

**NICASIO ELEMENTARY SCHOOL DISTRICT
COUNTY OF MARIN
NICASIO, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2014

NICASIO ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2014

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NICASIO ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2014

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Nicasio Elementary School District
Nicasio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Nicasio Elementary School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Nicasio Elementary School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the budgetary comparison information on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014 on our consideration of Nicasio Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nicasio Elementary School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2014

**NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

This section of Nicasio Elementary 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, 2014. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 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.

FINANCIAL HIGHLIGHTS

- Fiscal year 2013-14 represents the first year of implementation of the new Local Control Funding Formula (LCFF). However, due to the current level of allocated property tax revenues, the District continues to be funded under the Basic Aid Provision.
- The District's financial status weakened slightly during fiscal year 2013-14 as total net position decreased 4.6%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$78,591.
- Net capital assets decreased \$78,678 due to the current year addition of \$4,277 of new capital assets and the current year recognition of \$82,905 of depreciation expense.
- Total long-term liabilities decreased \$62,453, due primarily to the current year reduction of the District's obligation for general obligation bonds.
- The District's P-2 average daily attendance (ADA) increased 3 ADA from the prior fiscal year.
- During fiscal year 2013-14, the District's General Fund incurred an operating deficit of \$70,503, and recognized a \$72,564 decrease in its available reserves.
- On the Statement of Revenues, Expenditures, and Change in Fund Balance, total current year expenditures exceeded total current year revenues by \$64,169.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve of at least \$63,000. During fiscal year 2013-14, total General Fund expenditures totaled \$1,001,342. At June 30, 2014, the District had available reserves of \$295,784 which represents a reserve of 29.5%.

**NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
 - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements, when applicable.
 - ❖ 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, when applicable.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

The basic services provided by the District, such as regular education, are included here, and are primarily financed by property taxes and state formula aid. The District does not provide any significant non-basic services.

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 may establish other funds as needed to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of Nicasio Elementary School District are the General Fund and the 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:

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

**NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net position decreased from \$1,726,152 at June 30, 2013, down to \$1,647,561 at June 30, 2014, a decrease of 4.6%.

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2013	2014
<u>Assets</u>		
Deposits and Investments	\$ 764,270	\$ 711,484
Receivables	72,481	56,965
Capital Assets, net	3,232,312	3,153,634
Total Assets	<u>4,069,063</u>	<u>3,922,083</u>
<u>Liabilities</u>		
Current	242,911	241,975
Long-Term	2,100,000	2,032,547
Total Liabilities	<u>2,342,911</u>	<u>2,274,522</u>
<u>Net Assets</u>		
Net Investment in Capital Assets	1,022,312	1,053,634
Restricted	183,176	160,765
Unrestricted	520,664	433,162
Total Net Position	<u>\$ 1,726,152</u>	<u>\$ 1,647,561</u>

Table includes financial data of the combined governmental funds

**NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(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 \$78,591.

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2014</u>
<u>Comparative Statement of Changes in Net Position</u>		
<u>Program Revenues</u>		
Operating Grants & Contributions	\$ 166,034	\$ 104,069
<u>General Revenues</u>		
Taxes Levied	923,215	943,466
Federal & State Aid	187,381	71,912
Interest & Investment Earnings	808	714
Transfers	4,668	12,921
Miscellaneous	1,847	779
Total Revenues	<u>1,283,953</u>	<u>1,133,861</u>
<u>Expenses</u>		
Instruction	581,257	666,437
Instruction-Related Services	132,052	141,064
Pupil Services	35,607	47,639
General Administration	106,748	109,049
Plant Services	110,760	94,460
Interest on Long-Term Debt	88,004	84,885
Other Outgo	44,869	68,918
Total Expenses	<u>1,099,297</u>	<u>1,212,452</u>
Changes in Net Position	<u>\$ 184,656</u>	<u>\$ (78,591)</u>
<i>Table includes financial data of the combined governmental funds</i>		

**NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

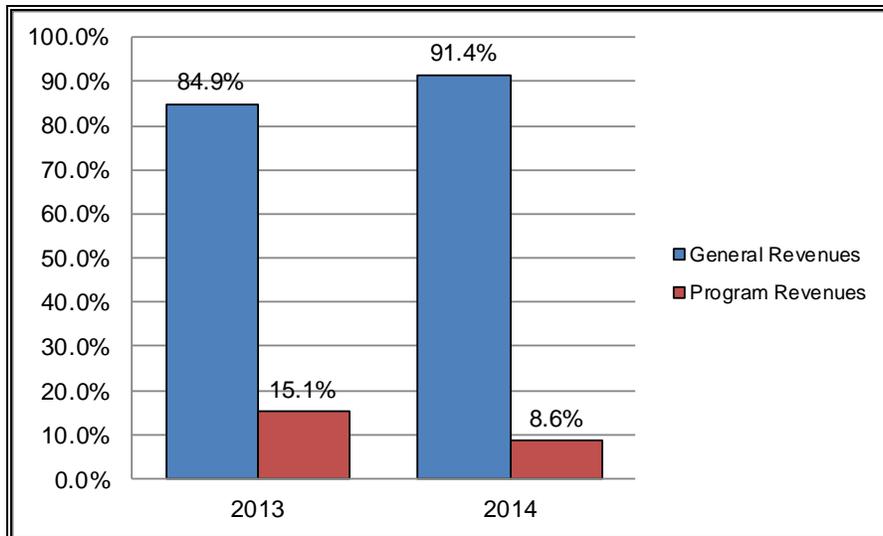
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

	Total Cost of Services		Net Cost of Services	
	2013	2014	2013	2014
	Instruction	\$ 581,257	\$ 666,437	\$ 464,719
Instruction-Related Services	132,052	141,064	131,629	134,712
Pupil Services	35,607	47,639	21,964	35,627
General Administration	106,748	109,049	95,134	105,686
Plant Services	110,760	94,460	100,510	94,460
Interest on Long-Term Debt	88,004	84,885	88,004	84,885
Other Outgo	44,869	68,918	31,303	56,512
Totals	\$ 1,099,297	\$ 1,212,452	\$ 933,263	\$ 1,108,383

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 \$1,108,383 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2013-14, program revenues financed 8.6% of the total cost of providing the services listed above, while the remaining 91.4% was financed by the general revenues of the District.

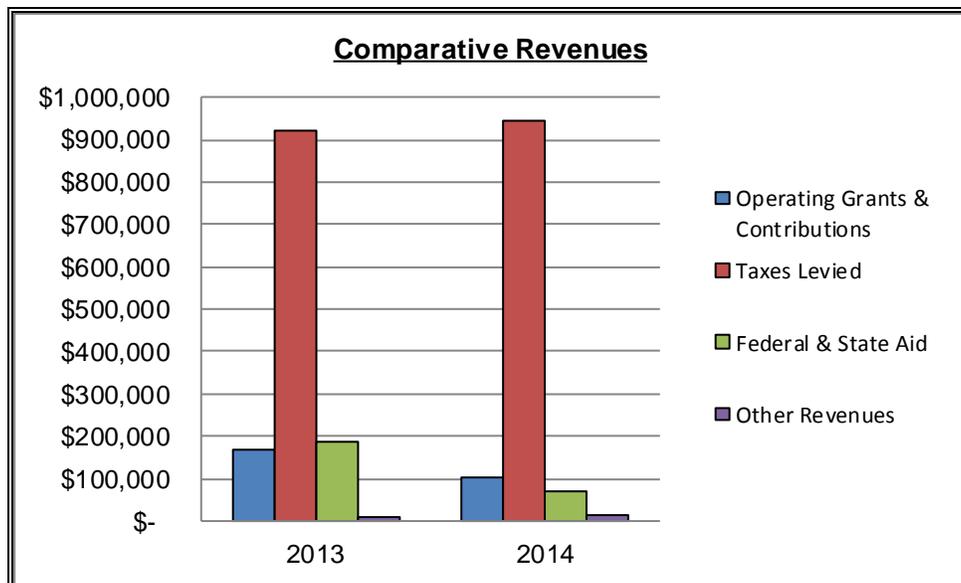
**NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Summary of Revenues For Governmental Functions</u>				
	<u>FYE 2013</u>	<u>Percent of</u>	<u>FYE 2014</u>	<u>Percent of</u>
	<u>Amount</u>	<u>Total</u>	<u>Amount</u>	<u>Total</u>
<u>Program Revenues</u>				
Operating Grants & Contributions	\$ 166,034	12.93%	\$ 104,069	9.18%
<u>General Revenues</u>				
Taxes Levied	923,215	71.90%	943,466	83.21%
Federal & State Aid	187,381	14.59%	71,912	6.34%
Other Revenues	7,323	0.57%	14,414	1.27%
Total Revenues	<u>\$ 1,283,953</u>	<u>100.00%</u>	<u>\$ 1,133,861</u>	<u>100.00%</u>



