MILL VALLEY SCHOOL DISTRICT
COUNTY OF MARIN
MILL VALLEY, CALIFORNIA

AUDIT REPORT

JUNE 30, 2013

MILL VALLEY SCHOOL DISTRICT

JUNE 30, 2013

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Mill Valley School District
Mill Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mill Valley School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements.

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Basis for Adverse Opinion on Discretely Presented Component Unit (Concluded)

Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit are not reported.

Adverse Opinion on discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District, as of June 30, 2013, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mill Valley School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 14, the budgetary comparison information on page 49, and schedule of funding progress on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Matters (Concluded)

Other Information (Concluded)

The accompanying combining fund financial statements and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 on our consideration of the Mill Valley 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 Mill Valley School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 6, 2013

(PREPARED BY DISTRICT MANAGEMENT)

This section of Mill Valley School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 15 through 16, 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 17 through 20, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's financial status improved during the course of the year, as total net position increased 72.1%.

- On the Statement of Activities, total current year revenues exceeded total current year expenses by $1,080,024.

- Capital assets, net of depreciation, increased $24,634,131 due to the current year acquisition and/or construction of $25,551,014 of new capital assets, and the current year recognition of $916,883 of depreciation expense.

- Total long-term liabilities decreased $796,598 due primarily to the net effect of a $1,386,450 decrease in general obligation bonds, and the net effect of a $698,487 increase in other post employment benefits during fiscal year 2012-13.

- The District's P-2 average daily attendance (ADA) increased from 2,867 in fiscal year 2011-12, up to 3,032 in fiscal year 2012-13, an increase of 165 ADA or 5.8%.

- The District's General Fund produced an operating surplus of $1,507,581 during fiscal year 2012-13, and recognized a $1,295,060 increase in its available reserves.

- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other financing uses (total outgo). During fiscal year 2012-13, total General Fund expenditures and other financing uses totaled $30,681,089. At June 30, 2013, the District had available reserves of $5,662,670 which represents a reserve of 18.5%.

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.

    - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

    - Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.

    - Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

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

Reporting the District as a Whole

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

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

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

The basic services provided by the District, such as regular and special education, administration, and special education transportation are included here, and are primarily financed by property taxes. Non-basic services, such as child nutrition are also included here, but are financed by a combination of local revenues and state and federal programs.

Business-type Activities:

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

Reporting the District's Most Significant Funds

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

Governmental Funds:

The major governmental funds of Mill Valley School District are the General Fund, Bond Interest and Redemption fund, and Building Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

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

Fiduciary Funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net position increased from $1,497,739 at June 30, 2012 to $2,577,763 at June 30, 2013, an increase of 72.1%.

Comparative Statement of Net Position

	Governmental Activities 2012		Governmental Activities 2013
Assets			
Deposits and Investments	$ 54,869,412		$ 30,910,961
Receivables	1,471,606		1,552,158
Prepaid Expenses	118,902		114,512
Capital Assets, net	32,818,373		57,452,504
Total Assets	89,278,293		90,030,135
Liabilities			
Current	6,155,416	*	6,730,314
Long-term	81,625,138	*	80,722,058
Total Liabilities	87,780,554		87,452,372
Net Position			
Invested in Capital Assets - Net of Related Debt	4,919,725		5,488,770
Restricted for Capital Projects	116,148		170,313
Restricted for Debt Service	(10,079,682)		(10,055,045)
Restricted for Educational Programs	638,522		776,034
Restricted for Other Purposes	21,507		27,189
Unrestricted	5,881,519		6,170,502
Total Net Position	$ 1,497,739		$ 2,577,763

Table includes financial data of the combined governmental funds.

* *The amounts presented for fiscal year 2011-12 have been adjusted to present bond premium consistent with the presentation for fiscal year 2012-13.*

The deficit balance presented above for Restricted for Debt Service represents the difference between the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds and accrued interest on the District's long-term liabilities, and the amount available in the Bond Interest and Redemption Fund. This deficit will be eliminated by future property tax collections.

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year revenues exceeded total current year expenses by $1,080,024.

Comparative Statement of Changes in Net Position

	Governmental Activities	
	2012	2013
Program Revenues		
Charges for Services	$ 517,097	$ 530,670
Operating Grants & Contributions	5,455,352	6,272,825
General Revenues		
Taxes Levied	26,370,475	27,799,441
Federal & State Aid	772,209	1,868,994
Interest & Investment Earnings	71,598	58,080
Miscellaneous	1,904,878	1,397,505
Total Revenues	35,091,609	37,927,515
Expenses		
Instruction	21,103,723	21,348,600
Instruction-Related Services	3,363,064	3,553,687
Pupil Services	1,635,454	1,772,932
General Administration	2,849,238	2,988,658
Plant Services	2,894,634	2,919,410
Interest on Long-Term Debt	2,782,153	3,655,039
Other Outgo	753,891	609,165
Total Expenses	35,382,157	36,847,491
Changes in Net Position	$ (290,548)	$ 1,080,024

Table includes financial data of the combined governmental funds.

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

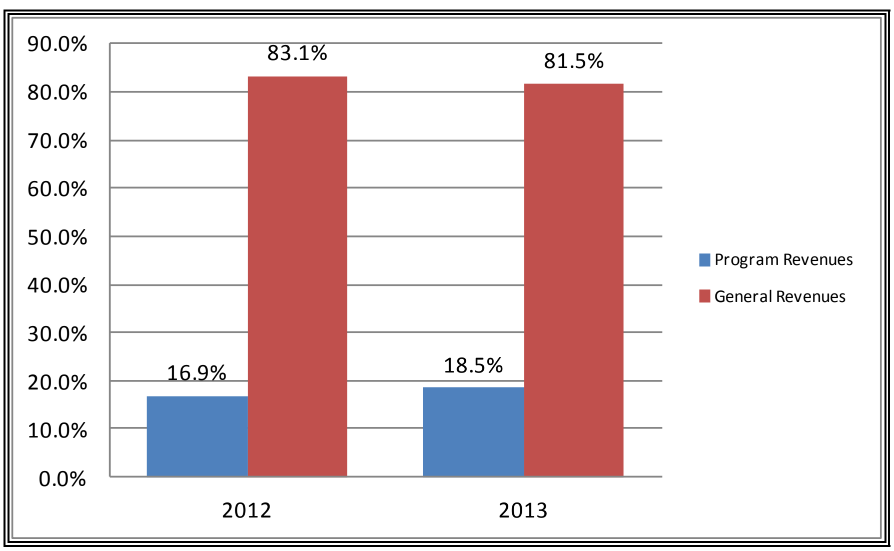
GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2012	2013	2012	2013
Instruction	$ 21,103,723	$ 21,348,600	$ 16,832,091	$ 16,736,045
Instruction-Related Services	3,363,064	3,553,687	2,894,875	3,016,755
Pupil Services	1,635,454	1,772,932	745,894	730,343
General Administration	2,849,238	2,988,658	2,730,207	2,578,672
Plant Services	2,894,634	2,919,410	2,893,073	2,916,247
Interest on Long-Term Debt	2,782,153	3,655,039	2,782,153	3,655,039
Other Outgo	753,891	609,165	531,415	410,895
Totals	$ 35,382,157	$ 36,847,491	$ 29,409,708	$ 30,043,996

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 $30,043,996 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2012-13, program revenues financed 18.5% of the total cost of providing the services listed above, while the remaining 81.5% was financed by the general revenues of the District.

