

**MILL VALLEY SCHOOL DISTRICT
COUNTY OF MARIN
MILL VALLEY, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2011

JUNE 30, 2011

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MILL VALLEY SCHOOL DISTRICT

JUNE 30, 2011

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STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Mill Valley School District
Mill Valley, California

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 fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mill Valley School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of the Mill Valley School District, which consists of all funds that comprise the District's legal entity. The financial statements do not include financial data of Mill Valley Schools Community Foundation, or other exempt organizations that qualify as legally separate component units of the Mill Valley School District, which accounting principles generally accepted in the United States of America require to be reported with the financial statements of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Mill Valley School District, as of June 30, 2011, and the changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13, the budgetary comparison information on page 49, and the Schedule of Funding Progress on page 54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 combining fund financial statements, supplementary schedules listed in the table of contents, and 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

**MILL VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(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, 2011. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 through 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 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 assets increased 3.8%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$383,155.
- Capital assets, net of depreciation, increased \$4,146,494 due to the current year acquisition and/or construction of \$5,582,406 of new capital assets, and the current year recognition of \$1,435,912 of depreciation expense.
- Total long-term liabilities decreased \$847,924, due primarily to the net effect of a \$1,015,592 decrease in the District's general obligation bonds.
- The District's P-2 average daily attendance (ADA) increased from 2,611 in fiscal year 2009-10, up to 2,711 in fiscal year 2010-11, an increase of 3.8%.
- The District's General Fund produced an operating surplus of \$643,167 during fiscal year 2010-11, and recognized a \$468,823 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 General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2010-11, General Fund expenditures and other financing uses totaled \$28,950,862. At June 30, 2011, the District had available reserves of \$4,521,988 which represents a reserve of 15.6%.

**MILL VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
 - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
 - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

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

Reporting the District as a Whole

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

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

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

MILL VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

The basic services provided by the District, such as regular and special education, 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.

**MILL VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net assets increased from \$10,096,848 at June 30, 2010, up to \$10,480,003 at June 30, 2011, an increase of 3.8%.

<u>Comparative Statement of Net Assets</u>		
	Governmental Activities	
	2010	2011
<u>Assets</u>		
Deposits and Investments	\$ 39,367,865	\$ 35,656,087
Receivables	1,235,012	1,712,063
Prepaid Expenses	424,364	406,743
Capital Assets, net	26,475,342	30,621,836
Total Assets	<u>67,502,583</u>	<u>68,396,729</u>
<u>Liabilities</u>		
Current	5,291,625	6,743,483
Long-term	52,114,110	51,173,243
Total Liabilities	<u>57,405,735</u>	<u>57,916,726</u>
<u>Net Assets</u>		
Invested in Capital Assets		
- Net of Related Debt	13,789,007	13,435,887
Restricted for Capital Projects	976,947	82,628
Restricted for Debt Service	(10,716,537)	(10,450,483)
Restricted for Educational Programs	1,011,869	772,254
Restricted for Other Purposes	512,517	2,500
Unrestricted	4,523,045	6,637,217
Total Net Assets	<u>\$ 10,096,848</u>	<u>\$ 10,480,003</u>

Table includes financial data of the combined governmental funds.

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 the amount available in the Bond Interest and Redemption Fund. This deficit will be eliminated by future property tax collections.

**MILL VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year revenues exceeded total current year expenses by \$383,155.

<u>Comparative Statement of Changes in Net Assets</u>		
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2011</u>
<u>Program Revenues</u>		
Charges for Services	\$ 6,259	\$ 247,638
Operating Grants & Contributions	4,251,587	5,023,693
<u>General Revenues</u>		
Taxes Levied	24,314,213	26,001,507
Federal & State Aid	1,609,371	1,439,426
Interest & Investment Earnings	96,880	179,579
Miscellaneous	1,583,767	1,416,950
Total Revenues	31,862,077	34,308,793
<u>Expenses</u>		
Instruction	19,202,045	19,844,136
Instruction-Related Services	3,361,425	3,489,012
Pupil Services	1,130,463	1,397,302
General Administration	2,776,819	2,868,715
Plant Services	2,774,223	2,754,279
Interest on Long-Term Debt	1,396,893	2,917,558
Other Outgo	648,766	654,636
Total Expenses	31,290,634	33,925,638
Changes in Net Assets	\$ 571,443	\$ 383,155

Table includes financial data of the combined governmental funds.

**MILL VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

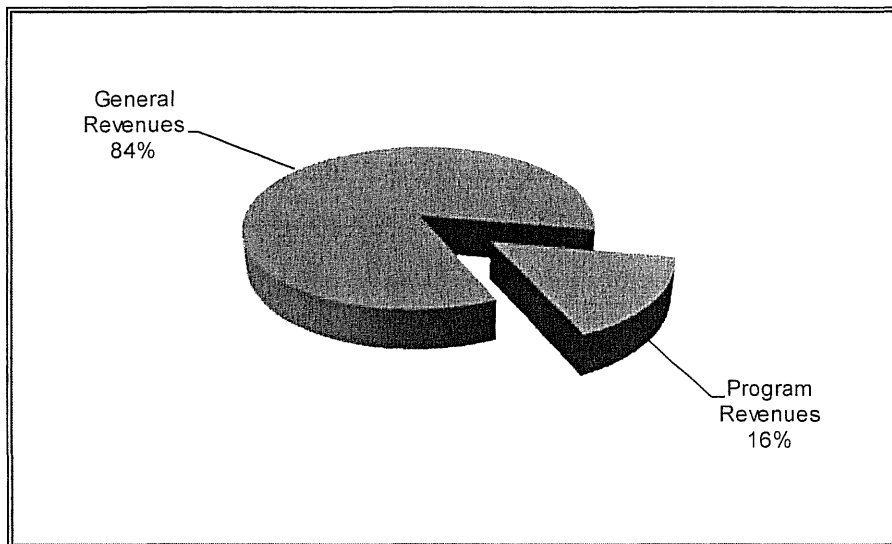
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
	Instruction	\$ 19,202,045	\$ 19,844,136	\$ 15,886,903
Instruction-Related Services	3,361,425	3,489,012	2,957,978	3,002,442
Pupil Services	1,130,463	1,397,302	809,582	786,747
General Administration	2,776,819	2,868,715	2,710,329	2,860,979
Plant Services	2,774,223	2,754,279	2,773,516	2,754,279
Interest on Long-Term Debt	1,396,893	2,917,558	1,396,893	2,917,558
Other Outgo	648,766	654,636	497,587	466,009
Totals	\$ 31,290,634	\$ 33,925,638	\$ 27,032,788	\$ 28,654,307

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 \$28,654,307 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



Program revenues financed 16% of the total cost of providing the services listed above, while the remaining 84% was financed by the general revenues of the District.