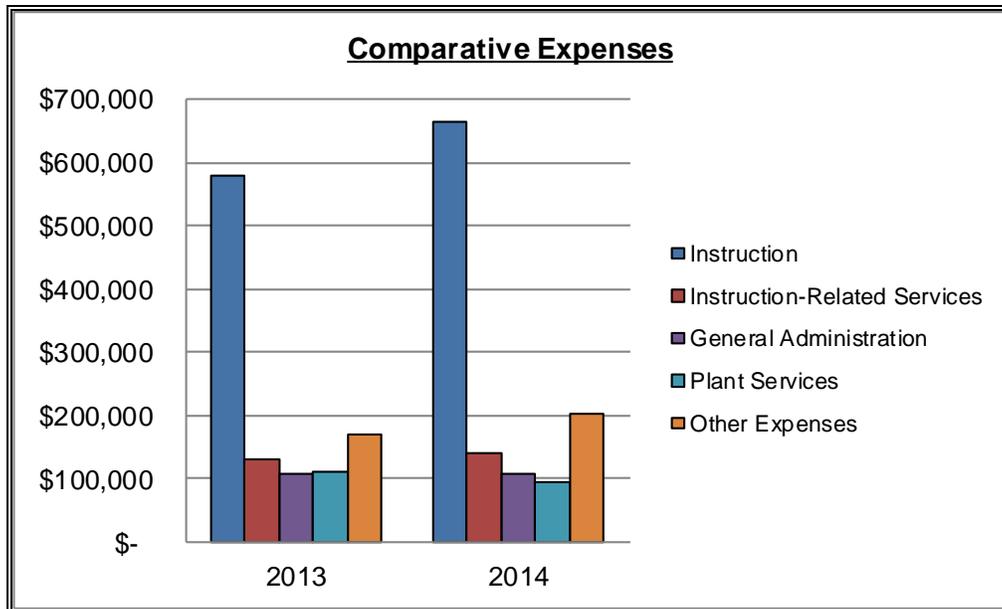
**NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Summary of Expenses For Governmental Functions</u>				
	<u>FYE 2013</u>	<u>Percent of</u>	<u>FYE 2014</u>	<u>Percent of</u>
<u>Expenses</u>	<u>Amount</u>	<u>Total</u>	<u>Amount</u>	<u>Total</u>
Instruction	\$ 581,257	52.88%	\$ 666,437	54.97%
Instruction-Related Services	132,052	12.01%	141,064	11.63%
General Administration	106,748	9.71%	109,049	8.99%
Plant Services	110,760	10.08%	94,460	7.79%
Other Expenses	168,480	15.33%	201,442	16.61%
Total Expenses	\$ 1,099,297	100.00%	\$ 1,212,452	100.00%



**NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

	Governmental Activities	
	2013	2014
	2013	2014
Land	\$ 53,889	\$ 53,889
Sites and Improvements	264,425	264,425
Buildings and Improvements	3,755,624	3,755,624
Furniture and Equipment	28,649	28,649
Work in Progress	200,629	204,856
Subtotals	4,303,216	4,307,443
Less: Accumulated Depreciation	(1,070,904)	(1,153,809)
Capital Assets, net	<u>\$ 3,232,312</u>	<u>\$ 3,153,634</u>

Net capital assets decreased \$78,678 due to the current year addition of \$4,277 of new capital assets and the current year recognition of \$82,905 of depreciation expense.

	Governmental Activities	
	2013	2014
	2013	2014
General Obligation Bonds	\$ 2,210,000	\$ 2,100,000
Early Retirement Incentives	0	47,547
Totals	<u>\$ 2,210,000</u>	<u>\$ 2,147,547</u>

Total long-term liabilities decreased \$62,453, due primarily to the current year reduction of the District's obligation for general obligation bonds.

**NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

<u>Comparative Schedule of Fund Balances</u>			
	Fund Balances June 30, 2013	Fund Balances June 30, 2014	Increase (Decrease)
General	\$ 572,917	\$ 502,414	\$ (70,503)
Bond Interest & Redemption	167,522	173,856	6,334
Totals	\$ 740,439	\$ 676,270	\$ (64,169)

The fund balance of the General Fund decreased \$70,503 during fiscal year 2013-14.

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.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Fiscal year 2014-15 will be the second year of the projected eight year phase-in period for the new Local Control Funding Formula (LCFF). Although more information regarding the new funding and accountability standards was released during the past year, it is very likely that there will be additional modifications in the future. As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Senior Director, Business Services, Nicasio Elementary School District, 1111 Las Gallinas Avenue, San Rafael, CA 94913.

