

**SAN RAFAEL CITY  
HIGH SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2014**



# **SAN RAFAEL CITY HIGH SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2014*

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# **SAN RAFAEL CITY HIGH SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2014*

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## ***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
San Rafael City High School District  
San Rafael, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Rafael City High School District, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

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

**Emphasis of Matter**

As discussed in Note 1.G. to the basic financial statements, the District has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2013-2014 due to the adoption of Governmental Accounting Standards Board Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*. The adoption of this standard required retrospective application resulting in a \$312,082 reduction of previously reported net position at July 1, 2013. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on page 38, and schedule of funding progress on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise San Rafael City High School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
December 10, 2014

# SAN RAFAEL CITY HIGH SCHOOL DISTRICT

## *Management's Discussion and Analysis (Unaudited)*

### *For the Fiscal Year Ended June 30, 2014*

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This discussion and analysis of San Rafael City High School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## FINANCIAL HIGHLIGHTS

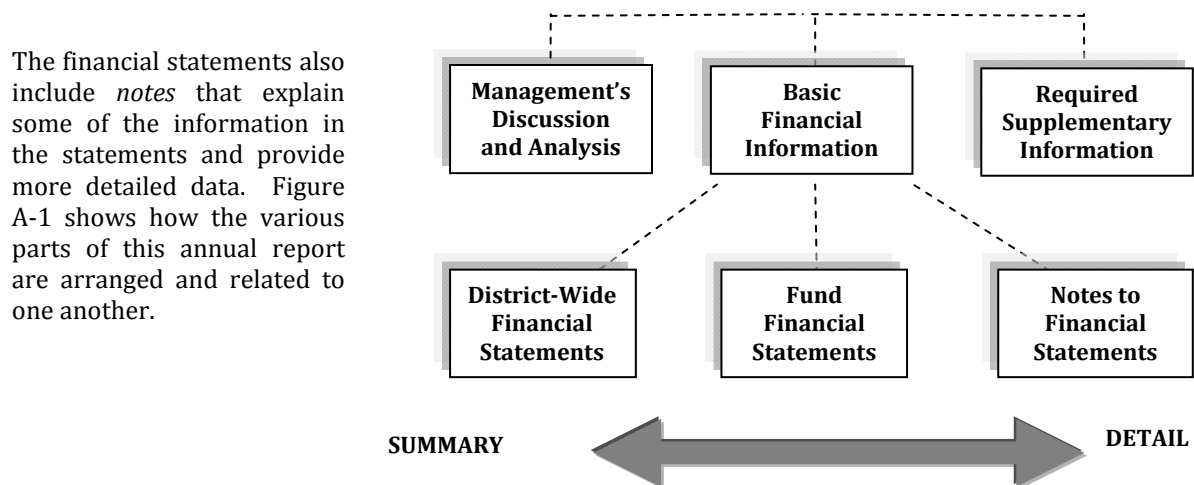
- Overall revenues were \$33.0 million, approximately \$0.3 million more than expenses.
- The total cost of basic programs was \$32.8 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just \$29.1 million.
- The District's long-term debt decreased by approximately \$0.6 million.
- Second period (P2) average daily attendance (ADA) increased by 150, or 7.6%.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - The *fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

**Figure A-1. Organization of San Rafael City High School District's Annual Financial Report**





**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explain the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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

**Net Position.** The District's combined net position was higher on June 30, 2014, than it was the year before – increasing 5.3% to (\$5.0) million (See Table A-1).

**Table A-1**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2014</b>	<b>2013*</b>	
Current assets	\$ 19,851,008	\$ 18,073,926	\$ 1,777,082
Capital assets	39,233,322	40,995,482	(1,762,160)
<b>Total assets</b>	<b>59,084,330</b>	<b>59,069,408</b>	<b>14,922</b>
<b>Total deferred outflows</b>	<b>1,040,604</b>	<b>1,109,978</b>	<b>(69,374)</b>
Current liabilities	2,517,705	2,174,697	343,008
Long-term liabilities	62,652,967	63,332,793	(679,826)
<b>Total liabilities</b>	<b>65,170,672</b>	<b>65,507,490</b>	<b>(336,818)</b>
Net position			
Net investment in capital assets	(6,787,314)	(8,073,055)	1,285,741
Restricted	5,649,354	4,687,561	961,793
Unrestricted	(3,907,778)	(1,942,610)	(1,965,168)
<b>Total net position</b>	<b>\$ (5,045,738)</b>	<b>\$ (5,328,104)</b>	<b>\$ 282,366</b>

\* As restated

**Changes in net position, governmental activities.** The District's total revenues increased 10.8% to \$33.0 million (See Table A-2). The increase is due primarily to increases in property tax collections.

