ASSETS

The July 1, 2011 government-wide net assets balance has been restated to reflect the adjustments to various capital asset accounts that were improperly reported in prior years. The effect of the restatement on the current year financial statements is as follows:

|   | <u>Statement of<br/>Activities</u> |
|---|------------------------------------|
| Net Assets - July 1, 2011 (as originally stated)            | \$ 5,579,750                       |
| Understatement of Land                                      | 1,109,923                          |
| Overstatement of Buildings and Improvements                 | (1,113,687)                        |
| Understatement of Furniture and Equipment                   | 25,500                             |
| Overstatement/(Understatement) of Accumulated Depreciation: |                                    |
| Buildings and Improvements                                  | 129,322                            |
| Furniture and Equipment                                     | <u>(16,367)</u>                    |
| Net restatements  | <u>134,691</u>                     |
| Net Assets - July 1, 2011 (as restated)                     | <u>\$ 5,714,441</u>                |



## 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, 2012**

|  | Original<br>Budget | Final<br>Budget | Actual       | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--|--------------------|-----------------|--------------|---|
| <b><u>Revenues</u></b>                     |                    |                 |              |   |
| Revenue Limit Sources:                     |                    |                 |              |   |
| State Apportionment                        | \$ (50,953)        | \$ (42,187)     | \$ (35,113)  | \$ 7,074  |
| Local Sources                              | 6,193,836          | 6,234,858       | 6,222,985    | (11,873)  |
| Total Revenue Limit Sources                | 6,142,883          | 6,192,671       | 6,187,872    | (4,799)   |
| Federal Revenue                            | 233,304            | 230,158         | 239,601      | 9,443   |
| Other State Revenue                        | 614,483            | 640,738         | 668,800      | 28,062  |
| Other Local Revenue                        | 5,437,405          | 5,620,825       | 5,540,212    | (80,613)  |
| Total Revenues                             | 12,428,075         | 12,684,392      | 12,636,485   | (47,907)  |
| <b><u>Expenditures</u></b>                 |                    |                 |              |   |
| Certificated Salaries                      | 6,946,271          | 7,048,966       | 6,978,618    | 70,348  |
| Classified Salaries                        | 1,575,055          | 1,619,502       | 1,612,898    | 6,604   |
| Employee Benefits                          | 2,580,279          | 2,560,774       | 2,483,479    | 77,295  |
| Books and Supplies                         | 438,145            | 578,368         | 465,828      | 112,540   |
| Services and Other                         |                    |                 |              |   |
| Operating Expenditures                     | 910,146            | 881,369         | 813,668      | 67,701  |
| Capital Outlay                             | 20,000             | 34,600          | 33,436       | 1,164   |
| Debt Service:                              |                    |                 |              |   |
| Principal Retirement                       | 75,000             | 75,000          | 69,444       | 5,556   |
| Interest and Fiscal Charges                |                    |                 | 35,931       | (35,931)  |
| Other Expenditures                         | 187,615            | 234,781         | 268,166      | (33,385)  |
| Total Expenditures                         | 12,732,511         | 13,033,360      | 12,761,468   | 271,892   |
| Excess of Revenues<br>(Under) Expenditures | (304,436)          | (348,968)       | (124,983)    | 223,985   |
| <b><u>Other Financing Sources</u></b>      |                    |                 |              |   |
| Other Sources                              |                    | 66,605          | 66,605       |   |
| Net Change in Fund Balances                | (304,436)          | (282,363)       | (58,378)     | \$ 223,985  |
| Fund Balances - July 1, 2011               | 2,024,506          | 2,024,506       | 2,024,506    |   |
| Fund Balances - June 30, 2012              | \$ 1,720,070       | \$ 1,742,143    | \$ 1,966,128 |   |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012**

|   | <b>Capital<br/>Facilities</b> | <b>Bond<br/>Proceeds -<br/>1998</b> |
|---|-------------------------------|-------------------------------------|
| <b><u>Assets</u></b>                        |                               |                                     |
| Deposits and Investments                    | \$ 15,066                     | \$ 769                              |
| Total Assets                                | <u>\$ 15,066</u>              | <u>\$ 769</u>                       |
| <b><u>Liabilities and Fund Balances</u></b> |                               |                                     |
| Liabilities:                                |                               |                                     |
| Accounts Payable                            |                               |                                     |
| Total Liabilities                           |                               |                                     |
| Fund Balances:                              |                               |                                     |
| Restricted                                  | \$ 15,066                     | \$ 769                              |
| Assigned                                    |                               |                                     |
| Total Fund Balances                         | <u>15,066</u>                 | <u>769</u>                          |
| Total Liabilities and Fund Balances         | <u>\$ 15,066</u>              | <u>\$ 769</u>                       |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