**MILL VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

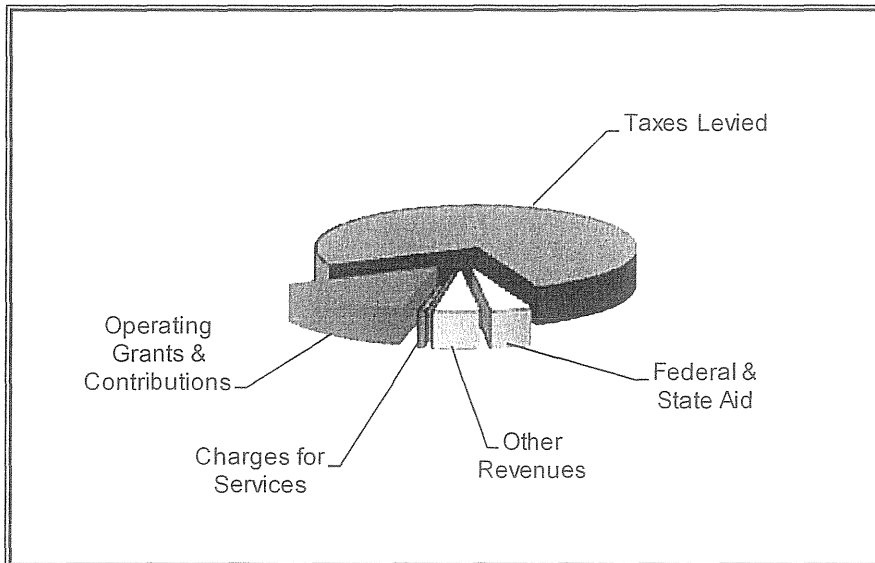
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	<u>FYE 2010 Amount</u>	<u>Percent of Total</u>	<u>FYE 2011 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 6,259	0.02%	\$ 247,638	0.72%
Operating Grants & Contributions	4,251,587	13.34%	5,023,693	14.64%
<u>General Revenues</u>				
Taxes Levied	24,314,213	76.31%	26,001,507	75.79%
Federal & State Aid	1,609,371	5.05%	1,439,426	4.20%
Other Revenues	1,680,647	5.27%	1,596,529	4.65%
Total Revenues	<u>\$ 31,862,077</u>	<u>100.00%</u>	<u>\$ 34,308,793</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds.



**MILL VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

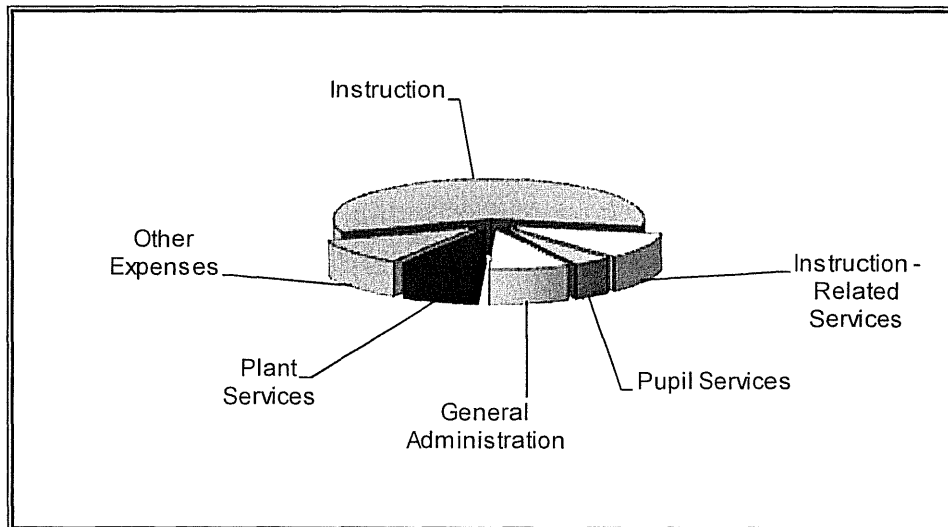
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2010 Amount</u>	<u>Percent of Total</u>	<u>FYE 2011 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 19,202,045	61.37%	\$ 19,844,136	58.49%
Instruction-Related Services	3,361,425	10.74%	3,489,012	10.28%
Pupil Services	1,130,463	3.61%	1,397,302	4.12%
General Administration	2,776,819	8.87%	2,868,715	8.46%
Plant Services	2,774,223	8.87%	2,754,279	8.12%
Other Expenses	2,045,659	6.54%	3,572,194	10.53%
Total Expenses	\$ 31,290,634	100.00%	\$ 33,925,638	100.00%

Table includes financial data of the combined governmental funds.



**MILL VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Capital Assets</u>		
	Governmental Activities	
	2010	2011
Land	\$ 1,673,666	\$ 1,673,666
Sites and Improvements	4,315,054	5,344,385
Buildings and Improvements	40,561,464	40,783,098
Furniture and Equipment	471,033	471,033
Work in Progress	909,375	5,240,816
Subtotals	47,930,592	53,512,998
Less: Accumulated Depreciation	(21,455,250)	(22,891,162)
Capital Assets, net	<u>\$ 26,475,342</u>	<u>\$ 30,621,836</u>

Capital assets, net of depreciation, increased \$4,146,494 due to the current year acquisition and/or construction of \$5,582,406 of new capital assets, and the current year recognition of \$1,435,912 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2010	2011
Compensated Absences	\$ 81,837	\$ 77,272
General Obligation Bonds: Current Interest	29,750,000	29,195,000
General Obligation Bonds: Capital Appreciation	24,264,658	23,804,066
Other Post Employment Benefits	651,944	824,177
Totals	<u>\$ 54,748,439</u>	<u>\$ 53,900,515</u>

Total long-term liabilities decreased \$847,924, due primarily to the net effect of a \$1,015,592 decrease in the District's obligation for general obligation bonds.

**MILL VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The general obligation bonds are financed by the local taxpayers and represent 98.3% 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 \$643,167 during fiscal year 2010-11, while the combined fund balances of other District governmental funds decreased \$4,754,421, due primarily to the expenditures incurred in the Building Fund for acquisition and/or construction of new capital assets.

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 District is expected to maintain its basic aid status during fiscal year 2011-12. Accordingly, the District's revenue limit funding is expected to remain generally stable. However, due to the recent growth in student enrollment, expenditures are projected to increase.
- 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.
- The State's economic condition is another factor affecting the District's future. Since the financial well being of the District is affected by the economic condition of the state, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**MILL VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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.