The total cost of all programs and services increased 8.8% to \$32.8 million. The District's expenses are predominantly related to educating and caring for students, 63.5%. The purely administrative activities of the District accounted for just 8.0% of total costs. A significant contributor to the increase in costs was related to the increase in enrollment.

**Table A-2**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2014</b>	<b>2013</b>	
Total Revenues	\$ 33,047,329	\$ 29,829,655	\$ 3,217,674
Total Expenses	32,764,963	30,110,447	2,654,516
Increase (decrease) in net position	\$ 282,366	\$ (280,792)	\$ 563,158

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$17.8 million, which is above last year's ending fund balance of \$16.4 million. The primary cause of the increased fund balance is due to increases in property tax collection which outpaced spending.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$1.4 million to reflect changes in federal, state, and local funding estimates.
- Salaries and benefits costs – increased \$0.4 million due to changes in staffing levels.
- Other non-capital expenses – increased approximately \$1.7 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$1.3 million, the actual results for the year show that revenues exceeded expenditures by roughly \$0.5 million. Actual revenues were approximately \$5,800 more than anticipated, and expenditures were \$1.8 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2014 that will be carried over into the 2014-15 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2013-14 the District had invested \$0.4 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$2.1 million.

**Table A-3: Capital Assets at Year-End, Net of Depreciation**

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2014	2013*	
Land	\$ 0.2	\$ 0.2	\$ -
Improvement of sites	5.3	6.0	(0.7)
Buildings	33.3	34.3	(1.0)
Equipment	0.4	0.5	(0.1)
<b>Total</b>	<b>\$ 39.2</b>	<b>\$ 41.0</b>	<b>\$ (1.8)</b>

\* As restated

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end the District had \$62.7 million in general obligation bonds and employment benefits – a decrease of 1.0% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

**Table A-4: Outstanding Long-Term Debt at Year-End**

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2014	2013	
General obligation bonds	\$ 59.8	\$ 60.9	\$ (1.1)
Other postemployment benefits	2.7	2.2	0.5
Compensated absences	0.2	0.2	-
<b>Total</b>	<b>\$ 62.7</b>	<b>\$ 63.3</b>	<b>\$ (0.6)</b>

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

**Budget Overview**

The Governor signed the *2014-15 Budget Act* on June 20, 2014. In late June, the Governor signed 17 budget-related bills into law. The 2014-15 budget package assumes total state spending of \$152.3 billion, an increase of 8.6 percent over revised totals for 2013-14. This consists of \$108 billion from the General Fund and the Education Protection Account created by Proposition 30 (2012), and \$44.3 billion from special funds. The budget package assumes spending from federal funds to be \$98 billion, an increase of 20.9 percent over 2013-14 revised levels, mainly due to increases in the health area of the budget. Bond spending is expected to decline 53 percent in 2014-15.

**Major Features of the 2014-15 Spending Plan**

Similar to the 2013-14 budget, the 2014-15 spending plan makes targeted augmentations in a few areas while paying down several billion dollars in key liabilities. In addition, if certain revenue and other targets are met, additional spending—mostly for paying down debt—would be “triggered” under the budget plan.

**Fully Funds CalSTRS Pension Program**

As of the end of 2012-13, the California State Teachers' Retirement System (CalSTRS) had a \$74 billion shortfall. Budget-related legislation aims to erase the unfunded liability in 32 years by increasing contributions from the state, school and community college districts, and teachers.

**Proposition 98**

The budget plan includes large Proposition 98 funding increases for schools and community colleges. The Proposition 98 budget continues implementation of the Local Control Funding Formula, pays down most of the remaining payment deferrals, and pays down several hundred million dollars of other Proposition 98 obligations.

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**Spending Changes**

Funding for K-14 education increases significantly under the new budget package. In the sections that follow, we describe how the State is spending these funds.