| <b>Bond<br/>Proceeds -<br/>2004</b> | <b>Kent Middle<br/>School<br/>Gymnasium</b> | <b>Capital<br/>Projects -<br/>Special<br/>Reserve</b> | <b>Total<br/>Non-Major<br/>Governmental<br/>Funds</b> |
|-------------------------------------|---|---|---|
| <u>\$ 28,840</u>                    | <u>\$ 187,321</u>                           | <u>\$ 90,448</u>                                      | <u>\$ 322,444</u>                                     |
| <u><u>\$ 28,840</u></u>             | <u><u>\$ 187,321</u></u>                    | <u><u>\$ 90,448</u></u>                               | <u><u>\$ 322,444</u></u>                              |
|                                     |   | <u>\$ 48</u>  | <u>\$ 48</u>  |
|                                     |   | <u>48</u>   | <u>48</u>   |
| <u>\$ 28,840</u>                    | <u>\$ 187,321</u>                           | <u>90,400</u>   | <u>44,675</u>   |
| <u>28,840</u>                       | <u>187,321</u>                              | <u>90,400</u>   | <u>277,721</u>  |
| <u><u>\$ 28,840</u></u>             | <u><u>\$ 187,321</u></u>                    | <u><u>\$ 90,448</u></u>                               | <u><u>\$ 322,396</u></u>                              |
|                                     |   |   | <u><u>\$ 322,444</u></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, 2012

|   | <u>Capital<br/>Facilities</u> | <u>Bond<br/>Proceeds -<br/>1998</u> |
|---|-------------------------------|-------------------------------------|
| <b><u>Revenues</u></b>                  |                               |                                     |
| Local Revenue                           | \$ 34,776                     | \$ 2                                |
| Total Revenues                          | <u>34,776</u>                 | <u>2</u>                            |
| <b><u>Expenditures</u></b>              |                               |                                     |
| Facilities Acquisition and Construction |                               |                                     |
| Debt Service:                           |                               |                                     |
| Principal Retirement                    | 35,157                        |                                     |
| Interest and Issuance Costs             | <u>38,052</u>                 |                                     |
| Total Expenditures                      | <u>73,209</u>                 | <u>0</u>                            |
| Net Change in Fund Balances             | (38,433)                      | 2                                   |
| Fund Balances - July 1, 2011            | <u>53,499</u>                 | <u>767</u>                          |
| Fund Balances - June 30, 2012           | <u>\$ 15,066</u>              | <u>\$ 769</u>                       |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

| <b>Bond<br/>Proceeds -<br/>2004</b> | <b>Kent Middle<br/>School<br/>Gymnasium</b> | <b>Capital<br/>Projects -<br/>Special<br/>Reserve</b> | <b>Total<br/>Non-Major<br/>Governmental<br/>Funds</b> |
|-------------------------------------|---|---|---|
| <u>\$ 118</u>                       | <u>\$ 11,340</u>                            | <u>\$ 207</u>   | <u>\$ 46,443</u>                                      |
| <u>118</u>                          | <u>11,340</u>                               | <u>207</u>  | <u>46,443</u>   |
| 77,913                              | 1,010                                       | 1,717   | 80,640  |
|                                     |   |   | 35,157  |
|                                     |   |   | 38,052  |
| <u>77,913</u>                       | <u>1,010</u>                                | <u>1,717</u>  | <u>153,849</u>  |
| (77,795)                            | 10,330                                      | (1,510)   | (107,406)   |
| <u>106,635</u>                      | <u>176,991</u>                              | <u>91,910</u>   | <u>429,802</u>  |
| <u><u>\$ 28,840</u></u>             | <u><u>\$ 187,321</u></u>                    | <u><u>\$ 90,400</u></u>                               | <u><u>\$ 322,396</u></u>                              |

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Value of<br/>Assets</u> | <u>Accrued<br/>Liability<br/>(AAL)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)</u> | <u>Funded<br/>Ratio</u> | <u>Covered<br/>Payroll</u> | <u>Percentage<br/>of Covered<br/>Payroll</u> |
|---|----------------------------|--|------------------------------------|-------------------------|----------------------------|--|
| 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, 2012**

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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       |
| Bitsa Freeman    | 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, 2012