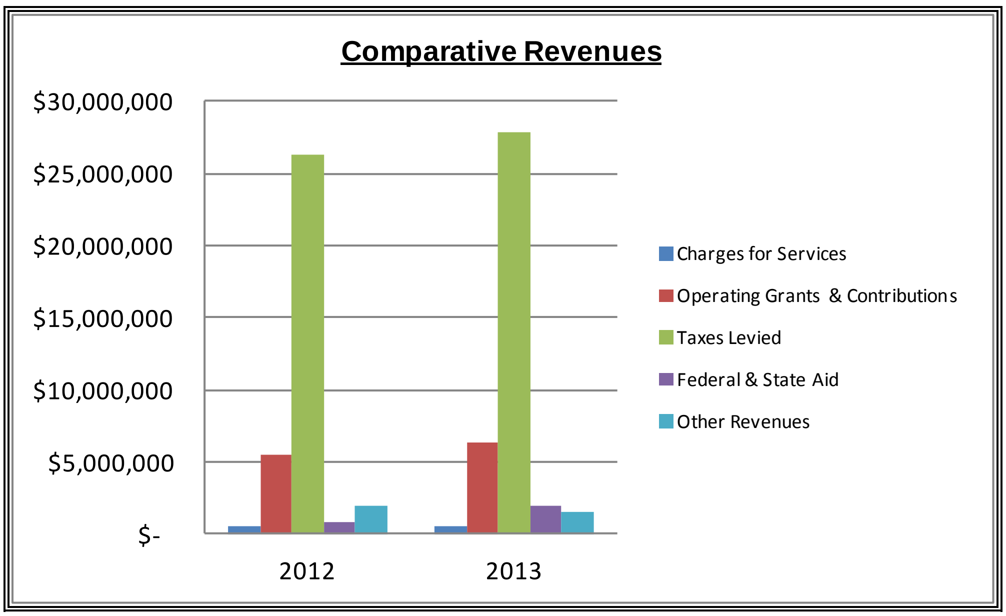
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2012 Amount	Percent of Total	FYE 2013 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 517,097	1.47%	$ 530,670	1.40%
Operating Grants & Contributions	5,455,352	15.55%	6,272,825	16.54%
General Revenues				
Taxes Levied	26,370,475	75.15%	27,799,441	73.30%
Federal & State Aid	772,209	2.20%	1,868,994	4.93%
Other Revenues	1,976,476	5.63%	1,455,585	3.84%
Total Revenues	$ 35,091,609	100.00%	$ 37,927,515	100.00%

Table includes financial data of the combined governmental funds.



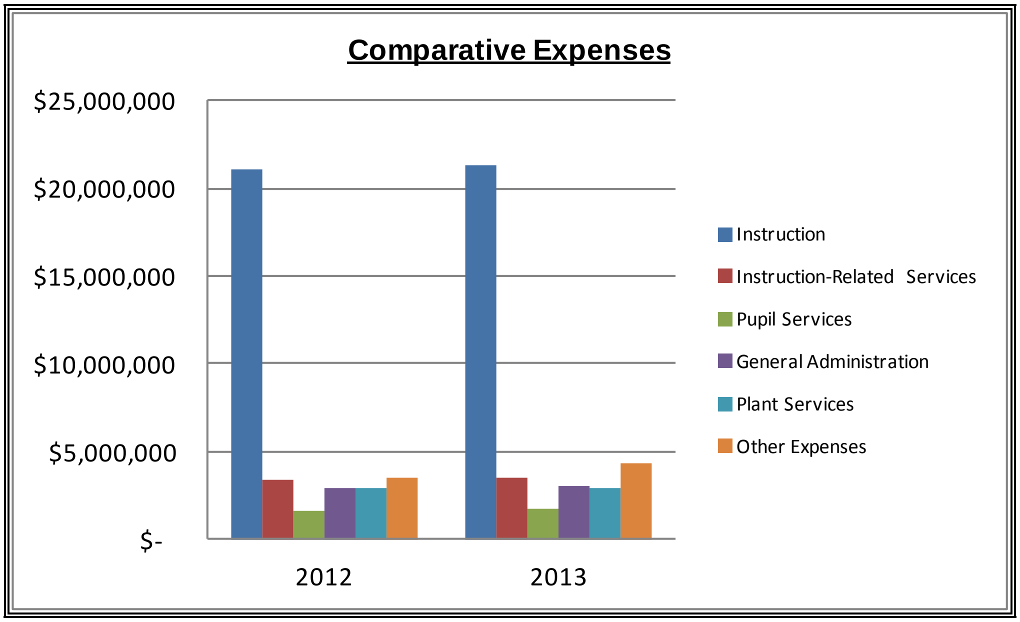
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Expenses For Governmental Functions

	FYE 2012 Amount	Percent of Total	FYE 2013 Amount	Percent of Total
Expenses				
Instruction	$ 21,103,723	59.65%	$ 21,348,600	57.94%
Instruction-Related Services	3,363,064	9.50%	3,553,687	9.64%
Pupil Services	1,635,454	4.62%	1,772,932	4.81%
General Administration	2,849,238	8.05%	2,988,658	8.11%
Plant Services	2,894,634	8.18%	2,919,410	7.92%
Other Expenses	3,536,044	9.99%	4,264,204	11.57%
Total Expenses	$ 35,382,157	100.00%	$ 36,847,491	100.00%

Table includes financial data of the combined governmental funds.



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

GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Capital Assets

	Governmental Activities 2012	Governmental Activities 2013
Land	$ 1,673,666	$ 1,673,666
Sites and Improvements	5,460,285	5,460,285
Buildings and Improvements	42,741,024	42,741,024
Furniture and Equipment	282,917	413,224
Work-in-Progress	17,042,950	42,463,657
Subtotals	67,200,842	92,751,856
Less: Accumulated Depreciation	(34,382,469)	(35,299,352)
Capital Assets, net	$ 32,818,373	$ 57,452,504

Capital assets, net of depreciation, increased $24,634,131 due to the current year acquisition and/or construction of $25,551,014 of new capital assets, and the current year recognition of $916,883 of depreciation expense.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities 2012	Governmental Activities 2013
Compensated Absences	$ 84,473	$ 74,009
General Obligation Bonds: Current Interest	59,800,000	59,800,000
General Obligation Bonds: Capital Appreciation	22,602,567	21,216,117
Bond Premium	490,309 *	472,205
Capital Lease	162,080	82,013
Other Post Employment Benefits	1,368,353	2,066,840
Totals	$ 84,507,782 *	$ 83,711,184

* *The amounts presented for fiscal year 2011-12 have been adjusted to present bond premium consistent with the presentation for fiscal year 2012-13.*

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

Total long-term liabilities decreased $796,598 due primarily to the net effect of a $1,386,450 decrease in general obligation bonds, and the net effect of a $698,487 increase in other post employment benefits during fiscal year 2012-13. The general obligation bonds are financed by the local taxpayers and represent 96.8% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on all of its debt issues. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The fund balance of the General Fund increased $1,507,581 during fiscal year 2012-13, while the combined fund balances of other District governmental funds decreased $25,608,929, due primarily to expending $25,143,820 of bond proceeds issued in prior years, in the Building Fund, during fiscal year 2012-13 for bond related projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The 2013-14 Budget Act and related trailer bills manifests many significant improvements and overdue changes to California Schools funding system. We recognize that these are extraordinary economic times and though the implementation of the new Local Control Funding Formula (LCFF) brings positive changes to most districts, there is still much uncertainty. It is currently very difficult to gauge the future with an eight-year phase-in for full implementation of LCFF and complete details have yet to be released regarding the new funding and accountability requirements. 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.