**Deferral Payments**

***Pays Down \$5.2 Billion in Outstanding Deferrals***

The budget package pays down \$5.2 billion in outstanding deferrals (\$4.7 billion for schools and \$498 million for community colleges). Of the total paydown, \$1.4 billion is designated as 2012-13 spending, \$3.1 billion is designated as 2013-14 spending, and \$662 million is designated as 2014-15 spending. Under the budget plan, \$992 million in deferrals (\$897 million for schools and \$94 million for community colleges) would remain outstanding at the end of 2014-15.

***Eliminates Remaining Deferrals if Minimum Guarantee Exceeds Estimates***

The budget package pays down additional deferrals (potentially eliminating all outstanding deferrals) if subsequent estimates of the 2013-14 and 2014-15 minimum guarantees are higher than the administration's May 2015 estimates. Effectively, the budget plan earmarks the first \$992 million in potential additional 2013-14 and 2014-15 spending for deferral paydowns.

**Mandates**

***Pays Down \$450 Million in Outstanding Education Mandate Claims***

We estimate the State currently has a backlog of more than \$5 billion in unpaid claims for education mandates. The budget includes \$400 million to reduce the mandate backlog for schools. (Of this amount, \$287 million is 2014-15 Proposition 98 funding and \$113 million is from unspent prior-year fund.) Funds will be distributed to schools and community colleges on a per-student basis.

***Adds Several Mandates to School and Community College Block Grants***

The Commission on State Mandates recently approved seven new reimbursable education mandates. Six of these mandates apply to schools, two apply to community colleges, and one applies to both schools and community colleges. For schools, the budget adds to the block grant mandates related to (1) parental involvement procedures, (2) compliance activities associated with the *Williams v. California* case, (3) uniform complaint procedures, (4) developer fees, (5) charter school oversight, and (6) public contracts.

**Energy Grants**

***State Provides Second-Year Funding for Energy Projects***

Passed by voters in November 2012, Proposition 39 increases state corporate tax revenues and requires for a five-year period, starting in 2013-14, that a portion of these revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings. The 2014-15 budget provides \$345 million Proposition 98 General Fund for Proposition 39 school and community college energy programs. Specifically, the budget provides \$279 million for school grants, \$38 million for community colleges grants, and \$28 million for the revolving loan program for both schools and community colleges. (Estimates of Proposition 39 revenues are lower in 2014-15 compared to 2013-14, resulting in less provided for school and community college grants.) The budget also provides \$8 million non-Proposition 98 General Fund for Proposition 39 job-training programs administered by the California Conservation Corps (\$5 million) and the California Workforce Investment Board (\$3 million).

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**Chapter 751 Obligation**

***Makes Final \$410 Million Payment on Outstanding Proposition 98 Obligations From 2004-05 and 2005-06***

The 2014-15 budget makes a final \$410 million payment to retire the state's obligation set forth in Chapter 751, Statutes of 2006 (SB 1133, Torlakson). Chapter 751 required the state to provide additional annual school and community college payments until a total of \$2.8 billion had been provided. Of the amount provided in the budget package, \$316 million is for continued funding of the QEIA program (\$268 million for schools and \$48 million for community colleges) and \$94 million is to pay down a separate state obligation related to school facility repairs.

**K-12 Education**

The largest K-12 augmentation is for the second-year phase in of the recently adopted Local Control Funding Formula (LCFF). The budget also includes several other school-specific augmentations—some of which relate to school operations and some of which relate to school infrastructure. In addition to these budget actions, the Legislature adopted trailer legislation relating to school district reserves and independent study (IS) programs.

**Operational Funding**

***Provides \$4.7 Billion for LCFF Implementation***

The budget plan includes \$4.7 billion in additional funding for the school district LCFF—resulting in per-pupil LCFF funding that is 12 percent higher than 2013-14 levels. The additional funding is sufficient to close 29 percent of the gap between districts' 2013-14 funding levels and their target funding rates. We estimate the 2014-15 funding level is approximately 80 percent of the full implementation cost. The budget also includes \$26 million for the LCFF for county offices of education (COEs). This increase is sufficient to bring all COEs up to their LCFF funding targets in 2014-15.