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| <u>Elementary</u>             | <u>P-2<br/>Report</u> | <u>Annual<br/>Report</u> |
|-------------------------------|-----------------------|--------------------------|
| Kindergarten                  | 119.28                | 119.76                   |
| First through Third           | 398.69                | 398.91                   |
| Fourth through Sixth          | 369.81                | 370.91                   |
| Seventh and Eighth            | 244.02                | 244.61                   |
| Home and Hospital             | 0.92                  | 0.94                     |
| Special Education - Nonpublic | 3.49                  | 3.60                     |
| Extended Year - Nonpublic     | 0.09                  | 0.09                     |
| Totals                        | <u>1,136.30</u>       | <u>1,138.82</u>          |

SEE NOTES TO SUPPLEMENTARY INFORMATION

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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| <u>Grade Level</u> | <u>1982-83<br/>Actual<br/>Minutes</u> | <u>Adjusted<br/>1982-83<br/>Actual<br/>Minutes</u> | <u>1986-87<br/>Minutes<br/>Required</u> | <u>Adjusted<br/>1986-87<br/>Minutes<br/>Required</u> | <u>2011-12<br/>Actual<br/>Minutes</u> | <u>Number<br/>of Days<br/>Traditional<br/>Calendar</u> | <u>Number<br/>of Days<br/>Multitrack<br/>Calendar</u> | <u>Status</u> |
|--------------------|---------------------------------------|--|---|--|---------------------------------------|--|---|---------------|
| Kindergarten       | 31,960                                | 29,829   | 36,000                                  | 33,600   | 42,140                                | 180  | N/A   | In Compliance |
| Grade 1            | 47,250                                | 44,100   | 50,400                                  | 47,040   | 50,450                                | 180  | N/A   | In Compliance |
| Grade 2            | 47,250                                | 44,100   | 50,400                                  | 47,040   | 50,450                                | 180  | N/A   | In Compliance |
| Grade 3            | 47,250                                | 44,100   | 50,400                                  | 47,040   | 55,568                                | 180  | N/A   | In Compliance |
| Grade 4            | 55,440                                | 51,744   | 54,000                                  | 50,400   | 55,568                                | 180  | N/A   | In Compliance |
| Grade 5            | 55,440                                | 51,744   | 54,000                                  | 50,400   | 61,489                                | 180  | N/A   | In Compliance |
| Grade 6            | 60,720                                | 56,672   | 54,000                                  | 50,400   | 61,489                                | 180  | N/A   | In Compliance |
| Grade 7            | 60,720                                | 56,672   | 54,000                                  | 50,400   | 61,489                                | 180  | N/A   | In Compliance |
| Grade 8            | 60,720                                | 56,672   | 54,000                                  | 50,400   | 61,489                                | 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, 2012

| <u>Program Name</u>                                      | <u>Federal<br/>Catalog<br/>Number</u> | <u>Pass-Through<br/>Identification<br/>Number</u> | <u>Federal<br/>Program<br/>Expenditures</u> |
|--|---------------------------------------|---|---|
| U.S. Department of Education:                            |                                       |   |   |
| Passed through California Department of Education (CDE): |                                       |   |   |
| NCLB: Title I Basic Grant Low-Income & Neglected         | 84.010                                | 14329   | \$ 66,753                                   |
| ARRA State Fiscal Stabilization Fund                     | 84.394                                | 25008   | 1,769                                       |
| NCLB: Title II Improving Teacher Quality                 | 84.367                                | 14341   | 14,593                                      |
| NCLB: Title III Limited English Proficient               | 84.365                                | 14346   | 4,335                                       |
| Passed through Marin County SELPA:                       |                                       |   |   |
| <i>Special Education Cluster:</i>                        |                                       |   |   |
| IDEA Part B Basic Local Assistance                       | 84.027                                | 13379   | 128,924                                     |
| ARRA IDEA Part B Local Assistance                        | 84.391                                | 15003   | 24,996                                      |
| Total  |                                       |   | <u>\$ 241,370</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, 2012**

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|   | General<br><u>Fund</u> | Deferred<br>Maintenance<br><u>Fund</u> |
|---|------------------------|--|
| June 30, 2012 Annual Financial and<br>Budget Report Fund Balances | \$ 1,897,833           | \$ 68,295                              |
| Reclassifications Increasing (Decreasing) Fund Balances:          |                        |  |
| Overstatement of Fund Balance                                     |                        | (68,295)                               |
| Understatement of Fund Balance                                    | <u>68,295</u>          | <u></u>                                |
| June 30, 2012 Audited Financial<br>Statements Fund Balances       | <u>\$ 1,966,128</u>    | <u>\$ 0</u>                            |

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

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2012.