- On November 4, 2008, the qualified voters of the District voted to approve a measure to authorize the amendment of the existing special tax for the purpose of providing specified educational programs, increasing the amount of the tax and extending the length of the tax for a period of four additional years. Under the amended special tax, the parcel tax shall increase to $663.38 beginning July 1, 2009, and the 5% annual rate adjustments will continue beginning July 1, 2010, until the new expiration date of June 30, 2018.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE (CONCLUDED)

- On November 6, 2012 the qualified voters of the District voted to approve a measure to authorize a special tax for the purpose of providing specified educational programs for a period of eight years. The special tax of $196.00 per year per parcel commences July 1, 2013, and adjusts annually commensurate with the annual percentage increase to the San Francisco-Oakland-San Jose Price Index (CPI), not to exceed 3% per year and expires June 30, 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Mill Valley School District, 411 Sycamore Avenue, Mill Valley, California 94941.

MILL VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
Assets	
Deposits and Investments (Note 2)	$ 30,910,961
Receivables (Note 4)	1,552,158
Prepaid Expenses (Note 1I)	114,512
Capital Assets: (Note 6)	
Land	1,673,666
Sites and Improvements	5,460,285
Buildings and Improvements	42,741,024
Furniture and Equipment	413,224
Work-in-Progress	42,463,657
Less: Accumulated Depreciation	(35,299,352)
Total Assets	90,030,135
Liabilities	
Accounts Payable and Other Current Liabilities	3,637,132
Deferred Revenue (Note 1I)	104,056
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences (Note 1I)	74,009
General Obligation Bonds (Note 7)	
Capital Appreciation	2,710,000
Bond Premium	18,104
Capital Lease (Note 8)	82,013
Other Post Employment Benefits (Note 9)	105,000
Portion Due or Payable After One Year:	
General Obligation Bonds (Note 7)	
Current Interest	59,800,000
Capital Appreciation	18,506,117
Bond Premium	454,101
Other Post Employment Benefits (Note 9)	1,961,840
Total Liabilities	87,452,372
Net Position	
Investment in Capital Assets, Net of Related Debt	5,488,770
Restricted:	
For Capital Projects	170,313
For Debt Service	(10,055,045)
For Educational Programs	776,034
For Other Purposes	27,189
Unrestricted	6,170,502
Total Net Position	$ 2,577,763

MILL VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 21,348,600		$ 4,612,555		$ (16,736,045)
Instruction-Related Services:					
Supervision of Instruction	352,372		156,422		(195,950)
Instructional Library and Technology	996,638		308,730		(687,908)
School Site Administration	2,204,677		71,780		(2,132,897)
Pupil Services:					
Food Services	646,440	$ 530,670	90,661		(25,109)
Other Pupil Services	1,126,492		421,258		(705,234)
General Administration:					
Data Processing Services	459,240				(459,240)
Other General Administration	2,529,418		409,986		(2,119,432)
Plant Services	2,919,410		3,163		(2,916,247)
Interest on Long-Term Debt	3,655,039				(3,655,039)
Other Outgo	609,165		198,270		(410,895)
Total Governmental Activities	$ 36,847,491	$ 530,670	$ 6,272,825	$ 0	(30,043,996)
General Revenues					
Taxes Levied for General Purposes					15,792,527
Taxes Levied for Debt Service					4,690,092
Taxes Levied for Specific Purposes					7,316,822
Federal and State Aid - Unrestricted					1,868,994
Interest and Investment Earnings					58,080
Miscellaneous					1,397,505
Total General Revenues					31,124,020
Change in Net Position					1,080,024
Net Position - July 1, 2012					1,497,739
Net Position - June 30, 2013					$ 2,577,763

MILL VALLEY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and Investments (Note 2)	$ 8,343,512	$ 4,262,661	$ 17,210,862	$ 1,093,926	$ 30,910,961
Receivables (Note 4)	1,518,258			33,900	1,552,158
Total Assets	$ 9,861,770	$ 4,262,661	$ 17,210,862	$ 1,127,826	$ 32,463,119
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$ 1,494,643		$ 1,104,839	$ 23,997	$ 2,623,479
Deferred Revenue (Note 1I)	104,056				104,056
Total Liabilities	1,598,699		1,104,839	23,997	2,727,535
Fund Balances: (Note 11)					
Nonspendable	2,500				2,500
Restricted	776,034	$ 4,262,661	16,106,023	195,002	21,339,720
Committed				373,620	373,620
Assigned	1,821,867			535,207	2,357,074
Unassigned	5,662,670				5,662,670
Total Fund Balances	8,263,071	4,262,661	16,106,023	1,103,829	29,735,584
Total Liabilities and Fund Balances	$ 9,861,770	$ 4,262,661	$ 17,210,862	$ 1,127,826	$ 32,463,119

MILL VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds		$ 29,735,584
Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:		
Capital Assets	$ 92,751,856	
Accumulated Depreciation	(35,299,352)	
Net		57,452,504
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs, reported as prepaid expenses on the statement of net position are:		114,512
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at the end of the period was:		(1,013,653)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are:		
Compensated Absences	74,009	
General Obligation Bonds:		
Current Interest	59,800,000	
Capital Appreciation	21,216,117	
Bond Premium	472,205	
Capital Lease	82,013	
Other Post Employment Benefits	2,066,840	
Total		(83,711,184)
Total Net Position - Governmental Activities		$ 2,577,763

MILL VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Revenue Limit Sources:					
State Apportionment	$ 567,343				$ 567,343
Local Taxes	15,792,527				15,792,527
Total Revenue Limit Sources	16,359,870				16,359,870
Federal Revenue	726,335			$ 84,009	810,344
State Revenue	1,529,983	$ 27,139		88,014	1,645,136
Local Revenue	13,572,482	4,672,717	$ 41,048	807,814	19,094,061
Total Revenues	32,188,670	4,699,856	41,048	979,837	37,909,411
Expenditures					
Instruction	20,049,371				20,049,371
Supervision of Instruction	342,456				342,456
Instructional Library and Technology	968,593				968,593
School Site Administration	2,142,638				2,142,638
Food Services				628,249	628,249
Other Pupil Services	1,094,793				1,094,793
Data Processing Services	446,317				446,317
Other General Administration	2,455,147			13,558	2,468,705
Plant Services	2,468,958			362,908	2,831,866
Facilities Acquisition and Construction	11,582		25,143,820	401,005	25,556,407
Debt Service:					
Principal Retirement	80,067	2,595,000			2,675,067
Interest and Issuance Costs	3,792	2,197,730			2,201,522
Other Outgo	604,775				604,775
Total Expenditures	30,668,489	4,792,730	25,143,820	1,405,720	62,010,759
Excess of Revenues Over (Under) Expenditures	1,520,181	(92,874)	(25,102,772)	(425,883)	(24,101,348)
Other Financing Sources (Uses)					
Operating Transfers In				162,600	162,600
Operating Transfers Out	(12,600)			(150,000)	(162,600)
Total Other Financing Sources (Uses)	(12,600)	0	0	12,600	0
Net Change in Fund Balances	1,507,581	(92,874)	(25,102,772)	(413,283)	(24,101,348)
Fund Balances - July 1, 2012	6,755,490	4,355,535	41,208,795	1,517,112	53,836,932
Fund Balances - June 30, 2013	$ 8,263,071	$ 4,262,661	$ 16,106,023	$ 1,103,829	$ 29,735,584

MILL VALLEY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Governmental Funds		$ (24,101,348)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Capital Outlays	$ 25,551,014	
Depreciation Expense	(916,883)	
Net		24,634,131
Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The debt issue costs amortized for the period is:		(4,390)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was:		10,464
Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs accrued and employer contributions was:		(698,487)
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 - Capital Appreciation	2,595,000	
Bond Premium	18,104	
Capital Lease	80,067	
Total		2,693,171
Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was:		(1,208,550)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, interest expense is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		(244,967)
Change in Net Position of Governmental Activities		$ 1,080,024

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

	Agency Funds	Total Fiduciary Funds
Assets		
Deposits and Investments (Note 2)	$ 9,128	$ 9,128
Liabilities		
Due to Student Groups	9,128	9,128
Net Position		
Total Net Position	$ 0	$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Mill Valley School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Education elected by registered voters of the District, which comprises an area in Marin County. The District was established in 1891 and serves students in kindergarten through grade eight.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The financial reporting entity consists of the following:

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.