***Other Notable K-12 Actions***

The budget provides \$54 million to continue implementation of new student assessments and \$33 million to provide a cost-of-living adjustment (COLA) for several K-12 programs (including special education and child nutrition programs).

**Infrastructure**

***Allocates \$189 Million for Emergency Repair Program (ERP)***

Chapter 899, Statutes of 2004 (SB 6, Alpert), created the ERP to fund critical repair projects at certain low-performing schools. Chapter 899 requires the state to contribute a total of \$800 million for the program. The state has provided \$338 million to date. The budget provides \$189 million for the ERP in 2014-15.

***Allocates \$27 Million in One-Time Funds for School Internet Infrastructure***

The budget includes \$27 million in one-time Proposition 98 funding for schools to purchase Internet connectivity infrastructure upgrades required to administer new computer-based tests. Grantees are to be selected based on the results of a statewide assessment of schools' Internet connectivity infrastructure to be completed by the K-12 High-Speed Network (HSN) by March 1, 2015.

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

***Shifts Remaining Bond Authority Among Certain School Facility Programs***

The budget package shifts remaining bond authority from the Career Technical Education (CTE) and High Performance Incentive (HPI) school facility programs to the New Construction and Modernization facility programs.

**Local Reserves**

***Requires School Districts to Disclose and Justify Reserves***

Chapter 32, Statutes of 2014 (SB 858, Committee on Budget and Fiscal Review), creates new disclosure requirements effective beginning in 2015-16 for districts that have reserves exceeding state-specified minimums. If a district's budget reserve exceeds the state minimum, Chapter 32 requires the district to identify the amount of reserves that exceed the minimum and explain why the higher reserve levels are necessary. The district must disclose this information in a public meeting and each time it submits a budget to its COE.

***Caps Local Reserves Some Years Under Proposition 2***

Proposition 2 on the November 2014 ballot set forth new constitutional provisions relating to state reserves, including provisions relating to a new state reserve for schools. With the voters approving Proposition 2, certain provisions of Chapter 32 go into effect. These provisions cap school districts' reserve levels the year after the state makes a deposit into the new state reserve for schools. The caps for most districts will range from 3 percent to 10 percent of a district's annual expenditures.

All of these factors were considered in preparing the San Rafael City High School District budget for the 2014-15 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (415) 492-3205.



**SAN RAFAEL CITY HIGH SCHOOL DISTRICT***Statement of Net Position**June 30, 2014*

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	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash	\$ 17,759,573
Investments	425,050
Accounts receivable	1,663,036
Inventories	3,349
Total current assets	<u>19,851,008</u>
<b>Capital assets:</b>	
Non-depreciable capital assets	271,503
Depreciable capital assets	76,592,923
Less: accumulated depreciation	<u>(37,631,104)</u>
Total capital assets, net of depreciation	<u>39,233,322</u>
 Total assets	 <u>59,084,330</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	<u>1,040,604</u>
 <b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	<u>2,517,705</u>
Total current liabilities	<u>2,517,705</u>
<b>Long-term liabilities:</b>	
Due within one year	2,905,985
Due after one year	<u>59,746,982</u>
Total long-term liabilities	<u>62,652,967</u>
 Total liabilities	 <u>65,170,672</u>
 <b>NET POSITION</b>	
Net investment in capital assets	(6,787,314)
Restricted for:	
Capital projects	140,263
Debt service	3,797,768
Categorical programs	1,711,323
Unrestricted	<u>(3,907,778)</u>
 Total net position	 <u><u>\$ (5,045,738)</u></u>