FINANCIAL SECTION

**MILL VALLEY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 35,656,087
Receivables (Note 4)	1,712,063
Prepaid Expenses (Note 1J)	406,743
Capital Assets: (Note 6)	
Land	1,673,666
Sites and Improvements	5,344,385
Buildings and Improvements	40,783,098
Furniture and Equipment	471,033
Work-in-Progress	5,240,816
Less: Accumulated Depreciation	(22,891,162)
Total Assets	68,396,729
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	3,331,310
Deferred Revenue (Note 1J)	684,901
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1J)	77,272
General Obligation Bonds (Note 7)	
Capital Appreciation	2,485,000
Other Post Employment Benefits (Note 8)	165,000
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 7)	
Current Interest	29,195,000
Capital Appreciation	21,319,066
Other Post Employment Benefits (Note 8)	659,177
Total Liabilities	57,916,726
<u>Net Assets</u>	
Investment in Capital Assets, Net of Related Debt	13,435,887
Restricted:	
For Capital Projects	82,628
For Debt Service	(10,450,483)
For Educational Programs	772,254
For Other Purposes	2,500
Unrestricted	6,637,217
Total Net Assets	\$ 10,480,003

**MILL VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 19,844,136		\$ 3,977,843		\$ (15,866,293)
Instruction-Related Services:					
Supervision of Instruction	370,691		161,561		(209,130)
Instructional Library and Technology	975,057		252,727		(722,330)
School Site Administration	2,143,264		72,282		(2,070,982)
Pupil Services:					
Home-to-School Transportation	12,413		5,552		(6,861)
Food Services	364,022	\$ 247,638	56,006		(60,378)
Other Pupil Services	1,020,867		301,359		(719,508)
General Administration:					
Data Processing Services	497,146				(497,146)
Other General Administration	2,371,569		7,736		(2,363,833)
Plant Services	2,754,279				(2,754,279)
Interest on Long-Term Debt	2,917,558				(2,917,558)
Other Outgo	654,636		188,627		(466,009)
Total Governmental Activities	\$ 33,925,638	\$ 247,638	\$ 5,023,693	\$ 0	(28,654,307)
<u>General Revenues</u>					
Taxes Levied for General Purposes					15,218,824
Taxes Levied for Debt Service					3,982,793
Taxes Levied for Specific Purposes					6,799,890
Federal and State Aid - Unrestricted					1,439,426
Interest and Investment Earnings					179,579
Miscellaneous					1,416,950
Total General Revenues					29,037,462
Change in Net Assets					383,155
Net Assets - July 1, 2010					10,096,848
Net Assets - June 30, 2011					\$ 10,480,003

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**MILL VALLEY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 6,716,745	\$ 3,368,981	\$ 24,097,645	\$ 1,472,716	\$ 35,656,087
Receivables (Note 4)	1,695,347			16,716	1,712,063
Total Assets	<u>\$ 8,412,092</u>	<u>\$ 3,368,981</u>	<u>\$ 24,097,645</u>	<u>\$ 1,489,432</u>	<u>\$ 37,368,150</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 1,219,572		\$ 1,593,703	\$ 7,746	\$ 2,821,021
Deferred Revenue (Note 1J)	278,158				278,158
Total Liabilities	<u>1,497,730</u>		<u>1,593,703</u>	<u>7,746</u>	<u>3,099,179</u>
Fund Balances: (Note 10)					
Nonspendable	2,500				2,500
Restricted	772,254	\$ 3,368,981	22,503,942	82,628	26,727,805
Assigned	1,617,620			1,399,058	3,016,678
Unassigned	4,521,988				4,521,988
Total Fund Balances	<u>6,914,362</u>	<u>3,368,981</u>	<u>22,503,942</u>	<u>1,481,686</u>	<u>34,268,971</u>
Total Liabilities and Fund Balances	<u>\$ 8,412,092</u>	<u>\$ 3,368,981</u>	<u>\$ 24,097,645</u>	<u>\$ 1,489,432</u>	<u>\$ 37,368,150</u>

MILL VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balances - Governmental Funds \$ 34,268,971

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

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

Capital Assets	\$ 53,512,998	
Accumulated Depreciation	<u>(22,891,162)</u>	
Net		30,621,836

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

406,743

Unamortized premiums: In governmental funds, bond premiums are recognized as revenues in the period they are received. In the government-wide statements, premiums are amortized over the life of the debt. Unamortized premiums, reported as deferred revenue on the statement of net assets are:

(406,743)

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 unamatured interest owed at the end of the period was:

(510,289)

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

Compensated Absences	77,272	
General Obligation Bonds:		
Current Interest	29,195,000	
Capital Appreciation	23,804,066	
Other Post Employment Benefits	<u>824,177</u>	
Total		<u>(53,900,515)</u>

Total Net Assets - Governmental Activities \$ 10,480,003

**MILL VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	
	District	Component Units
<u>Revenues</u>		
Revenue Limit Sources:		
State Apportionment	\$ (67,511)	
Local Taxes	15,218,824	
Total Revenue Limit Sources	15,151,313	
Federal Revenue	858,907	
State Revenue	1,511,300	
Local Revenue	9,510,482	\$ 2,562,027
Total Revenues	27,032,002	2,562,027
<u>Expenditures</u>		
Instruction	18,733,148	
Supervision of Instruction	353,155	
Instructional Library and Technology	928,931	
School Site Administration	2,041,874	
Home-To-School Transportation	11,826	
Food Services	105	
Other Pupil Services	972,573	
Data Processing Services	473,628	
Other General Administration	2,228,044	
Plant Services	2,420,563	
Facilities Acquisition and Construction		
Debt Service:		
Principal Retirement		
Interest and Issuance Costs		
Other Outgo	637,015	
Total Expenditures	28,800,862	0
Excess of Revenues Over (Under) Expenditures	(1,768,860)	2,562,027
<u>Other Financing Sources (Uses)</u>		
Operating Transfers In	2,562,027	
Operating Transfers Out	(150,000)	(2,562,027)
Total Other Financing Sources (Uses)	2,412,027	(2,562,027)
Net Change in Fund Balances	643,167	0
Fund Balances - (As restated - Note 18) July 1, 2010	6,271,195	0
Fund Balances - June 30, 2011	\$ 6,914,362	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
			\$ (67,511)
			15,218,824
			15,151,313
		\$ 52,697	911,604
\$ 24,113		85,176	1,620,589
3,966,445	\$ 134,047	434,665	16,607,666
<u>3,990,558</u>	<u>134,047</u>	<u>572,538</u>	<u>34,291,172</u>
			18,733,148
			353,155
			928,931
			2,041,874
			11,826
		346,696	346,801
			972,573
			473,628
			2,228,044
		188,421	2,608,984
	5,440,625	192,681	5,633,306
2,360,000			2,360,000
1,073,123		18	1,073,141
<u>3,433,123</u>	<u>5,440,625</u>	<u>727,816</u>	<u>38,402,426</u>
557,435	(5,306,578)	(155,278)	(4,111,254)
		210,000	2,772,027
		(60,000)	(2,772,027)
0	0	150,000	0
557,435	(5,306,578)	(5,278)	(4,111,254)
2,811,546	27,810,520	1,486,964	38,380,225
<u>\$ 3,368,981</u>	<u>\$ 22,503,942</u>	<u>\$ 1,481,686</u>	<u>\$ 34,268,971</u>