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

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

In addition, GASB 61 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary government are such that excluding them would cause the financial reporting entity's financial statements to be misleading.

Based on the GASB 61 criteria and definitions, the District is the primary government and there are no material potential component units which should be included in the Financial Reporting Entity in these financial statements.

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

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

The District has determined that the Mill Valley Schools Community Foundation, Kiddo!, (the Foundation), a non-profit, public benefit corporation, meets the criteria set forth in GASB 39. However, since the Foundation does not issue audited financial statements, the financial statements of the District include only the financial data of the primary government, which consists of all funds that comprise the District's legal entity, and all funds for which it has a fiduciary responsibility. The financial statements do not include financial data of the Foundation, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

As a result, these financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Financial Reporting Entity, or the respective changes in its financial position.

The District has determined that the cost of including audited financial data, of its legally separate component unit, in the financial statements of the District, far exceeds the benefits to be received by including such data. In addition, since the District's various oversight agencies do not require such data to be included, the District has elected to omit such data from its financial statements.

B. Implementation of New Accounting Pronouncements

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

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity, within the governmental and business type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

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

Deferred Revenue:

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

On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures:

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

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

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.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

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

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

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

Major Governmental Funds:

The *General Fund* is the general operating fund of the District.

The *Bond Interest and Redemption Fund* is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

The *Building Fund* is used to account for the proceeds generated from the sale of general obligation bonds. Expenditures are made from this fund for the purpose of financing the construction, renovation and repair of certain District facilities.

Non-major Governmental Funds:

The *Deferred Maintenance Fund* is used for the purpose of major repairs or replacement of District property.

The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.

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

The *County School Facilities Fund* is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

The *Capital Projects - Special Reserve Fund* is used to accumulate funds for major maintenance and capital outlay projects of the District. The proceeds from major dispositions of District property are accounted for in this fund.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund for the student body activities at Mill Valley Middle School. The student body fund is used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 49.

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

G Use of Estimates

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

H. Encumbrances

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

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

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

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

2. Prepaid Expenses

Prepaid expenses represent the costs of issuance associated with the bonds issued since the implementation of GASB Statement No. 34. The costs will be amortized over the life of the bonds.

Prepaid expenses are equally offset by a reserve, which indicates that this amount is not available for appropriation.

3. Capital Assets

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

3. Capital Assets (Concluded)

Asset Class	Years
Sites and Improvements	14-36
Buildings and Improvements	7-40
Furniture and Equipment	10-20

4. Deferred Revenue

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

5. Compensated Absences

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

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

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. Premiums and discounts, as well as issuance costs, related to long-term debt issued after the implementation of GASB Statement 34, are deferred and amortized over the life of the debt. Long-term debt is reported net of applicable premiums or discounts. In the fund financial statements, governmental funds recognize premiums and discounts as well as bond issuance costs, during the period the debt is issued. The face amount of the debt issued, premiums, or discounts are reported as other financing sources or uses.

7. Fund Balances

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

7. Fund Balances (Concluded)

Nonspendable Fund Balance includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually (principal endowment) (e.g. pre-paid items, permanent scholarships).

Restricted Fund Balance includes funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation (e.g. debt service, capital projects, state and federal grant funds).

Committed Fund Balance consists of funds that are set aside for a specific purpose 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 consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. The Governing Board delegated authority to the Superintendent and/or their designee to identify intended uses of assigned funds.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. The District established a minimum fund balance policy which requires a reserve for economic uncertainties, consisting of unassigned amounts equal to three (3) percent of general fund operating expenditures and other financing uses. In addition, in order to build a fiscally prudent reserve, the Governing Board has designated a target of two times the current year differential between community funded property taxes and the state's revenue limit guarantee. At a minimum, the District reserve fund shall be at least the current year differential between community funded property taxes and the state's revenue limit guarantee; or one month's average operating expenditures, whichever is greater.

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

8. Revenue Limit/Property Tax

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Liabilities and Equity (Concluded)

8. Revenue Limit/Property Tax (Concluded)

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

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District. The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the applicable attendance period ADA to derive the District's total entitlement. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment. Since the total computed entitlement is generally less than the allocated property tax revenues, the District continues to be funded under the basic aid provision.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

	Governmental Activities	Fiduciary Activities
Cash on Hand and in Banks		$ 9,128
Cash in Revolving Fund	$ 2,500	
County Pool Investments	30,908,461	
Total Deposits and Investments	$ 30,910,961	$ 9,128

Cash on Hand and in Banks / Cash in Revolving Fund

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

County Pool Investments

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

General Authorization

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

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

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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	$ 30,908,461	$ 30,905,801	$ 26,742,762	$ 4,165,699

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.

	Carrying	Fair	Rating as of Year End		
Investment Type	Value	Value	AAA	Aa	Unrated
County Pool Investments	$ 30,908,461	$ 30,905,801			$ 30,908,461

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2013, the District does not have any investments that are held by counterparties.

Derivative Investments

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

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in the General Fund were as follows:

	Excess Expenditures
Capital Outlay	$ 552

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013 consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	$ 480,857	$ 25,075	$ 505,932
State Government	850,177	3,642	853,819
Local Governments	140,902	5,183	146,085
Miscellaneous	46,322		46,322
Totals	$ 1,518,258	$ 33,900	$ 1,552,158

NOTE 5 - INTERFUND ACTIVITIES

Interfund transactions are reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures.

NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)

Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

A. Due From/Due To Other Funds

There were no individual fund interfund receivable and payable balances at June 30, 2013.

B. Interfund Transfers

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

Interfund transfers for fiscal year 2012-13 were as follows:

Funds	Transfers In	Transfers Out
General		$ 12,600
Cafeteria	$ 12,600	
Capital Facilities		150,000
Capital Projects - Special Reserve	150,000	
Totals	$ 162,600	$ 162,600

Transfer of $12,600 from General Fund to the Cafeteria Fund to supplement the program.