# SAN RAFAEL CITY HIGH SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 14,645,855	\$ -	\$ 1,951,835	\$ (12,694,020)
Instruction-related services:				
Supervision of instruction	954,976	-	286,571	(668,405)
Instructional library, media and technology	666,223	-	37,590	(628,633)
School site administration	2,029,053	-	-	(2,029,053)
Pupil services:				
Home-to-school transportation	246,044	-	13,853	(232,191)
Food services	626,799	144,298	491,056	8,555
All other pupil services	1,630,967	-	497,963	(1,133,004)
General administration:				
Data processing	457,202	-	16,861	(440,341)
All other general administration	2,174,945	7,676	105,860	(2,061,409)
Plant services	3,648,160	266	2,349	(3,645,545)
Ancillary services	318,980	-	215	(318,765)
Community services	75,419	-	-	(75,419)
Interest on long-term debt	2,627,628	-	-	(2,627,628)
Other outgo	525,098	-	108,846	(416,252)
Depreciation (unallocated)	2,137,614	-	-	(2,137,614)
Total governmental activities	<u>\$ 32,764,963</u>	<u>\$ 152,240</u>	<u>\$ 3,512,999</u>	<u>(29,099,724)</u>
<b>General Revenues:</b>				
Property taxes				27,251,490
Federal and state aid not restricted to specific purposes				1,208,030
Interest and investment earnings				16,070
Miscellaneous				906,500
Total general revenues				<u>29,382,090</u>
Change in net position				<u>282,366</u>
Net position- July 1, 2013, as originally stated				(5,117,661)
Adjustments for restatement				<u>(210,443)</u>
Net position - July 1, 2013, as restated				<u>(5,328,104)</u>
Net position - June 30, 2014				<u>\$ (5,045,738)</u>

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT***Balance Sheet – Governmental Funds**June 30, 2014*

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 12,227,706	\$ 1,495,053	\$ 3,797,768	\$ 239,046	\$ 17,759,573
Investments	-	425,050	-	-	425,050
Accounts receivable	1,540,376	66,701	-	55,959	1,663,036
Due from other funds	48,344	47,000	-	-	95,344
Inventories	-	-	-	3,349	3,349
Total Assets	<u>\$ 13,816,426</u>	<u>\$ 2,033,804</u>	<u>\$ 3,797,768</u>	<u>\$ 298,354</u>	<u>\$ 19,946,352</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,007,534	\$ 1,913	\$ -	\$ 11,633	\$ 2,021,080
Due to other funds	47,000	15,000	-	33,344	95,344
Total Liabilities	<u>2,054,534</u>	<u>16,913</u>	<u>-</u>	<u>44,977</u>	<u>2,116,424</u>
<b>Fund Balances</b>					
Nonspendable	5,600	-	-	3,389	8,989
Restricted	1,601,598	2,016,891	3,797,768	249,988	7,666,245
Assigned	4,515,387	-	-	-	4,515,387
Unassigned	5,639,307	-	-	-	5,639,307
Total Fund Balances	<u>11,761,892</u>	<u>2,016,891</u>	<u>3,797,768</u>	<u>253,377</u>	<u>17,829,928</u>
Total Liabilities and Fund Balances	<u>\$ 13,816,426</u>	<u>\$ 2,033,804</u>	<u>\$ 3,797,768</u>	<u>\$ 298,354</u>	<u>\$ 19,946,352</u>

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT*****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2014***

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<b>Total fund balances - governmental funds</b>		\$	17,829,928
Capital assets used in governmental <i>activities</i> are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$76,864,426, and the accumulated depreciation is (\$37,631,104).			39,233,322
Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred charges on refunding at the end of the period was:			1,040,604
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 statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(496,625)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
	General obligation bonds payable	59,814,415	
	Compensated absences payable	179,784	
	Other postemployment benefits	2,653,943	
	Capital leases payable	4,825	(62,652,967)
<b>Total net position - governmental activities</b>		\$	<u>(5,045,738)</u>