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, 2011

Net Change in Fund Balances - Governmental Funds \$ (4,111,254)

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	\$	5,582,406	
Depreciation Expense		(1,435,912)	
Net		4,146,494	4,146,494

Amortization of debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing sources in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is: 17,621

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 amount of debt issue costs amortized for the period is: (17,621)

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: 4,565

Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and employer contributions was: (172,233)

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 - Current Interest	555,000		
General Obligation Bonds - Capital Appreciation		1,805,000	2,360,000

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: (1,344,408)

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: (500,009)

Change in Net Assets of Governmental Activities \$ 383,155

MILL VALLEY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 16,310	\$ 16,310
<u>Liabilities</u>		
Due to Student Groups	<u>16,310</u>	<u>16,310</u>
<u>Net Assets</u>		
Total Net Assets	<u>\$ 0</u>	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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 prepares its financial statements in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

The District is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements.

B. Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship. The District has determined that there are no entities, with financial activities that benefited the District, during fiscal year 2010-11, which should be included within its financial reporting entity under GASB 14.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of the component units' relationship with the District. The District has determined that the Mill Valley Schools Community Foundation and various other organized community support groups meet the criteria set forth in GASB 39. However, audited financial statements were not available from any of the component units for inclusion in the District's financial statements. Accordingly, only the combined financial activities of the component units that flow through the District are presented on page 18 under the caption "Component Units."

The District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Accounting Pronouncements

In March of 2009, the GASB issued GASB Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definition*, with required implementation for the District during the year ended June 30, 2011. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 provides for fund balance classifications such as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The effect of implementing GASB 54 resulted in a reclassification of the beginning fund balances as of July 1, 2010, due to the Special Reserve For Post Employment Benefits Fund no longer meeting the fund definition of a special revenue fund. Further detail on the reclassification is described in Note 18.

D. Basis of Presentation

Government-wide Financial Statements:

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

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.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Concluded)

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.

E. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)E. Basis of Accounting (Concluded)

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.

F. Fund Accounting

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

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

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

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Accounting (Concluded)

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. It is used to account for and report all financial resources not accounted for and reported in another fund. The financial activities of the General Fund have been divided into two separate columns on the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances. The first column reflects the revenues received from *District* sources along with all of the expenditures of the General Fund. The second column reflects the revenues received for General Fund purposes that are provided by *Component Units*. This presentation has been included to illustrate the District's heavy reliance on community support for providing its educational programs.

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 by the sale of the Election of 2009 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).

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)G. 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).

H. 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.

I. 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.

J. Assets, Liabilities and Equity1. 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.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

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

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

2. Prepaid Expenses

Prepaid expenses include 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 net assets reserve, which indicates that this amount is not "available for appropriation and expenditure" even though it is a component of net current assets.

3. Capital Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)J. Assets, Liabilities and Equity (Continued)4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Deferred revenue includes premiums associated with bonds, issued after the implementation of GASB Statement 34, which are amortized over the life of the bond obligation.

5. Compensated Absences

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

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

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Assets. 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:

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).

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

7. Fund Balances (Concluded)

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.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)J. Assets, Liabilities and Equity (Concluded)8. Revenue Limit/Property Tax (Concluded)

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 INVESTMENTSSummary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks		\$ 16,310
Cash in Revolving Fund	\$ 2,500	
County Pool Investments	<u>35,653,587</u>	
Total Deposits and Investments	<u>\$ 35,656,087</u>	<u>\$ 16,310</u>

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.

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).

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

Segmented Time Distribution

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 35,653,587	\$ 35,679,702	\$ 27,327,444	\$ 8,326,143

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)Credit Risk

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 35,653,587	\$ 35,679,702			\$ 35,653,587

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2011, 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.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

	<u>Excess Expenditures</u>
Other Expenditures	\$ 68,095

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2011 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 184,863	\$ 8,654	\$ 193,517
State Government	788,395	558	788,953
Local Governments	225,423		225,423
Miscellaneous	496,666	7,504	504,170
Totals	\$ 1,695,347	\$ 16,716	\$ 1,712,063

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. 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, 2011.

B. Interfund Transfers

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)B. Interfund Transfers (Concluded)

Interfund transfers for fiscal year 2010-11 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General - District	\$ 2,562,027	\$ 150,000
General - Component Units		2,562,027
Building		
Deferred Maintenance	95,000	
Cafeteria	55,000	
Capital Facilities		60,000
Capital Projects - Special Reserve	<u>60,000</u>	<u> </u>
Totals	<u>\$ 2,772,027</u>	<u>\$ 2,772,027</u>

Transfer of \$2,562,027 of contributions from the General Fund - Component Units to the General Fund - District to support District programs.

Transfer of \$95,000 from the General Fund to the Deferred Maintenance Fund for deferred maintenance related projects.

Transfer of \$55,000 from the General Fund to the Cafeteria Fund to support the program.

Transfer of \$60,000 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, 2011, is shown below:

	<u>Balances</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2011</u>
Land	\$ 1,673,666			\$ 1,673,666
Sites and Improvements	4,315,054	\$ 1,029,331		5,344,385
Buildings and Improvements	40,561,464	221,634		40,783,098
Furniture and Equipment	471,033			471,033
Work-in-Progress	909,375	5,404,724	\$ 1,073,283	5,240,816
Totals at Historical Cost	<u>47,930,592</u>	<u>6,655,689</u>	<u>1,073,283</u>	<u>53,512,998</u>
Less Accumulated Depreciation for:				
Sites and Improvements	3,373,104	180,051		3,553,155
Buildings and Improvements	17,835,523	1,236,144		19,071,667
Furniture and Equipment	246,623	19,717		266,340
Total Accumulated Depreciation	<u>21,455,250</u>	<u>1,435,912</u>	<u>0</u>	<u>22,891,162</u>
Governmental Activities				
Capital Assets, net	<u>\$ 26,475,342</u>	<u>\$ 5,219,777</u>	<u>\$ 1,073,283</u>	<u>\$ 30,621,836</u>

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 938,755
Supervision of Instruction	17,536
Instructional Library and Technology	46,126
School Site Administration	101,390
Home-To-School Transportation	587
Food Services	17,221
Other Pupil Services	48,294
Data Processing Services	23,518
Other General Administration	112,190
Plant Services	<u>130,295</u>
Total	<u>\$ 1,435,912</u>

NOTE 7 - GENERAL OBLIGATION BONDS

The outstanding general obligation debt of the District as of June 30, 2011 was as follows:

A. Current Interest Bonds

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2011</u>
7/1/98	4.25-5.90	8/1/10	\$ 4,280,000	\$ 555,000		\$ 555,000	\$ 0
3/9/10	3.00-5.00	8/1/34	<u>29,195,000</u>	<u>29,195,000</u>			<u>29,195,000</u>
Totals			<u>\$ 33,475,000</u>	<u>\$ 29,750,000</u>	<u>\$ 0</u>	<u>\$ 555,000</u>	<u>\$ 29,195,000</u>

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 0	\$ 1,239,762	\$ 1,239,762
2013	0	1,239,762	1,239,762
2014	0	1,239,762	1,239,762
2015	0	1,239,762	1,239,762
2016	0	1,239,762	1,239,762
2017-2021	800,000	6,171,063	6,971,063
2022-2026	4,515,000	5,767,739	10,282,739
2027-2031	10,075,000	4,295,438	14,370,438
2032-2036	<u>13,805,000</u>	<u>1,250,244</u>	<u>15,055,244</u>
Totals	<u>\$ 29,195,000</u>	<u>\$ 23,683,294</u>	<u>\$ 52,878,294</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

B. Capital Appreciation Bonds

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2010	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2011
8/2/94	6.20-6.40	8/1/19	\$ 2,889,198	\$ 5,067,233	\$ 295,520	\$ 520,000	\$ 4,842,753
8/1/95	6.30-6.70	8/1/20	2,731,793	4,913,085	296,404	485,000	4,724,489
2/1/96	5.65-5.85	8/1/20	4,680,809	8,018,785	426,128	800,000	7,644,913
7/23/98	4.95-5.30	7/1/23	<u>3,417,300</u>	<u>6,265,555</u>	<u>326,356</u>		<u>6,591,911</u>
Totals			<u>\$ 13,719,100</u>	<u>\$ 24,264,658</u>	<u>\$ 1,344,408</u>	<u>\$ 1,805,000</u>	<u>\$ 23,804,066</u>

The outstanding obligation for the 1994 series A capital appreciation serial and term bonds at June 30, 2011, was as follows:

Year Ended June 30	Rate %	Amount of Original Issue (Principal)	Accreted Interest	Totals
2012	6.20	\$ 194,821	\$ 352,416	\$ 547,237
2013	6.25	193,249	354,042	547,291
2014	6.30	190,823	354,050	544,873
2015	6.30	189,472	351,542	541,014
2016	6.40	185,310	352,566	537,876
2017-2021	6.40	<u>731,922</u>	<u>1,392,540</u>	<u>2,124,462</u>
Totals		<u>\$ 1,685,597</u>	<u>\$ 3,157,156</u>	<u>\$ 4,842,753</u>

The annual requirements to amortize the 1994 series A capital appreciation serial and term bonds at June 30, 2011, are as follows:

Year Ended June 30	Principal	Interest	Totals
2012	\$ 194,821	\$ 355,179	\$ 550,000
2013	193,249	391,751	585,000
2014	190,823	429,177	620,000
2015	189,472	465,528	655,000
2016	185,310	510,307	695,617
2017-2021	<u>731,922</u>	<u>2,491,236</u>	<u>3,223,158</u>
Totals	<u>\$ 1,685,597</u>	<u>\$ 4,643,178</u>	<u>\$ 6,328,775</u>

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011, was as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Rate %</u>	Amount of <u>Original Issue</u> <u>(Principal)</u>	<u>Accreted</u> <u>Interest</u>	<u>Totals</u>
2012	6.30	\$ 189,037	\$ 318,366	\$ 507,403
2013	6.40	183,334	316,405	499,739
2014	6.45	180,212	314,825	495,037
2015	6.50	174,994	309,432	484,426
2016	6.50	172,496	305,015	477,511
2017-2021	6.55-6.70	799,335	1,461,038	2,260,373
Totals		<u>\$ 1,699,408</u>	<u>\$ 3,025,081</u>	<u>\$ 4,724,489</u>

The annual requirements to amortize the 1994 series B capital appreciation serial bonds at June 30, 2011, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 189,037	\$ 320,963	\$ 510,000
2013	183,334	351,666	535,000
2014	180,212	384,788	565,000
2015	174,994	415,006	590,000
2016	172,496	447,504	620,000
2017-2021	799,335	2,800,665	3,600,000
Totals	<u>\$ 1,699,408</u>	<u>\$ 4,720,592</u>	<u>\$ 6,420,000</u>

The outstanding obligation for the 1994 series C capital appreciation serial bonds at June 30, 2011, was as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Rate %</u>	Amount of <u>Original Issue</u> <u>(Principal)</u>	<u>Accreted</u> <u>Interest</u>	<u>Totals</u>
2012	5.65	\$ 349,953	\$ 476,241	\$ 826,194
2013	5.70	342,194	471,753	813,947
2014	5.70	336,582	464,010	800,592
2015	5.75	327,596	457,502	785,098
2016	5.75	322,783	450,776	773,559
2017-2021	5.80-5.85	1,503,189	2,142,334	3,645,523
Totals		<u>\$ 3,182,297</u>	<u>\$ 4,462,616</u>	<u>\$ 7,644,913</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 349,953	\$ 480,047	\$ 830,000
2013	342,194	522,806	865,000
2014	336,582	563,418	900,000
2015	327,596	607,404	935,000
2016	322,783	652,217	975,000
2017-2021	1,503,189	3,981,811	5,485,000
Totals	<u>\$ 3,182,297</u>	<u>\$ 6,807,703</u>	<u>\$ 9,990,000</u>

The outstanding obligation for the 1998 series A capital appreciation serial bonds at June 30, 2011, was as follows:

<u>Year Ended June 30</u>	<u>Rate %</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2012	4.95	\$ 314,755	\$ 277,845	\$ 592,600
2013	5.00	305,195	273,046	578,241
2014	5.05	295,463	267,878	563,341
2015	5.10	285,594	262,378	547,972
2016	5.10	277,930	255,345	533,275
2017-2021	5.15-5.25	1,268,843	1,193,054	2,461,897
2022-2026	5.25-5.30	669,520	645,065	1,314,585
Totals		<u>\$ 3,417,300</u>	<u>\$ 3,174,611</u>	<u>\$ 6,591,911</u>

The annual requirements to amortize the 1998 series A capital appreciation serial bonds at June 30, 2011, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 314,755	\$ 280,245	\$ 595,000
2013	305,195	304,805	610,000
2014	295,463	329,537	625,000
2015	285,594	354,406	640,000
2016	277,930	377,070	655,000
2017-2021	1,268,843	2,271,157	3,540,000
2022-2026	669,520	1,670,480	2,340,000
Totals	<u>\$ 3,417,300</u>	<u>\$ 5,587,700</u>	<u>\$ 9,005,000</u>

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

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

Plan Descriptions: 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 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 (single \$568.99, 2-party \$1,137.98, and family \$1,457.52) 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 (single \$568.99, 2-party \$1,137.98, and family \$1,457.52) until age 65. 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 based on the elected coverage for 3 years. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Beginning in February 1, 2011, active full time certificated employees will pay \$350 per year 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 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.