Transfer of $150,000 from the Capital Facilities Fund to the Capital Projects - Special Reserve Fund to repay part of the loan borrowed in previous years.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013, is shown below:

	Balances July 1, 2012	Additions	Deletions	Balances June 30, 2013
Land	$ 1,673,666			$ 1,673,666
Sites and Improvements	5,460,285			5,460,285
Buildings and Improvements	42,741,024			42,741,024
Furniture and Equipment	282,917	$ 130,307		413,224
Work-in-Progress	17,042,950	25,420,707		42,463,657
Totals at Historical Cost	67,200,842	25,551,014	$ 0	92,751,856
Less Accumulated Depreciation for:				
Sites and Improvements	2,928,359	189,705		3,118,064
Buildings and Improvements	31,175,836	718,866		31,894,702
Furniture and Equipment	278,274	8,312		286,586
Total Accumulated Depreciation	34,382,469	916,883	0	35,299,352
Governmental Activities Capital Assets, net	$ 32,818,373	$ 24,634,131	$ 0	$ 57,452,504

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 600,742
Supervision of Instruction	9,916
Instructional Library and Technology	28,045
School Site Administration	62,039
Food Services	18,191
Other Pupil Services	31,699
Data Processing Services	12,923
Other General Administration	71,177
Plant Services	82,151
Total	$ 916,883

NOTE 7 - GENERAL OBLIGATION BONDS

The outstanding general obligation debt of the District as of June 30, 2013 is as follows:

A. Current Interest Bonds

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2012	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2013
3/9/10	3.00-5.00	8/1/34	$ 29,195,000	$ 29,195,000			$ 29,195,000
4/19/12	2.00-4.25	8/1/39	30,605,000	30,605,000			30,605,000
Totals			$ 59,800,000	$ 59,800,000	$ 0	$ 0	$ 59,800,000

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

Year Ended June 30	Principal	Interest	Totals
2014	$ 0	$ 2,462,700	$ 2,462,700
2015	0	2,462,700	2,462,700
2016	75,000	2,461,950	2,536,950
2017	180,000	2,459,400	2,639,400
2018	285,000	2,453,325	2,738,325
2019-2023	3,370,000	12,036,550	15,406,550
2024-2028	7,560,000	11,110,500	18,670,500
2029-2033	13,795,000	8,785,062	22,580,062
2034-2038	22,495,000	4,908,825	27,403,825
2039-2043	12,040,000	491,200	12,531,200
Totals	$ 59,800,000	$ 49,632,212	$ 109,432,212

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

B. Capital Appreciation Bonds

Date of Issue	Accretion Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2012	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2013
8/2/94	6.30-6.40	8/1/19	$ 2,889,198	$ 4,572,859	$ 261,275	$ 585,000	$ 4,249,134
8/1/95	6.45-6.70	8/1/20	2,731,793	4,498,116	267,912	535,000	4,231,028
2/1/96	5.70-5.85	8/1/20	4,680,809	7,218,589	377,529	865,000	6,731,118
7/23/98	5.05-5.30	7/1/23	3,417,300	6,313,003	301,834	610,000	6,004,837
Totals			$ 13,719,100	$ 22,602,567	$ 1,208,550	$ 2,595,000	$ 21,216,117

The outstanding obligation for the 1994 series A capital appreciation serial and term bonds at June 30, 2013, was as follows:

Year Ended June 30	Accretion Rate %	Amount of Original Issue (Principal)	Accreted Interest	Totals
2014	6.30	$ 190,824	$ 426,015	$ 616,839
2015	6.30	189,472	422,998	612,470
2016	6.40	185,310	424,790	610,100
2017	6.40	184,274	422,418	606,692
2018	6.40	183,239	420,044	603,283
2019-2023	6.40	364,408	835,342	1,199,750
Totals		$ 1,297,527	$ 2,951,607	$ 4,249,134

The annual requirements to amortize the 1994 series A capital appreciation serial and term bonds at June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Totals
2014	$ 190,824	$ 429,176	$ 620,000
2015	189,472	465,528	655,000
2016	185,310	510,307	695,617
2017	184,274	552,435	736,709
2018	183,239	596,966	780,205
2019-2023	364,408	1,341,835	1,706,243
Totals	$ 1,297,527	$ 3,896,247	$ 5,193,774

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

B. Capital Appreciation Bonds (Continued)

The outstanding obligation for the 1994 series B capital appreciation serial bonds at June 30, 2013, was as follows:

Year Ended June 30	Accretion Rate %	Amount of Original Issue (Principal)	Accreted Interest	Totals
2014	6.45	$ 180,212	$ 381,842	$ 562,054
2015	6.50	174,994	375,544	550,538
2016	6.50	172,496	370,184	542,680
2017	6.55	167,921	364,969	532,890
2018	6.60	164,160	361,332	525,492
2019-2023	6.65-6.70	467,253	1,050,121	1,517,374
Totals		$ 1,327,036	$ 2,903,992	$ 4,231,028

The annual requirements to amortize the 1994 series B capital appreciation serial bonds at June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Totals
2014	$ 180,212	$ 384,788	$ 565,000
2015	174,994	415,006	590,000
2016	172,496	447,504	620,000
2017	167,921	482,079	650,000
2018	164,160	520,840	685,000
2019-2023	467,253	1,797,747	2,265,000
Totals	$ 1,327,036	$ 4,047,964	$ 5,375,000

The outstanding obligation for the 1994 series C capital appreciation serial bonds at June 30, 2013, was as follows:

Year Ended June 30	Accretion Rate %	Amount of Original Issue (Principal)	Accreted Interest	Totals
2014	5.70	$ 336,582	$ 559,252	$ 895,834
2015	5.75	327,596	551,757	879,353
2016	5.75	322,783	543,653	866,436
2017	5.80	312,817	533,981	846,798
2018	5.80	308,587	526,787	835,374
2019-2023	5.85	881,784	1,525,539	2,407,323
Totals		$ 2,490,149	$ 4,240,969	$ 6,731,118

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The annual requirements to amortize the 1994 series C capital appreciation serial bonds at June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Totals
2014	$ 336,582	$ 563,418	$ 900,000
2015	327,596	607,404	935,000
2016	322,783	652,217	975,000
2017	312,817	697,183	1,010,000
2018	308,587	746,413	1,055,000
2019-2023	881,784	2,538,216	3,420,000
Totals	$ 2,490,149	$ 5,804,851	$ 8,295,000

The outstanding obligation for the 1998 series A capital appreciation serial bonds at June 30, 2013, was as follows:

Year Ended June 30	Accretion Rate %	Amount of Original Issue (Principal)	Accreted Interest	Totals
2014	5.05	$ 295,462	$ 326,971	$ 622,433
2015	5.10	285,594	320,450	606,044
2016	5.10	277,930	311,856	589,786
2017	5.15	269,966	307,105	577,071
2018	5.15	262,283	298,369	560,652
2019-2023	5.20-5.30	1,189,083	1,385,624	2,574,707
2024-2028	5.30	217,032	257,112	474,144
Totals		$ 2,797,350	$ 3,207,487	$ 6,004,837

The annual requirements to amortize the 1998 series A capital appreciation serial bonds at June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Totals
2014	$ 295,462	$ 329,538	$ 625,000
2015	285,594	354,406	640,000
2016	277,930	377,070	655,000
2017	269,966	405,034	675,000
2018	262,283	427,717	690,000
2019-2023	1,189,083	2,525,917	3,715,000
2024-2028	217,032	582,968	800,000
Totals	$ 2,797,350	$ 5,002,650	$ 7,800,000

NOTE 8 - CAPITAL LEASE

The District leases computers valued at $245,593, under an agreement, which provides for titles to pass upon expiration of the lease term. Future minimum lease payments under this agreement are as follows:

Year Ended June 30	Lease Payments
2014	$ 84,005
Less amounts representing interest	(1,992)
Present value of net minimum lease payments	$ 82,013

The District will receive no sublease rental revenues nor pay any contingent rentals for these assets.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

Plan Descriptions: Employees are eligible for retiree health benefits if they satisfy the following requirements:

Classified - Retirees who are at least age 55, with at least 20 years of employment with the District, of which at least 10 years were full-time service, and currently employed by the District at the time of retirement.