# SAN RAFAEL CITY HIGH SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2014

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 21,109,093	\$ -	\$ -	\$ -	\$ 21,109,093
Federal sources	850,422	-	-	388,215	1,238,637
Other state sources	1,193,888	-	27,105	32,355	1,253,348
Other local sources	4,283,156	691,353	4,174,706	315,478	9,464,693
Total Revenues	27,436,559	691,353	4,201,811	736,048	33,065,771
<b>EXPENDITURES</b>					
Current:					
Instruction	14,657,776	-	-	-	14,657,776
Instruction-related services:					
Supervision of instruction	954,976	-	-	-	954,976
Instructional library, media and technology	666,223	-	-	-	666,223
School site administration	2,029,053	-	-	-	2,029,053
Pupil support services:					
Home-to-school transportation	246,044	-	-	-	246,044
Food services	-	-	-	645,240	645,240
All other pupil services	1,630,967	-	-	-	1,630,967
Ancillary services	318,980	-	-	-	318,980
Community services	75,419	-	-	-	75,419
General administration services:					
Data processing services	457,202	-	-	-	457,202
Other general administration	1,756,739	-	-	-	1,756,739
Plant services	3,613,990	37,040	-	19,030	3,670,060
Transfers of indirect costs	(33,344)	-	-	33,344	-
Capital outlay	78,521	245,851	-	-	324,372
Intergovernmental transfers	525,098	-	-	-	525,098
Debt service:					
Principal	8,279	-	2,465,000	-	2,473,279
Interest	1,011	-	1,236,050	-	1,237,061
Total Expenditures	26,986,934	282,891	3,701,050	697,614	31,668,489
Excess (Deficiency) of Revenues Over (Under) Expenditures	449,625	408,462	500,761	38,434	1,397,282
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	15,000	-	-	-	15,000
Interfund transfers out	-	(15,000)	-	-	(15,000)
Total Other Financing Sources and Uses	15,000	(15,000)	-	-	-
Net Change in Fund Balances	464,625	393,462	500,761	38,434	1,397,282
Fund Balances, July 1, 2013	11,297,267	1,623,429	3,297,007	214,943	16,432,646
Fund Balances, June 30, 2014	\$ 11,761,892	\$ 2,016,891	\$ 3,797,768	\$ 253,377	\$ 17,829,928

## SAN RAFAEL CITY HIGH 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, 2014*

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**Total net change in fund balances - governmental funds** \$ 1,397,282

Amounts reported for governmental *activities* in the statement of activities are different because:

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 estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	375,454	
Depreciation expense	<u>(2,137,614)</u>	(1,762,160)

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Expenditures for the repayment of the principal portion of long-term liabilities were:

2,473,279

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest earned exceeded accreted interest paid by:

(1,539,145)

Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between the current year charges and the current year amortization is:

(69,374)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it 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 is:

36,792

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

181,160

In governmental funds, other postemployment benefit (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contribution was:

(444,553)

In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences earned exceeded the amounts used by:

9,085

**Change in net position of governmental activities**

\$ 282,366

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT***Statement of Fiduciary Net Position**June 30, 2014*

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	<b>Agency Funds Student Body Funds</b>
<b>ASSETS</b>	
Cash	\$ 176,007
Other assets	<u>4,194</u>
Total assets	<u><u>\$ 180,201</u></u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$ 180,201</u>
Total liabilities	<u><u>\$ 180,201</u></u>

# **SAN RAFAEL CITY HIGH SCHOOL DISTRICT**

## *Notes to Financial Statements*

*June 30, 2014*

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### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For San Rafael City High School District, this includes general operations, food service, and student related activities of the District.

The District has no component units that meet the criteria of GASB Statement No. 14 to be included in the financial statements of the District.

#### **B. Basis of Presentation, Basis of Accounting**

##### **1. Basis of Presentation**

##### **Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

##### **Fund Financial Statements**

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

##### **Major Governmental Funds**

The District maintains the following major governmental funds:

**General Fund:** This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains an Adult Education Fund, a Deferred Maintenance Fund, and a Special Reserve Fund for Postemployment Benefits. Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, the Adult Education Fund and the Deferred Maintenance Fund do not currently meet the definition of special revenue funds as they are no longer primarily composed of restricted or committed revenue sources. In addition, the Special Reserve Fund for Postemployment Benefits is not substantially composed of restricted or committed revenue sources.



## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2014*

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#### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

##### B. Basis of Presentation, Basis of Accounting (continued)

###### 1. Basis of Presentation (continued)

###### Major Governmental Funds (continued)

**General Fund (continued):** Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund.

**Building Fund:** This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds and bond anticipation notes.

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

###### Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

###### Special Revenue Fund:

**Cafeteria Fund:** This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

###### Capital Projects Funds:

**Capital Facilities Fund:** This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

###### Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary fund:

**Agency Funds:** The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund.

###### 2. Measurement Focus, Basis of Accounting

###### Government-Wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

## **SAN RAFAEL CITY HIGH SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2014*

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#### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **B. Basis of Presentation, Basis of Accounting (continued)**

###### **2. Measurement Focus, Basis of Accounting (continued)**

###### **Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

##### **C. Budgetary Data**

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

##### **D. 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 as of June 30.

##### **E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position**

###### **1. Cash and Cash Equivalents**

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

###### **2. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

##### E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position (continued)

###### 3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

###### 4. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

###### 5. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

###### 6. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

##### E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position (continued)

###### 6. Fund Balances (continued)

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

###### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. This item is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no deferred inflows of resources.