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.

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

The number of participants as of January 1, 2011, the effective date of the biennial OPEB valuation is as follows.

Active employees	287
Retired employees	<u>41</u>
Total	<u><u>328</u></u>

Funding Policy: The District currently pays for post employment health care benefits on a pay-as-you-go basis. Although the District is studying the establishment of a trust to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2011, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$824,177 for the year ended June 30, 2011:

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Level Percentage of Projected Payroll Amortization

Calculation of ARC under Projected Unit Credit Cost Method

Normal cost with interest to end of year	\$	133,731
Amortization of UAAL with interest to end of year		157,696
Annual required contribution (ARC)		291,427
Interest on net OPEB obligation		41,659
Adjustment to ARC		(46,163)
Annual OPEB cost (expense)		286,923
Contributions for the fiscal year		(114,690)
Increase in net OPEB obligation		172,233
Net OPEB obligation - June 30, 2010		651,944
Net OPEB obligation - June 30, 2011	\$	824,177

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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 286,923	40.0%	\$ 824,177
June 30, 2010	444,201	23.7%	651,944
June 30, 2009	419,270	25.3%	313,097

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

In the January 1, 2011, 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. The actuarial assumptions utilized a 4.5% discount rate, the expected long-term rate of return on District assets. The compensation increase rate of 3.25% was provided by the District and based on the historical per annum increase. The valuation assumes an initial healthcare cost trend rate of 8.5% which grades down to an ultimate rate of 5% by 2079 and beyond.

NOTE 9 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2011, is shown below:

	Balances July 1, 2010	Additions	Deductions	Balances June 30, 2011	Due within One Year
Compensated Absences	\$ 81,837	\$ 77,272	\$ 81,837	\$ 77,272	\$ 77,272
General Obligation Bonds					
Current Interest	29,750,000		555,000	29,195,000	
Capital Appreciation	24,264,658	1,344,408	1,805,000	23,804,066	2,485,000
Other Post Employment Benefits	651,944	286,923	114,690	824,177	165,000
Totals	<u>\$ 54,748,439</u>	<u>\$ 1,708,603</u>	<u>\$ 2,556,527</u>	<u>\$ 53,900,515</u>	<u>\$ 2,727,272</u>

NOTE 10 - FUND BALANCES

The District's fund balances at June 30, 2011 consisted of the following:

	General Fund	Bond Interest Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 2,500				\$ 2,500
Restricted	772,254	\$ 3,368,981	\$ 22,503,942	\$ 82,628	26,727,805
Assigned	1,617,620			1,399,058	3,016,678
Unassigned:					
Economic Uncertainties	4,521,988				4,521,988
Totals	<u>\$ 6,914,362</u>	<u>\$ 3,368,981</u>	<u>\$ 22,503,942</u>	<u>\$ 1,481,686</u>	<u>\$ 34,268,971</u>

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - 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 (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

A. State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$1,134,597, \$1,079,200, and \$1,014,948, 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 P Street, Sacramento, CA 95814.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)B. California Public Employees' Retirement System (CalPERS) (Concluded)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 2010-11 was 10.707%. 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, 2011, 2010, and 2009, were \$462,597, \$404,461, and \$378,656, 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 (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, each employee was required to contribute 6.2% of his or her gross earnings for the period July 2010 to December 2010 and 4.2% for the period January 2011 to June 2011.

NOTE 12 - 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 (STRS) for K-12 education. These payments consist of state general fund contributions of \$586,826 to STRS (4.267% of salaries subject to STRS).

NOTE 13 - OPERATING LEASESA. Facilities

The District leases certain excess facilities to others. The rental revenue from these leases for the year ended June 30, 2011 was \$1,024,497. A majority of these leases are long-term leases.

B. Portables

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.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - 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 2010-11, 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.

NOTE 15 - 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 16 - ECONOMIC DEPENDENCY

During the 2010-11 fiscal year, the District received \$6,799,891 of parcel tax revenue that is subject to voter approval. The tax is used to support various programs in the District.

NOTE 17 - 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)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, 2011, the outstanding balance on this loan is \$1,456,324.

D. Construction Commitments

As of June 30, 2011, the District has the following commitments with respect to unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Old Mill Elementary School Modernization	\$ 3,700,658	June-12
Tam Valley Elementary School Modernization	3,261,363	June-12
Edna Maguire Elementary School	34,187,243	June-13
Mill Valley Middle School Modernization	203,408	June-12
Strawberry Point Modernization	1,553,636	Dec-12
Park Elementary School Modernization	<u>3,991,332</u>	Dec-12
Total	<u>\$ 46,714,580</u>	

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - RECLASSIFICATION OF FUND BALANCES

The beginning fund balances of the General Fund and the Special Reserve For Post Employment Benefits Fund have been combined for financial reporting purposes in accordance with GASB 54 (see note 1C):

	General Fund	Special Reserve For Post Employment Benefits Fund
Fund Balances - July 1, 2010 (as originally stated)	\$ 5,150,235	\$ 1,120,960
Reclassification of Fund Balances	1,120,960	(1,120,960)
Fund Balances - July 1, 2010 (as restated)	\$ 6,271,195	\$ 0

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionment	\$ (77,817)	\$ (77,817)	\$ (67,511)	\$ 10,306
Local Sources	15,217,477	15,227,399	15,218,824	(8,575)
Total Revenue Limit Sources	15,139,660	15,149,582	15,151,313	1,731
Federal Revenue	548,564	1,138,913	858,907	(280,006)
Other State Revenue	795,433	1,449,769	1,511,300	61,531
Other Local Revenue	11,092,535	11,971,615	12,072,509	100,894
Total Revenues	27,576,192	29,709,879	29,594,029	(115,850)
<u>Expenditures</u>				
Certificated Salaries	14,140,758	14,008,431	13,933,791	74,640
Classified Salaries	4,321,055	4,520,193	4,475,155	45,038
Employee Benefits	5,703,921	5,842,079	5,778,994	63,085
Books and Supplies	504,933	2,237,231	1,253,821	983,410
Services and Other				
Operating Expenditures	2,579,574	3,056,197	2,722,086	334,111
Other Expenditures	536,539	568,920	637,015	(68,095)
Total Expenditures	27,786,780	30,233,051	28,800,862	1,432,189
Excess of Revenues Over (Under) Expenditures	(210,588)	(523,172)	793,167	1,316,339
<u>Other Financing (Uses)</u>				
Operating Transfers Out	(135,000)	(135,000)	(150,000)	(15,000)
Net Change in Fund Balances	(345,588)	(658,172)	643,167	\$ 1,301,339
Fund Balances - (As restated - Note 18)				
July 1, 2010	6,271,195	6,271,195	6,271,195	
Fund Balances - June 30, 2011	\$ 5,925,607	\$ 5,613,023	\$ 6,914,362	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MILL VALLEY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>
<u>Assets</u>		
Deposits and Investments	\$ 483,212	\$ 20,735
Receivables		16,716
Total Assets	\$ 483,212	\$ 37,451
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable		\$ 7,746
Fund Balances:		
Restricted		
Assigned	\$ 483,212	29,705
Total Fund Balances	483,212	29,705
Total Liabilities and Fund Balances	\$ 483,212	\$ 37,451