Certificated - Employees who are between 55 and 62 years old and have at least 20 full-time years of service with the District may elect to retire under the Medical Option II. Employees who were employed by the District before June 30, 2007, and have at least 25 years of District service at retirement are also eligible to receive a District paid medical benefit. In lieu of 20 years, certificated employees who are at least 50 on July 1, 2011 need at least 10 full-time years of service with the District at retirement or are between age 45 and age 49 on July 1, 2011 need at least 15 full-time years of service with the District at retirement to retire under Medical Option II.

The District and retirees share in the cost of benefits as follows:

Medical Benefits: Classified - The District pays for classified retirees and their dependents, the cost of CalPERS medical premiums up to a fixed dollar cap based on the elected coverage. The capped amounts for 2012 and 2013 calendar years are shown in the table below. In years prior to 2012, the fixed dollar caps have been negotiated such that the caps have increased annually at the same rates as the Kaiser premiums.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

	2012			2013		
	Single	Two Party	Family	Single	Two Party	Family
Hired before July 1, 2012	$ 610.44	$ 1,220.88	$ 1,527.57	$ 668.63	$ 1,337.26	$ 1,634.43
Hired on or after July 1, 2012	610.44	1,220.88	1,345.53	668.63	1,337.26	1,479.25

The District will pay the above amounts for up to 5 years after retirement or until age 65, whichever comes first. Thereafter, the District will pay the retiree $1,000 per year toward the cost of medical premiums until age 70. However, for any eligible retiree who elects continuation of CalPERS Health Plan coverage, the District will pay at least the minimum monthly premium amount specified by CalPERS under the “unequal method”, and the retiree will pay the remaining premium amount.

Certificated - For certificated retirees who elect Medical Option II upon early retirement, the District pays for retirees and their dependents, the cost of CalPERS medical premiums up to a fixed dollar cap based on the elected coverage. The capped amounts for 2012 and 2013 calendar years are shown in the table below. In years prior to 2012, the fixed dollar caps have been negotiated such that the caps have increased annually at the same rates as the Kaiser premiums.

	2012			2013		
	Single	Two Party	Family	Single	Two Party	Family
Hired before July 1, 2012	$ 610.44	$ 1,220.88	$ 1,527.57	$ 668.63	$ 1,337.26	$ 1,634.43
Hired on or after July 1, 2012	610.44	1,220.88	1,345.53	668.63	1,337.26	1,479.25

For certificated employees hired before June 30, 2007 and who retire with at least 25 years of service, but do not elect the Medical Option II, the District pays for retirees and their dependents, the cost of CalPERS medical premiums up to a fixed dollar cap described above for a 3 year period. If during the 3 year period, the retiree reaches age 65, the District will pay the Medicare Supplement premium plus the Medicare Part B premium, subject to the fixed dollar District cap. After the 3 year period (or age 65 for Medical Option II retirees), retirees may elect continuation of CalPERS Health Plan coverage, in which case the District will pay the minimum monthly premium amount specified by CalPERS under the “unequal method” and the retiree will pay the balance.

Beginning in February 1, 2011, active full time certificated employees will pay $350 per year into an irrevocable trust fund for the sole purpose of prefunding the retiree medical benefit. If the employee terminates employment from the District after 5 years of service but prior to retirement, the accumulated contributions (without interest) will be refunded to the employee.

Beginning in July 1, 2011, active full time classified employees will pay $150 per year into an irrevocable trust fund for the sole purpose of prefunding the retiree medical benefit. If the employee terminates employment from the District after 5 years of service but prior to retirement, the accumulated contributions (without interest) will be refunded to the employee.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Dental and Vision Benefits - Retirees and their spouses may continue dental and vision coverage upon retirement. The entire cost of the premiums is paid for by retirees. The District paid dental and vision benefits will expire on the same date as the District paid medical benefits expire for these retirees. The District will not pay for dental or vision coverage for any other current or future retirees. There is a group of retirees for whom the District is paying dental coverage and vision coverage.

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

The District had 282 eligible active employees and 43 eligible retirees covered under the OPEB plan as of July 1, 2012, the effective date of the biennial OPEB valuation. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

Funding Policy: During fiscal year 2012-13, the District joined the California Employers' Retiree Benefit Trust (CERBT) Fund - an investment vehicle that can be used by all California public employers to prefund future retiree health and other post employment benefit costs. The Trust is administered by CalPERS. The District contributed $50,000 for fiscal year 2012-13, and plans on contributing $50,000 per month during fiscal year 2013-14 for a total of $600,000. Although the District collected $73,150 from employees during fiscal year 2012-13, for the sole purpose of prefunding the retiree medical benefit, the $50,000 contributed to the CERBT Fund is considered a contribution from the District and not from the employees. The District will continue to pay for post employment health care benefits on a pay-as-you-go basis..

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2013, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in an net OPEB obligation of $2,066,840 for the year ended June 30, 2013:

Calculation of ARC under Projected Unit Credit Cost Method

Normal cost with interest to end of year	$ 490,868
Amortization of UAAL with interest to end of year	402,686
Annual required contribution (ARC)	893,554
Interest on net OPEB obligation	51,313
Adjustment to ARC	(90,254)
Annual OPEB cost (expense)	854,613
Contributions for the fiscal year	(156,126)
Increase in net OPEB obligation	698,487
Net OPEB obligation - June 30, 2012	1,368,353
Net OPEB obligation - June 30, 2013	$ 2,066,840

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2013	$ 854,613	18.3%	$ 2,066,840
June 30, 2012	652,681	16.6%	1,368,353
June 30, 2011	286,923	40.0%	824,177

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

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the liabilities were computed using the projected unit credit cost method and the District's unfunded actuarial accrued liability (UAAL) is being amortized using the level percentage of projected payroll method over 20 years on a "closed" basis starting on July 1, 2008. The remaining amortization period on July 1, 2012 for the 2012-13 fiscal year was 16 years. The actuarial assumptions utilized a 3.75% discount rate, the expected long-term rate of return on District assets. The compensation increase rate of 3.00% was provided by the District and based on the historical per annum increase. The valuation assumes an initial health care cost trend rate of 7.5% which grades down to an ultimate rate of 4.75% by 2079 and beyond.

NOTE 10 - LONG-TERM LIABILITIES

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

NOTE 10 - LONG-TERM LIABILITIES (CONCLUDED)

	Balances July 1, 2012	Additions	Deductions	Balances June 30, 2013	Due within One Year
Compensated Absences	$ 84,473	$ 74,009	$ 84,473	$ 74,009	$ 74,009
General Obligation Bonds					
Current Interest	59,800,000			59,800,000	
Capital Appreciation	22,602,567	1,208,550	2,595,000	21,216,117	2,710,000
Bond Premium *	490,309		18,104	472,205	18,104
Capital Lease	162,080		80,067	82,013	82,013
Other Post Employment Benefits	1,368,353	854,613	156,126	2,066,840	105,000
Totals *	$ 84,507,782	$ 2,137,172	$ 2,933,770	$ 83,711,184	$ 2,989,126

* The amounts presented for fiscal year 2011-12 have been adjusted to present bond premium consistent with the presentation for fiscal year 2012-13.