NICASIO ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 711,484
Receivables (Note 4)	56,965
Capital Assets: (Note 5)	
Land	53,889
Sites and Improvements	264,425
Buildings and Improvements	3,755,624
Furniture and Equipment	28,649
Work-in-Progress	204,856
Less: Accumulated Depreciation	(1,153,809)
Total Assets	3,922,083
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	89,485
Accrued Interest Payable	34,796
Unearned Revenue (Note 11)	2,694
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
General Obligation Bonds	115,000
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	1,985,000
Early Retirement Incentives (Note 7)	47,547
Total Liabilities	2,274,522
<u>Net Position</u>	
Net Investment in Capital Assets	1,053,634
Restricted:	
For Debt Service	139,060
For Educational Programs	20,705
For Other Purposes	1,000
Unrestricted	433,162
Total Net Position	\$ 1,647,561

**NICASIO ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Functions	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
<u>Governmental Activities</u>			
Instruction	\$ 666,437	\$ 69,936	\$ (596,501)
Instruction-Related Services:			
Supervision of Instruction	10,642	6,179	(4,463)
School Site Administration	130,422	173	(130,249)
Pupil Services:			
Home-to-School Transportation	32,444	5,025	(27,419)
Other Pupil Services	15,195	6,987	(8,208)
General Administration:			
Other General Administration	109,049	3,363	(105,686)
Plant Services	94,460		(94,460)
Interest on Long-Term Debt	84,885		(84,885)
Other Outgo	68,918	12,406	(56,512)
Total Governmental Activities	<u>\$ 1,212,452</u>	<u>\$ 104,069</u>	<u>(1,108,383)</u>
<u>General Revenues</u>			
Taxes Levied for General Purposes			589,988
Taxes Levied for Debt Service			202,925
Taxes Levied for Specific Purposes			150,553
Federal and State Aid - Unrestricted			71,912
Interest and Investment Earnings			714
Transfers from Other Agencies			12,921
Miscellaneous			779
Total General Revenues			<u>1,029,792</u>
Change in Net Position			(78,591)
Net Position - July 1, 2013			<u>1,726,152</u>
Net Position - June 30, 2014			<u>\$ 1,647,561</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**NICASIO ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Deposits and Investments (Note 2)	\$ 537,628	\$ 173,856	\$ 711,484
Receivables (Note 4)	56,965		56,965
Total Assets	<u>\$ 594,593</u>	<u>\$ 173,856</u>	<u>\$ 768,449</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 89,485		\$ 89,485
Unearned Revenue (Note 11)	2,694		2,694
Total Liabilities	<u>92,179</u>		<u>92,179</u>
Fund Balances: (Note 9)			
Nonspendable	1,000		1,000
Restricted	20,705	\$ 173,856	194,561
Assigned	184,925		184,925
Unassigned	295,784		295,784
Total Fund Balances	<u>502,414</u>	<u>173,856</u>	<u>676,270</u>
Total Liabilities and Fund Balances	<u>\$ 594,593</u>	<u>\$ 173,856</u>	<u>\$ 768,449</u>

**NICASIO ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balances - Governmental Fund \$ 676,270

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

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

Capital Assets	\$ 4,307,443	
Accumulated Depreciation	(1,153,809)	
Net		3,153,634

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

General Obligation Bonds	\$ 2,100,000	
Early Retirement Incentives	47,547	
Net		(2,147,547)

In governmental funds, unmatured 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 liability for unmatured interest owed at the end of the period was:

(34,796)

Total Net Position - Governmental Activities \$ 1,647,561

**NICASIO ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
LCFF Sources:			
State Apportionment / Transfers	\$ 57,836		\$ 57,836
Local Taxes	589,988		589,988
Total LCFF Sources	647,824		647,824
Federal Revenue	15,991		15,991
State Revenue	25,242	\$ 456	25,698
Local Revenue	241,782	202,566	444,348
Total Revenues	<u>930,839</u>	<u>203,022</u>	<u>1,133,861</u>
<u>Expenditures</u>			
Instruction	535,985		535,985
Supervision of Instruction	10,642		10,642
School Site Administration	130,422		130,422
Home-To-School Transportation	32,444		32,444
Other Pupil Services	15,195		15,195
Other General Administration	109,049		109,049
Plant Services	94,461		94,461
Facilities Acquisition and Construction	4,226		4,226
Debt Service:			
Principal Retirement		110,000	110,000
Interest and Issuance Costs		86,688	86,688
Other Outgo	68,918		68,918
Total Expenditures	<u>1,001,342</u>	<u>196,688</u>	<u>1,198,030</u>
Net Change in Fund Balances	(70,503)	6,334	(64,169)
Fund Balances - July 1, 2013	572,917	167,522	740,439
Fund Balances - June 30, 2014	<u>\$ 502,414</u>	<u>\$ 173,856</u>	<u>\$ 676,270</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**NICASIO ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balance - Governmental Fund \$ (64,169)