<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
\$ 32,143	\$ 50,485	\$ 886,141	\$ 1,472,716
			16,716
<u>\$ 32,143</u>	<u>\$ 50,485</u>	<u>\$ 886,141</u>	<u>\$ 1,489,432</u>
			\$ 7,746
\$ 32,143	\$ 50,485		82,628
		\$ 886,141	1,399,058
<u>32,143</u>	<u>50,485</u>	<u>886,141</u>	<u>1,481,686</u>
<u>\$ 32,143</u>	<u>\$ 50,485</u>	<u>\$ 886,141</u>	<u>\$ 1,489,432</u>

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, 2011

	Deferred Maintenance	Cafeteria
<u>Revenues</u>		
Federal Revenue		\$ 52,697
State Revenue	\$ 81,849	3,327
Local Revenue	1,958	247,638
Total Revenues	83,807	303,662
<u>Expenditures</u>		
Food Services		346,696
Plant Services	187,855	
Facilities Acquisition and Construction		
Debt Service:		
Interest and Issuance Costs		18
Total Expenditures	187,855	346,714
Excess of Revenues Over (Under) Expenditures	(104,048)	(43,052)
<u>Other Financing Sources (Uses)</u>		
Operating Transfers In	95,000	55,000
Operating Transfers Out		
Total Other Financing Sources (Uses)	95,000	55,000
Net Change in Fund Balances	(9,048)	11,948
Fund Balances - July 1, 2010	492,260	17,757
Fund Balances - June 30, 2011	\$ 483,212	\$ 29,705

<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
			\$ 52,697
			85,176
\$ 180,661	\$ 254	\$ 4,154	434,665
<u>180,661</u>	<u>254</u>	<u>4,154</u>	<u>572,538</u>
			346,696
566			188,421
192,681			192,681
			18
<u>193,247</u>	<u>0</u>	<u>0</u>	<u>727,816</u>
<u>(12,586)</u>	<u>254</u>	<u>4,154</u>	<u>(155,278)</u>
<u>(60,000)</u>		60,000	210,000
			(60,000)
<u>(60,000)</u>	<u>0</u>	<u>60,000</u>	<u>150,000</u>
<u>(72,586)</u>	<u>254</u>	<u>64,154</u>	<u>(5,278)</u>
<u>104,729</u>	<u>50,231</u>	<u>821,987</u>	<u>1,486,964</u>
<u>\$ 32,143</u>	<u>\$ 50,485</u>	<u>\$ 886,141</u>	<u>\$ 1,481,686</u>

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
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%

SEE NOTES TO SUPPLEMENTARY INFORMATION

MILL VALLEY SCHOOL DISTRICT
ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Raoul Wertz	President	November 2013
Robin Moses	Vice-President / Clerk	November 2013
Janet Miller	Member	November 2011
Steve Sell	Member	November 2013
Judy Sherman	Member	November 2011

ADMINISTRATION

Ken Benny
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, 2011

	Second Period <u>Report</u>	Annual <u>Report</u>
<u>Elementary</u>		
Kindergarten	314.15	315.98
First through Third	992.91	993.07
Fourth through Sixth	901.75	903.21
Seventh and Eighth	458.00	458.94
Home and Hospital	0.48	0.37
Special Education	38.41	38.35
Special Education - NPS	3.50	3.73
Extended Year - Special Education	1.97	1.97
Extended Year - NPS	0.23	0.23
Totals	<u>2,711.40</u>	<u>2,715.85</u>

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Adjusted 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Required</u>	<u>Adjusted 1986-87 Minutes Required</u>	<u>2010-11 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	31,500	30,625	36,000	35,000	43,335	180	N/A	In Compliance
Grade 1	46,110	44,829	50,400	49,000	52,365	180	N/A	In Compliance
Grade 2	46,110	44,829	50,400	49,000	52,365	180	N/A	In Compliance
Grade 3	46,110	44,829	50,400	49,000	52,365	180	N/A	In Compliance
Grade 4	46,110	44,829	54,000	52,500	54,150	180	N/A	In Compliance
Grade 5	46,110	44,829	54,000	52,500	54,150	180	N/A	In Compliance
Grade 6	46,110	44,829	54,000	52,500	56,622	180	N/A	In Compliance
Grade 7	54,000	52,500	54,000	52,500	56,622	180	N/A	In Compliance
Grade 8	54,000	52,500	54,000	52,500	56,622	180	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, 2011

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Agriculture:			
Passed through California Department of Education (CDE):			
National School Lunch	10.555	13524	\$ 52,697
U.S. Department of Education:			
Passed through CDE			
<i>Title I, Part A Cluster:</i>			
NCLB: Title I Basic Grants Low-Income & Neglected	84.010	14329	72,167
NCLB: ARRA Title I Basic Grants Low-Income & Neglected	84.389	15005	160
NCLB: Title II - Improving Teacher Quality	84.367	14341	52,574
NCLB: Title III - Limited English Proficient	84.365	10084	6,361
NCLB: Title III - Immigrant Education Program	84.365	14346	3,739
NCLB: Title IV - Drug Free Schools	84.186	14347	2
ARRA State Fiscal Stabilization Fund	84.394	25008	103,742
Education Jobs Fund	84.410	25152	171,728
Passed through Marin County SELPA:			
<i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	336,984
ARRA IDEA Part B Local Assistance	84.391	15003	176,118
Total			<u>\$ 976,272</u>

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Special Reserve For Post Employment Benefits Fund
June 30, 2011 Annual Financial and Budget Report Fund Balances	\$ 5,384,656	\$ 1,529,706
Reclassification Increasing (Decreasing) Fund Balances:		
Overstatement of Fund Balance		(1,529,706)
Understatement of Fund Balance	1,529,706	
June 30, 2011 Audited Financial Statements Fund Balances	<u>\$ 6,914,362</u>	<u>\$ 0</u>