NOTE 11 - FUND BALANCES

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

	General Fund	Bond Interest Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable	$ 2,500				$ 2,500
Restricted	776,034	$ 4,262,661	$ 16,106,023	$ 195,002	21,339,720
Committed				373,620	373,620
Assigned	1,821,867			535,207	2,357,074
Unassigned:					
Economic Uncertainties	5,662,670				5,662,670
Totals	$ 8,263,071	$ 4,262,661	$ 16,106,023	$ 1,103,829	$ 29,735,584

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

A. State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Plan Description (Concluded)

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.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were $1,186,861, $1,161,346, and $1,134,597, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were $521,869, $495,886, and $462,597, 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.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

C. Social Security (Concluded)

Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, employees were required to contribute 4.2% of their gross earnings from July 2012 through December 2012 and 6.2% from January 2013 through June 2013.

NOTE 13 - 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 $744,739, to CalSTRS (5.176% of salaries subject to CalSTRS).

NOTE 14 - OPERATING LEASES

Facilities / Portables

The District leases certain excess facilities to others. The rental revenue from these leases for the 2012-13 fiscal year was $843,004. A majority of these leases are long-term leases.

The District has entered into various operating leases for portables with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration dates.

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012-13, the District participated in one joint 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 16 - JOINT VENTURES

The District participates in two joint ventures under joint powers agreements with Marin School Insurance Authority (MSIA) for workers' compensation and property and liability insurance, and Marin Pupils Transportation Agency (MPTA) for pupil transportation services for special education children. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage or services for its members. The JPAs are governed by a board consisting of a representative from each member district. Each board controls the operations of their JPAs, 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 JPAs. The JPAs are audited on an annual basis. Audited financial statements can be obtained by contacting each JPA's management.

NOTE 17 - ECONOMIC DEPENDENCY

During fiscal year 2012-13, the District received $7,314,880 of parcel tax revenue that is subject to voter approval, and $2,515,658 from the Mill Valley Schools Community, Kiddo!, that are subject to voluntary public contributions. The parcel tax is used to support various programs in the District.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

C. Long-Term Interfund Loan

On June 17, 1996, the Mill Valley School District Board of Trustee approved and adopted a Board resolution to loan funds from the Capital Projects - Special Reserve Fund to the Capital Facilities Fund as bridge financing for the Edna Maguire School site expansion. The resolution authorized the District to expend $2,047,870 from the Capital Projects - Special Reserve Fund to construct four buildings at the Edna Maguire School site.

The resolution also provided that beginning in the 1996-97 school year, the District would begin repaying the expended funds from the Capital Facilities Fund, with interest computed monthly at the prime rate. As of June 30, 2013, the outstanding balance on this loan is $1,352,230.

D. Construction Commitments

As of June 30, 2013, the District has the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Edna Maguire Elementary School Modernization	$ 15,733,849	June -14

NOTE 19 - 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 6, 2013, 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

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Revenue Limit Sources:				
State Apportionment	$ (77,817)	$ (77,817)	$ 567,343	$ 645,160
Local Sources	15,644,911	15,774,435	15,792,527	18,092
Total Revenue Limit Sources	15,567,094	15,696,618	16,359,870	663,252
Federal Revenue	538,255	777,470	726,335	(51,135)
Other State Revenue	908,390	1,526,364	1,529,983	3,619
Other Local Revenue	12,597,731	13,431,769	13,572,482	140,713
Total Revenues	29,611,470	31,432,221	32,188,670	756,449
Expenditures				
Certificated Salaries	15,075,905	14,969,681	14,831,077	138,604
Classified Salaries	4,570,563	4,738,778	4,562,670	176,108
Employee Benefits	6,594,094	6,619,362	6,564,510	54,852
Books and Supplies	563,590	2,067,821	1,325,518	742,303
Services and Other Operating Expenditures	2,519,599	2,816,380	2,657,319	159,061
Capital Outlay		38,209	38,761	(552)
Debt Service:				
Principal Retirement	80,067	80,067	80,067	
Interest and Fiscal Charges	3,792	3,792	3,792	
Other Expenditures	828,950	771,038	604,775	166,263
Total Expenditures	30,236,560	32,105,128	30,668,489	1,436,639
Excess of Revenues Over (Under) Expenditures	(625,090)	(672,907)	1,520,181	2,193,088
Other Financing (Uses)				
Operating Transfers Out	(2,500)	(2,500)	(12,600)	(10,100)
Net Change in Fund Balances	(627,590)	(675,407)	1,507,581	$ 2,182,988
Fund Balances - July 1, 2012	6,755,490	6,755,490	6,755,490	
Fund Balances - June 30, 2013	$ 6,127,900	$ 6,080,083	$ 8,263,071	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	Deferred Maintenance	Cafeteria
Assets		
Deposits and Investments	$ 382,690	$ 317
Receivables		33,900
Total Assets	$ 382,690	$ 34,217
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	$ 9,070	$ 9,528
Fund Balances:		
Restricted		24,689
Committed	373,620	
Assigned		
Total Fund Balances	373,620	24,689
Total Liabilities and Fund Balances	$ 382,690	$ 34,217

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

Capital Facilities	County School Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
$ 119,794	$ 50,664	$ 540,461	$ 1,093,926
			33,900
$ 119,794	$ 50,664	$ 540,461	$ 1,127,826
$ 145		$ 5,254	$ 23,997
119,649	$ 50,664		195,002
			373,620
		535,207	535,207
119,649	50,664	535,207	1,103,829
$ 119,794	$ 50,664	$ 540,461	$ 1,127,826

MILL VALLEY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Deferred Maintenance	Cafeteria
Revenues		
Federal Revenue		$ 84,009
State Revenue	$ 81,363	6,651
Local Revenue	649	530,671
Total Revenues	82,012	621,331
Expenditures		
Food Services		628,249
Other General Administration		
Plant Services	257,280	
Facilities Acquisition and Construction		
Total Expenditures	257,280	628,249
Excess of Revenues Over (Under) Expenditures	(175,268)	(6,918)
Other Financing Sources (Uses)		
Operating Transfers In		12,600
Operating Transfers Out		
Total Other Financing Sources (Uses)	0	12,600
Net Change in Fund Balances	(175,268)	5,682
Fund Balances - July 1, 2012	548,888	19,007
Fund Balances - June 30, 2013	$ 373,620	$ 24,689

	Capital Facilities	County School Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
				$ 84,009
				88,014
	$ 275,679	$ 64	$ 751	807,814
	275,679	64	751	979,837
				628,249
	13,558			13,558
	2,500		103,128	362,908
	55,520		345,485	401,005
	71,578	0	448,613	1,405,720
	204,101	64	(447,862)	(425,883)
			150,000	162,600
	(150,000)			(150,000)
	(150,000)	0	150,000	12,600
	54,101	64	(297,862)	(413,283)
	65,548	50,600	833,069	1,517,112
	$ 119,649	$ 50,664	$ 535,207	$ 1,103,829

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
7/1/12	$ 50,000	$ 5,884,496	$ 5,884,496	.8%	$ 18,461,112	31.9%
1/1/11	$ 0	$ 2,159,158	$ 2,159,158	0%	$ 17,828,380	12.1%
1/1/09	$ 0	$ 2,964,079	$ 2,964,079	0%	$ 16,290,824	18.2%

MILL VALLEY SCHOOL DISTRICT

ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

ORGANIZATION

The Mill Valley School District was established on May 1, 1891, and it comprises of an area of approximately 64 square miles located in Marin County. There were no changes in the boundaries of the District during the current year. The District is currently operating five elementary schools and one intermediate school.