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

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

Capital Outlays	\$	4,227	
Depreciation Expense		(82,905)	
Net		(78,678)	(78,678)

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	110,000
--------------------------	---------

Early retirement incentives: Early retirement incentives costs are recognized when employer contributions are made. In the statement of activities, early retirement incentives costs are recognized on the accrual basis. This year, the difference between early retirement incentives costs and actual employer contributions was:

(47,547)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on long-term liabilities decreased by:

1,803

Change in Net Position of Governmental Activities **\$ (78,591)**

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Nicasio Elementary 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 three 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 District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship. The District has determined that there are no organizations, with financial activities that benefit the District, which should be included within its financial reporting entity under GASB 61.

The District has also reviewed criteria to determine whether other organizations, for which the District is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the District, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*. In order for an organization to be classified as a component unit, all of the GASB 39 criteria must be met, as follows:

- 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 there are no organizations, for which the District is not financially accountable, which should be reported within its financial reporting entity under GASB 39.

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Implementation of New Accounting Pronouncements

In March of 2012, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, with required implementation for the District during the year ended June 30, 2014. The objective of GASB 65 is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. There was no effect on beginning net position/fund balance as a result of implementing GASB 65.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, is removed from these statements, when applicable. 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.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of 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.

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Fund Financial Statements (Concluded):

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.

D. Basis of Accounting

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

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 aid apportionments, the California Department of Education has defined available as collectible within one year.

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

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue.

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Expenses/Expenditures:

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

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

E. Fund Accounting

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

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

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.

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

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

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

F. Budgets and Budgetary Accounting

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

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Concluded)

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 on page 37.

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

G. Use of Estimates

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

H. Encumbrances

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

I. Assets, 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.

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

2. Capital Assets

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

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	20
Buildings and Improvements	20-50
Furniture and Equipment	5-20

3. Unearned Revenue

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

4. Fund Balances

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

Nonspendable Fund Balance includes amounts that are not expected to be converted to cash, such as inventory, prepaid items, and other resources that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance includes amounts constrained to specific purposes by their providers or by law.

Committed Fund Balance includes amounts constrained to specific purposes by the District's highest level of decision making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance includes amounts which the Governing Board or its designee intends to use for a specific purpose, but are neither restricted nor committed, should be reported as assigned fund balance. The Governing Board delegates the authority to assign amounts to be used for specific purposes to the Superintendent or his/her designee for the purpose of reporting these amounts in the annual financial statements.

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

4. Fund Balances (Concluded)

Unassigned Fund Balance includes amounts that are available for any purpose. They are residual positive net resources of the general fund in excess of what can properly be classified in one of the other four categories. There are some reserves that do not meet the requirements of the fore mentioned components of fund balance. For financial statement reporting purposes these reserves are included in unassigned fund balance. The District has adopted a policy to achieve and maintain an economic uncertainty reserve that is no less than the state recommended minimum reserve.

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.

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

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

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

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

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Liabilities and Equity (Concluded)

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, consist of the following:

	<u>Governmental Activities</u>
Cash in Revolving Fund	\$ 1,000
County Pool Investments	<u>710,484</u>
 Total Deposits and Investments	 <u>\$ 711,484</u>

Cash in Revolving Fund

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

County Pool Investments

County pool investments consists 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).

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations / 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

Interest Rate Risk

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

Segmented Time Distribution

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

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	\$ 710,484	\$ 710,620	\$ 541,973	\$ 168,511

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

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	\$ 710,484	\$ 710,620			\$ 710,484

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). 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.

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, 2014, 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.

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The excess of expenditures over appropriations in the General fund as of June 30, 2014 were as follows:

	<u>Excess Expenditures</u>
Certificated Salaries	\$ 704

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2014 consist of the following:

	<u>General Fund</u>
Federal Government	\$ 13,368
State Government	40,489
Local Governments	2,872
Miscellaneous	<u>236</u>
Total	<u><u>\$ 56,965</u></u>