**KENTFIELD SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|  | GENERAL FUND            |               |               |                             |
|--|-------------------------|---------------|---------------|-----------------------------|
|  | (Budget)*<br>2012-13 ** | 2011-12       | 2010-11       | 2009-10                     |
| Revenues and Other Financial Sources                 | \$ 13,250,524           | \$ 12,703,090 | \$ 12,764,417 | \$ 12,042,002               |
| Expenditures   | 13,252,484              | 12,761,468    | 12,200,007    | 11,737,906                  |
| Other Uses and Transfers Out                         | 0                       | 0             | 0             | 0                           |
| Total Outgo  | 13,252,484              | 12,761,468    | 12,200,007    | 11,737,906                  |
| Change in Fund Balance                               | (1,960)                 | (58,378)      | 564,410       | 304,096                     |
| Ending Fund Balance                                  | \$ 1,964,168            | \$ 1,966,128  | \$ 2,024,506  | \$ 1,460,096 <sup>(1)</sup> |
| Available Reserves                                   | \$ 1,135,136            | \$ 1,022,435  | \$ 695,454    | \$ 604,702                  |
| Reserve for Economic Uncertainties***                | \$ 662,025              | \$ 632,705    | \$ 364,059    | \$ 352,137                  |
| Available Reserves as a Percentage<br>of Total Outgo | 8.6%                    | 8.0%          | 5.7%          | 5.2%                        |
| Average Daily Attendance at P-2                      | 1,146                   | 1,136         | 1,088         | 1,041                       |
| Total Long-Term Liabilities                          | \$ 19,340,822           | \$ 20,765,224 | \$ 21,308,022 | \$ 22,197,592               |

\* Amounts reported for the 2012-13 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 fund balances prescribed by GASB 54 beginning in fiscal year 2010-11.

The fund balance of the General Fund increased \$506,032 over the past two years. The fiscal year 2012-13 budget projects a decrease of \$1,960. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of \$58,378 in fiscal year 2011-12 and produced operating surpluses of \$564,410 and \$304,096 during fiscal years 2010-11 and 2009-10, respectively.

Average daily attendance (ADA) increased 95 ADA over the past two years. The District anticipates an increase of 10 ADA during fiscal year 2012-13.

Total long-term liabilities decreased \$1,432,368 over the past two years.

**KENTFIELD SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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, 2012**

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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

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 2011-12* to the state laws and regulations listed below for the year ended June 30, 2012. Compliance with the requirements of state laws and regulations is the responsibility of the District's management. Our responsibility is to express an opinion on Kentfield School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, 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 state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Kentfield School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Kentfield School District's compliance with those requirements.

| <u>Description</u>                             | <u>Procedures<br/>in Education Audit<br/>Appeals Panel's<br/>Audit Guide</u> | <u>Procedures<br/>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                  |
| 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                             |
| Public Hearing Requirement - Receipt of Funds  | 1  | Yes                             |

| <u>Description</u>   | <u>Procedures<br/>In Education Audit<br/>Appeals Panel's<br/>Audit Guide</u> | <u>Procedures<br/>Performed</u> |
|--|--|---------------------------------|
| Juvenile Court Schools   | 8  | Not Applicable                  |
| Exclusion of Pupils - Pertussis Immunization                                       | 2  | Yes                             |
| Class Size Reduction:  |  |                                 |
| General Requirements   | 7  | Yes                             |
| Option One   | 3  | Yes                             |
| Option Two   | 4  | Not Applicable                  |
| Districts or Charter Schools With<br>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<br>For Charter Schools                       | 3  | Not Applicable                  |
| Mode of Instruction for Charter Schools  | 1  | Not Applicable                  |
| Nonclassroom-Based Instruction/<br>Independent Study for Charter Schools           | 15   | Not Applicable                  |
| Determination of Funding for Nonclassroom-Based<br>Instruction for Charter Schools | 3  | Not Applicable                  |
| Annual Instructional Minutes - Classroom Based<br>For Charter Schools              | 4  | Not Applicable                  |

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, 2012.

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 30, 2012

**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 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, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2012. 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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*.

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

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

November 30, 2012

## FINDINGS AND QUESTIONED COSTS SECTION





**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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:

Unqualified

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

There are no matters to report for the fiscal year ended June 30, 2012.

**KENTFIELD SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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, 2012.

**KENTFIELD SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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| <u>Recommendations</u>  | <u>Current Status</u> | <u>Explanation If Not Fully Implemented</u> |
|---|-----------------------|---|
| <b><u>FINANCIAL STATEMENTS</u></b>  |                       |   |
| <b>11 - 1 / 30000</b>   |                       |   |
| <b><u>STUDENT BODY CASH DISBURSEMENTS</u></b>   |                       |   |
| The District should actively enforce student body procedures that require all student body expenditures to be approved in written form by all three required signors prior to issuing payments. | Implemented           |   |