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, 2011.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL FUND			
	(Budget) * 2011-12 **	2010-11	2009-10	2008-09
Revenues and Other Financial Sources	\$ 28,027,259	\$ 29,594,029	\$ 29,060,023	\$ 26,933,911
Expenditures	28,656,323	28,800,862	27,764,184	26,033,989
Other Uses and Transfers Out	20,000	150,000	433,673	154,486
Total Outgo	28,676,323	28,950,862	28,197,857	26,188,475
Change in Fund Balance	(649,064)	643,167	862,166	745,436
Ending Fund Balance	\$ 6,265,298	\$ 6,914,362	\$ 6,271,195 ⁽¹⁾	\$ 4,288,069
Available Reserves	\$ 3,903,816	\$ 4,521,988	\$ 4,053,165	\$ 2,855,044
Reserve for Economic Uncertainties ***	\$ 3,903,816	\$ 4,521,988	\$ 4,053,165	\$ 2,855,044
Available Reserves as a Percentage of Total Outgo	13.6%	15.6%	14.4%	10.9%
Average Daily Attendance at P-2	2,825	2,711	2,611	2,411
Total Long-Term Liabilities	\$ 51,173,243	\$ 53,900,515	\$ 54,748,439	\$ 26,091,415

* Amounts reported for the 2011-12 budget are presented for analytical purposes only and have not been audited.

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

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

(1) The amount presented for fiscal year 2009-10 has been adjusted to reflect the reclassification discussed in Note 18 of these financial statements.

The fund balance of the General Fund increased \$2,626,293 over the past two years due primarily to the reclassification of the Special Reserve for Post Employment Benefits Fund at the beginning of fiscal year 2010-11 (Note 18). The fiscal year 2011-12 budget projects a decrease of \$649,064 (9.4%). 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 in each of the past three fiscal years.

Average daily attendance (ADA) increased 300 ADA over the past two years. The District projects an increase of 114 ADA during fiscal year 2011-12.

Total long-term liabilities increased \$27,809,100 over the past two years, due primarily to the issuance of \$29,195,000 of general obligation bonds during fiscal year 2009-10.

MILL VALLEY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 day 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*.

MILL VALLEY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
 Mill Valley School District
 Mill Valley, California

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 2010-11* to the state laws and regulations listed below for the year ended June 30, 2011. Compliance with the requirements of state laws and regulations is the responsibility of the District's management. Our responsibility is to express an opinion on 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 2010-11*, prescribed in the California Code of Regulations, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of Mill Valley School District's compliance with those requirements.

<u>Description</u>	<u>Procedures in Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Material:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes

<u>Description</u>	<u>Procedures In Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Class Size Reduction Program:		
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	4	Not Applicable
Before School	5	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	3	Not Applicable

In our opinion, Mill Valley School District complied with the state laws and regulations referred to above for the year ended June 30, 2011, except as described in the accompanying Schedule of Findings and Questioned Costs. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Mill Valley School District had not complied with the state laws and regulations.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the response and, accordingly, we express no opinion on the response.

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 5, 2011

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 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 fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency in internal control over financial reporting, as noted in **Finding 11-1**. 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.

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*.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the response and, accordingly, we express no opinion on the response.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Mill Valley School District
Mill Valley, California

Compliance

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, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 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. Our audit does not provide a legal determination of Mill Valley School District's compliance with those requirements.

In our opinion, Mill Valley School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Mill Valley School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

FINDINGS AND QUESTIONED COSTS SECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

 Yes NoSignificant deficiencies identified not considered
to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted?

 Yes No**Federal Awards**

Internal control over major programs:

Material weaknesses identified?

 Yes NoSignificant deficiencies identified not considered
to be material weaknesses? Yes None reportedType of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a) Yes No

Identification of major programs:

CFDA NumbersFederal Program

84.027 & 84.391

Special Education Cluster

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 Yes No**State Awards**

Internal control over state programs:

Material weaknesses identified?

 Yes NoSignificant deficiencies identified not considered
to be material weaknesses? Yes None reportedType of auditor's report issued on compliance for
state programs:

Unqualified

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

11 - 1 / 30000

SIGNIFICANT DEFICIENCY

MEAL REIMBURSEMENT CLAIM REPORTING

<u>Criteria:</u>	Meal counts accumulated on the District-wide monthly lunch count reports should be independently verified for mathematical accuracy to ensure that reported counts are accurate and complete, prior to submitting the claim for reimbursement to the state.
<u>Condition:</u>	District-wide monthly lunch count reports were not independently verified for mathematical accuracy to ensure that reported counts were accurate and complete. As a result, the District understated the number of meals claimed for reimbursement to the State by a combined total of 384 meals for fiscal year 2010-11.
<u>Questioned Costs:</u>	None. The District revised the monthly claims previously submitted to the State and claimed the understated 384 meals prior to the end of the fiscal year.
<u>Context:</u>	Errors were noted in the claims for reimbursement submitted to the State for the months of September 2010 and November 2010.
<u>Effect:</u>	The District did not claim reimbursement for all of the federal and state revenues that it was entitled to receive based on the number and type of meals served during fiscal year 2010-11.
<u>Cause:</u>	District-wide monthly lunch count reports were not independently verified for mathematical accuracy to ensure that reported counts were accurate and complete. As a result, errors occurred in the accumulation of meals served and the District's internal controls did not detect the errors.
<u>Recommendation:</u>	The District should require that all District-wide monthly lunch count reports be independently verified for mathematical accuracy to ensure that reported counts are accurate and complete, prior to submitting the claim for reimbursement to the state.
<u>District Response:</u>	The District has created a calculation template for the District meal counts of the monthly reports to ensure accuracy of the meals reported and counted. In addition, prior to submitting the claim for reimbursement to the State a secondary independent review is completed by the accounting staff in the District Office.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2011

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

11 - 2 / 10000

SIGNIFICANT DEFICIENCY

ATTENDANCE

- Criteria: Weekly attendance class roster reports, which are used by teachers to document the attendance of students, should be signed at the end of each week, by the teachers who recorded the attendance, to attest to its accuracy and completeness.
- Condition: Weekly attendance class roster reports were not signed in a consistent basis by the teachers who recorded the attendance.
- Questioned Costs: None. Attendance is recorded on-line in the classrooms by the teachers.
- Context: The condition was noted throughout fiscal year 2010-11 at Old Mill Elementary School.
- Effect: No certifications were made, by the teachers who recorded the attendance, as to the accuracy or completeness of the reported attendance.
- Cause: The District has not adequately enforced procedures that require weekly attendance class roster reports to be signed at the end of each week by the teachers who recorded the attendance.
- Recommendation: The District should enforce procedures that require weekly attendance class roster reports to be signed at the end of each week by the teachers who recorded the attendance.
- District Response: The District will enforce attendance accounting procedures requiring signed weekly attendance class reports at the end of each week by the teachers who record the attendance.

MILL VALLEY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