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Balances July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2014</u>
Land	\$ 53,889			\$ 53,889
Sites and Improvements	264,425			264,425
Buildings and Improvements	3,755,624			3,755,624
Furniture and Equipment	28,649			28,649
Work in Progress	<u>200,629</u>	<u>\$ 4,227</u>		<u>204,856</u>
Totals at Historical Cost	<u>4,303,216</u>	<u>4,227</u>	<u>\$ 0</u>	<u>4,307,443</u>
Less Accumulated Depreciation for:				
Sites and Improvements	223,785	3,913		227,698
Buildings and Improvements	826,761	75,639		902,400
Furniture and Equipment	<u>20,358</u>	<u>3,353</u>		<u>23,711</u>
Total Accumulated Depreciation	<u>1,070,904</u>	<u>82,905</u>	<u>0</u>	<u>1,153,809</u>
Governmental Activities				
Capital Assets, net	<u><u>\$ 3,232,312</u></u>	<u><u>\$ (78,678)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 3,153,634</u></u>

Depreciation expense was charged to governmental activities as follows:

Instruction	<u><u>\$ 82,905</u></u>
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NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - GENERAL OBLIGATION BONDS

On November 17, 2010, the District issued \$2,440,000, 2010 General Obligation Refunding Bonds that bear interest at the rate of 2.0% - 4.5% with a maturity date of August 1, 2024. The Refunding Bonds, were issued to refund the District's outstanding General Obligation Bonds, Series 2000 and pay costs of issuance of the Refunding Bonds.

The Bonds are general obligations of the District. The Board of Supervisors of Marin County is empowered and is obligated to levy ad valorem taxes, without limitation of rate or amount, upon all property within the District subject to taxation by the District for the payment of interest on and principal of the Bonds when due.

As described above, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advance refunding met the requirements of an in-substance debt defeasance and therefore the deferred debt removed as a liability from the District's government-wide financial statements.

The outstanding bonded debt of Nicasio Elementary School District at June 30, 2014 is:

Current Interest Bonds

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Bonds Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Bonds Outstanding June 30, 2014</u>
2010	2.00-4.50	2025	\$ 2,440,000	\$ 2,210,000		\$ 110,000	\$ 2,100,000
Totals			\$ 2,440,000	\$ 2,210,000	\$ 0	\$ 110,000	\$ 2,100,000

The annual requirements to amortize the current interest general obligation bonds, as of June 30, 2014, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 115,000	\$ 82,813	\$ 197,813
2016	130,000	79,138	209,138
2017	140,000	74,388	214,388
2018	155,000	68,488	223,488
2019	170,000	61,988	231,988
2020-2024	1,105,000	188,269	1,293,269
2025-2029	285,000	6,413	291,413
Totals	\$ 2,100,000	\$ 561,497	\$ 2,661,497

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - EARLY RETIREMENT INCENTIVES

The District adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

The inclusive period of participation began April 22, 2014 and went through June 20, 2014. Information related to the one employee who retired in exchange for the additional two years of service credit, is as follows:

Retiree Information

<u>Position Vacated</u>	<u>Age</u>	<u>Service Credit</u>	<u>Retiree Salary</u>	<u>Retiree Benefits</u>	<u>Replacement Salary</u>	<u>Replacement Benefits</u>
Teacher	62	27	\$ 99,352	\$ 16, 250	\$ 21,239	\$ 3,150

Additional Costs

As a result of this early retirement incentive program, the District expects to incur \$80,204 in additional costs.

The breakdown in additional costs is presented below:

Retirement costs	\$ 63,594
Retirement health care benefits costs	16,250
Administrative costs	<u>360</u>
Total additional costs	<u>\$ 80,204</u>

Future payments related to providing this early retirement incentive are as follows:

<u>Year Ended June 30</u>	<u>STRS Golden Handshakes</u>
2015	\$ 0
2016	9,869
2017	9,064
2018	8,618
2019	8,172
2020-2021	<u>28,231</u>
Subtotal	63,954
Less Amount Representing Interest	<u>(16,407)</u>
Total	<u>\$ 47,547</u>

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2014, is shown below:

	Balances July 1, 2013	Additions	Deductions	Balances June 30, 2014	Due within One Year
General Obligation Bonds:					
Current Interest	\$ 2,210,000		\$ 110,000	\$ 2,100,000	\$ 115,000
Early Retirement Incentives		\$ 47,547		47,547	
Totals	\$ 2,210,000	\$ 47,547	\$ 110,000	\$ 2,147,547	\$ 115,000

NOTE 9 - FUND BALANCES

The District's fund balances at June 30, 2014 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Totals
Nonspendable	\$ 1,000		\$ 1,000
Restricted	20,705	\$ 173,856	194,561
Assigned	184,925		184,925
Unassigned:			
Economic Uncertainties	64,000		64,000
Other	231,784		231,784
Total Fund Balances	\$ 502,414	\$ 173,856	\$ 676,270

NOTE 10 - 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 (STRS)

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 Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

A. State Teachers' Retirement System (STRS) (Concluded)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 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, 2014, 2013, and 2012, were \$32,653, \$23,375, and \$28,539, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442%. 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, 2014, 2013, and 2012, were \$9,571, \$18,481, and \$5,164, 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 and participating employees are both required to contribute 6.2% of employee gross earnings.