BOARD OF EDUCATION

Name	Office	Term Expires
Leslie Wachtel	President	November 2015
Robin Moses	Vice-President / Clerk	November 2013
Raoul Wertz	Member	November 2013
Steve Sell	Member	November 2013
Bob Jacobs	Member	November 2015

ADMINISTRATION

Paul Johnson
Superintendent

Michele Rollins, Ed. D.
Assistant Superintendent/
Business Services

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	P-2 Report	Annual Report
Elementary		
Kindergarten	365.30	365.94
First through Third	1,047.18	1,049.19
Fourth through Sixth	973.66	974.69
Seventh and Eighth	607.05	607.22
Home and Hospital	0.37	0.58
Special Education - SDC	30.67	30.43
Special Education - Nonpublic	4.71	4.91
Extended Year Special Education - SDC	2.21	2.21
Extended Year Program - Nonpublic	0.49	0.49
Totals	3,031.64	3,035.66

SEE NOTES TO SUPPLEMENTARY INFORMATION

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Grade Level	1982-83 Actual Minutes	Adjusted 1982-83 Actual Minutes	1986-87 Minutes Required	Adjusted 1986-87 Minutes Required	2012-13 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,500	30,625	36,000	35,000	36,400	178	N/A	In Compliance
Grade 1	46,110	44,829	50,400	49,000	51,745	178	N/A	In Compliance
Grade 2	46,110	44,829	50,400	49,000	51,745	178	N/A	In Compliance
Grade 3	46,110	44,829	50,400	49,000	51,745	178	N/A	In Compliance
Grade 4	46,110	44,829	54,000	52,500	53,520	178	N/A	In Compliance
Grade 5	46,110	44,829	54,000	52,500	53,520	178	N/A	In Compliance
Grade 6	46,110	44,829	54,000	52,500	56,056	178	N/A	In Compliance
Grade 7	54,000	52,500	54,000	52,500	56,056	178	N/A	In Compliance
Grade 8	54,000	52,500	54,000	52,500	56,056	178	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Program Name	Federal Catalog Number	Pass-Through Identification Number	Federal Program Expenditures
U.S. Department of Agriculture:			
Passed through California Department of Education (CDE):			
National School Lunch	10.555	13524	$ 84,009
U.S. Department of Education:			
Passed through CDE:			
NCLB: Title I - Basic Grants Low-Income & Neglected	84.010	14329	48,160
NCLB: Title II - Improving Teacher Quality	84.367	14341	63,188
NCLB: Title III - Limited English Proficient	84.365	14346	10,358
NCLB: Title III - Immigrant Education Program	84.365	15146	9,600
Passed through Marin County SELPA:			
Special Education Cluster:			
IDEA Part B Basic Local Assistance	84.027	13379	370,538
IDEA Mental Health Services, Part B	84.027A	14468	145,187
U.S. Department of Health and Human Services:			
Passed through Contra Costa County Office of Education:			
Medi-Cal Billing	93.778	10013	20,629
Total			$ 751,669

SEE NOTES TO SUPPLEMENTARY INFORMATION

MILL VALLEY SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT

WITH AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Reserve For Post Employment Benefits Fund
June 30, 2013 Annual Financial and Budget Report Fund Balances	$ 6,586,749	$ 1,676,322
Reclassification Increasing (Decreasing) Fund Balances:		
Overstatement of Fund Balance		(1,676,322)
Understatement of Fund Balance	1,676,322	
June 30, 2013 Audited Financial Statements Fund Balances	$ 8,263,071	$ 0

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

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2013.

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	GENERAL FUND			
	(Budget) * 2013-14	2012-13	2011-12	2010-11
Revenues and Other Financial Sources	$ 33,270,202	$ 32,188,670	$ 30,125,508	$ 29,594,029
Expenditures	31,362,571	30,668,489	30,284,380	28,800,862
Other Uses and Transfers Out	2,500	12,600	0	150,000
Total Outgo	31,365,071	30,681,089	30,284,380	28,950,862
Change in Fund Balance	1,905,131	1,507,581	(158,872)	643,167
Ending Fund Balance	$ 10,168,202	$ 8,263,071	$ 6,755,490	$ 6,914,362
Available Reserves	$ 7,646,346	$ 5,662,670	$ 4,367,610	$ 4,521,988
Reserve for Economic Uncertainties **	$ 7,646,346	$ 5,662,670	$ 4,367,610	$ 4,521,988
Available Reserves as a Percentage of Total Outgo	24.4%	18.5%	14.4%	15.6%
Average Daily Attendance at P-2	3,080	3,032	2,867	2,711
Total Long-Term Liabilities	$ 80,722,058	$ 83,711,184	$ 84,507,782	$ 53,900,515

* Amounts reported for the 2013-14 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 $1,348,709 (19.5%) over the past two years. The fiscal year 2013-14 budget projects an increase of $1,905,131. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses of $1,507,581 and $643,167 during fiscal years 2012-13 and 2010-11, respectively, and incurred an operating deficit of $158,872 during fiscal year 2011-12.

Average daily attendance (ADA) increased 321 ADA over the past two years. The District projects an increase of 48 ADA during fiscal year 2013-14.

Total long-term liabilities increased $29,810,669 over the past two years, due primarily to the issuance of $30,605,000 in general obligation bonds during fiscal year 2011-12.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

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

B. Combining Statements

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

C. Schedule of Funding Progress

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

D. Schedule of Average Daily Attendance

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

E. Schedule of Instructional Time

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

F. Schedule of Expenditures of Federal Awards

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

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

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

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

H. Schedule of Financial Trends and Analysis

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Mill Valley School District
Mill Valley, California

Report on State Compliance

We have audited Mill Valley School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13* for the year ended June 30, 2013.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Mill Valley School District's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13*, prescribed in the California Code of Regulations, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Mill Valley School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations applicable in the following areas. However, our audit does not provide a legal determination of Mill Valley School District's compliance with those requirements.

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

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

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

Opinion on Compliance

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

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 6, 2013

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
Mill Valley School District
Mill Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mill Valley School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2013. The report on the financial statements was qualified because the financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements.

Internal Control Over Financial Reporting

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

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

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

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

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 6, 2013

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Education
Mill Valley School District
Mill Valley, California

Report on Compliance for Each Major Federal Program

We have audited Mill Valley School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mill Valley School District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mill Valley School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mill Valley School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Mill Valley School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

Management of Mill Valley School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 6, 2013

FINDINGS AND QUESTIONED COSTS SECTION

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
Material weaknesses identified?	____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	____ Yes	X No

Identification of major programs:

CFDA Numbers	Federal Program
84.027/84.027A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

State Awards

Internal control over state programs:		
Material weaknesses identified?	____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes	X None reported
Type of auditor's report issued on compliance for state programs:	Unmodified	

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Recommendations	Current Status	Explanation If Not Fully Implemented
STATE AWARDS		
12 - 1 / 10000		
SIGNIFICANT DEFICIENCY		
ATTENDANCE REPORTING		
Someone other than the preparer of the attendance reports should review supporting documentation and manual calculations used in the preparation of attendance reports, to ensure that reported information is accurate and complete. The District's P-2 attendance report should be revised to reflect the audited ADA.	Implemented	
12 - 2 / 40000		
SIGNIFICANT DEFICIENCY		
CLASS SIZE REDUCTION		
The District should establish procedures to ensure that a second employee reviews Form J-7CSR and its supporting documents for accuracy prior to submitting the form to the state. In addition, the District should amend Form J-7CSR for fiscal year 2011-12 to reflect 1,153 eligible pupils.	Implemented	