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 education. These payments consist of state general fund contributions of \$20,597 to CalSTRS (5.204% of salaries subject to CalSTRS).

NOTE 12 - 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 2013-14, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 13 - JOINT VENTURE

The District participates in one joint venture under a joint powers agreement (JPA) with the Marin Schools Insurance Authority (MSIA) for property, liability and workers' compensation insurance coverage. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of their JPA, 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 the JPA.

The JPA is audited on an annual basis. Financial information can be obtained by contacting the JPA's management.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 5, 2014, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

SUPPLEMENTARY INFORMATION SECTION

**NICASIO ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 5,334	\$ 52,755	\$ 57,836	\$ 5,081
Local Sources	566,930	589,916	589,988	72
Total LCFF Sources	572,264	642,671	647,824	5,153
Federal Revenue	21,992	27,416	15,991	(11,425)
Other State Revenue	49,744	50,937	25,242	(25,695)
Other Local Revenue	223,473	236,077	241,782	5,705
Total Revenues	867,473	957,101	930,839	(26,262)
<u>Expenditures</u>				
Certificated Salaries	391,915	404,514	405,218	(704)
Classified Salaries	124,018	121,366	118,496	2,870
Employee Benefits	111,895	104,775	102,861	1,914
Books and Supplies	44,261	67,053	42,542	24,511
Services and Other				
Operating Expenditures	226,761	301,121	259,081	42,040
Capital Outlay		31,489	4,226	27,263
Other Expenditures	54,219	73,936	68,918	5,018
Total Expenditures	953,069	1,104,254	1,001,342	102,912
Net Change in Fund Balances	(85,596)	(147,153)	(70,503)	<u>\$ 76,650</u>
Fund Balances - July 1, 2013	572,917	572,917	572,917	
Fund Balances - June 30, 2014	<u>\$ 487,321</u>	<u>\$ 425,764</u>	<u>\$ 502,414</u>	

**NICASIO ELEMENTARY SCHOOL DISTRICT
ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ORGANIZATION

The Nicasio Elementary School District was established in 1866 and comprises an area located in Marin County. There were no changes in the boundaries of the District during the current year. The District currently operates one elementary school.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Holly McArthur	President	November, 2015
Madeline Sloane	Clerk	November, 2017
Jason Snell	Trustee	November, 2017

ADMINISTRATION

Dr. Thomas Lohwasser
Superintendent

Kate Lane
Senior Director Business Services

NICASIO ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

P-2 Report				
	TK / K - 3	4 - 6	7 - 8	Total
Regular	21.03	17.38	9.49	47.90
Special Education - Nonpublic		0.98		0.98
Extended Year - Nonpublic		0.11		0.11
Totals	21.03	18.47	9.49	48.99
Annual Report				
	TK / K - 3	4 - 6	7 - 8	Total
Regular	20.11	17.42	9.55	47.08
Special Education - Nonpublic		0.98		0.98
Extended Year - Nonpublic		0.11		0.11
Totals	20.11	18.51	9.55	48.17

NICASIO ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Grade Level</u>	<u>Minutes Required</u>	<u>Adjusted Minutes Required</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	39,360	180	N/A	In Compliance
Grade 1	50,400	49,000	54,600	180	N/A	In Compliance
Grade 2	50,400	49,000	54,600	180	N/A	In Compliance
Grade 3	50,400	49,000	54,600	180	N/A	In Compliance
Grade 4	54,000	52,500	54,600	180	N/A	In Compliance
Grade 5	54,000	52,500	54,600	180	N/A	In Compliance
Grade 6	54,000	52,500	54,600	180	N/A	In Compliance
Grade 7	54,000	52,500	54,600	180	N/A	In Compliance
Grade 8	54,000	52,500	54,600	180	N/A	In Compliance

NICASIO ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Education:			
Passed through California			
Department of Education (CDE):			
NCLB: Title II - Improving Teacher Quality	84.367	14341	\$ 1,611
NCLB: Title III - Limited English Proficient	84.365	10084	653
Passed through Marin County SELPA:			
Special Education Cluster:			
Local Assistance	84.027	13379	1,415
Received Direct			
Rural School Achievement Program	84.358A	n/a	<u>12,312</u>
Total			<u><u>\$ 15,991</u></u>

**NICASIO ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund	Deferred Maintenance Fund
June 30, 2014 Annual Financial and Budget Report Fund Balances	\$ 480,618	\$ 21,796
Reclassifications Increasing (Decreasing) Fund Balances:		
Reclassification of Fund Balance	21,796	(21,796)
June 30, 2014 Audited Financial Statements Fund Balances	\$ 502,414	\$ 0

The fund balances of the General Fund and Deferred Maintenance Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2014.

NICASIO ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	GENERAL FUND			
	(Budget)* 2014-15	2013-14	2012-13	2011-12
Revenues and Other Financial Sources	\$ 934,241	\$ 930,839	\$ 1,090,613	\$ 947,065
Expenditures	948,623	1,001,342	986,084	955,069
Other Uses and Transfers Out	0	0	0	0
Total Outgo	948,623	1,001,342	986,084	955,069
Change in Fund Balance	(14,382)	(70,503)	104,529	(8,004)
Ending Fund Balance	\$ 488,032	\$ 502,414	\$ 572,917	\$ 468,388
Available Reserves	\$ 270,653	\$ 295,784	\$ 368,348	\$ 257,626
Reserve for Economic Uncertainties **	\$ 64,000	\$ 64,000	\$ 63,000	\$ 60,000
Available Reserves as a Percentage of Total Outgo	28.5%	29.5%	37.4%	27.0%
General Fund Long-Term Debt Total Long-Term Liabilities	\$ 2,032,547	\$ 2,147,547	\$ 2,210,000	\$ 2,310,000
Average Daily Attendance at P-2	51	49	46	40

* Amounts reported for the 2014-15 budget are presented for analytical purposes only and have not been audited.

** Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$34,026 (7.3%) over the past two years. The fiscal year 2014-15 budget projects a decrease of \$14,382. For a district this size, the state recommends minimum reserves of at least \$63,000.

The District produced an operating surplus of \$104,529 during fiscal year 2012-13, and incurred operating deficits of \$8,004 and \$70,503 during fiscal years 2011-12 and 2013-14, respectively.

Total long-term liabilities decreased \$162,453 over the past two years.

Average daily attendance (ADA) increased 9 ADA over the past two years. The District anticipates an increase of 2 ADA during fiscal year 2014-15.

NICASIO ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

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

D. 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*.

E. 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.

F. 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
Nicasio Elementary School District
Nicasio, California

Report on State Compliance

We have audited Nicasio Elementary 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 2013-14* for the fiscal year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, prescribed in the California Code of Regulations, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Nicasio Elementary 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 Nicasio Elementary School District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Nicasio Elementary School District's compliance with state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Time for School Districts	10	Yes
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive (See Note 7)	4	Yes
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance For Charter Schools	8	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform tests for the independent study program because the ADA claimed by the District does not exceed the threshold that requires testing.

Opinion on State Compliance

In our opinion, Nicasio Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 14-1**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2014

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
Nicasio Elementary School District
Nicasio, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Nicasio Elementary School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2014

FINDINGS AND QUESTIONED COSTS SECTION

NICASIO ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
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?	___X___ Yes	_____ None reported
Type of auditor's report issued on compliance for state programs:	Unmodified	

NICASIO ELEMENTARY SCHOOL DISTRICT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2014.

NICASIO ELEMENTARY SCHOOL DISTRICT
SUMMARY OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

14 - 1 / 10000

SIGNIFICANT DEFICIENCY

ATTENDANCE REGISTERS

- Criteria: In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education. Accordingly, attendance registers should be reviewed and signed at the end of each week by the teachers who record student attendance, to attest to its accuracy and completeness.
- Condition: Attendance registers are not being reviewed and signed on a consistent basis by the teachers who record student attendance.
- Questioned Costs: None. We determined that the attendance recorded for the students listed on the unsigned attendance registers was based on the actual attendance of the listed students, and could be relied upon for attendance reporting purposes.
- Context: The District utilized a computerized student information system for the first time during fiscal year 2013-14. Attendance registers were not signed until after being notified of the requirement.
- Effect: The District did not comply with state attendance guidelines, which require teachers to certify the weekly attendance registers that are the basis for the average daily attendance reported to the State.
- Cause: The District did not establish procedures that require attendance registers to be reviewed and signed at the end of each week by the teachers who record student attendance.
- Recommendation: The District should establish procedures that require attendance registers to be reviewed and signed at the end of each school week by teachers who record student attendance.
- District Response: The District has established procedures that require attendance registers to be reviewed and signed at the end of each school week by teachers who record student attendance. The District also submitted a description of the new attendance accounting system and all associated procedures to the CDE for review and approval, which have since been approved.

**NICASIO ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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