###### 8. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

##### E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position (continued)

###### 8. Net Position (continued)

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

##### G. New GASB Pronouncement

During the 2013-14 fiscal year, the following GASB Pronouncement became effective:

###### **Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Issued 03/12)**

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Due to the implementation of this statement, the calculation of deferred amount on refunding was revised to eliminate the inclusion of costs that should be recognized as an expense in the period incurred and eliminated debt issuance costs which should be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at July 1, 2013 by \$312,082, which is the amount of unamortized debt issuance costs at July 1, 2013.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2014 are reported at fair value and consisted of the following:

	Governmental Activities/ Funds	Fiduciary Funds
Pooled Funds:		
Cash in county treasury	\$ 17,748,504	\$ -
Total Pooled Funds	17,748,504	-
Deposits:		
Cash on hand and in banks	5,429	176,007
Cash in revolving fund	5,640	-
Total Deposits	11,069	176,007
Total Cash	\$ 17,759,573	\$ 176,007
Investments:		
Local Agency Investment Fund	\$ 425,050	

#### Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2014, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

#### Custodial Credit Risk – Deposits

Custodial credit risk 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. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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).

## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 2 – CASH AND INVESTMENTS (continued)

##### Custodial Credit Risk – Deposits (continued)

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

##### Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2014 consist of the following:

	Fair Value	Maturity	
		Less Than One Year	One Year Through Five Years
Investment maturities:			
Local Agency Investment Fund	\$ 425,050	\$ 425,050	\$ -

##### Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2014, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

##### Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had the following investments that represents more than five percent of the District's net investments.

Local Agency Investment Fund	100%
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**SAN RAFAEL CITY HIGH SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2014*

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2014 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government:				
Categorical aid programs	\$ 336,881	\$ -	\$ 14,901	\$ 351,782
State Government:				
LCFF	322,512	-	-	322,512
Lottery	159,257	-	-	159,257
Categorical aid programs	41,485	-	41,058	82,543
Local:				
Other local resources	283,395	66,701	-	350,096
Miscellaneous	396,846	-	-	396,846
Total	<u>\$ 1,540,376</u>	<u>\$ 66,701</u>	<u>\$ 55,959</u>	<u>\$ 1,663,036</u>

**NOTE 4 – INTERFUND TRANSACTIONS****A. Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2014 consisted of the following:

General Fund due to Building Fund for e-rate transfer	\$ 47,000
Cafeteria Fund due to General Fund for indirect costs	33,344
Building Fund due to General Fund for facilities use fees	<u>15,000</u>
Total	<u>\$ 95,344</u>

As of June 30, 2014, the District's General Fund owed the Special Reserve Fund for Postemployment Benefits \$565,180 for the annual required contribution. As described in Note 1.B., and in accordance with GASB Statement No. 54, the Special Reserve Fund for Postemployment Benefits is reported within the General Fund in these financial statements, therefore, all interfund activity has been removed from the fund financial statements.

**B. Transfers To/From Other Funds**

Transfers to/from other funds at June 30, 2014 consisted of the following:

Building Fund transfer to General Fund for facilities use fees	<u>\$ 15,000</u>
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During the 2013-14 fiscal year, the District made interfund transfers of \$213,281 from the General Fund to the Deferred Maintenance Fund for routine maintenance projects and \$565,180 from the General Fund to the Special Reserve Fund for Postemployment Benefits for the annual required contribution. As described in Note 1.B., and in accordance with GASB Statement No. 54, these funds are reported within the General Fund in these financial statements, therefore, all interfund activity has been removed from the fund financial statements.



## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

#### NOTE 5 – FUND BALANCES

##### Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than five percent of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

At June 30, 2014, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 5,600	\$ -	\$ -	\$ 40	\$ 5,640
Inventories	-	-	-	3,349	3,349
Total Nonspendable	5,600	-	-	3,389	8,989
Restricted:					
Categorical programs	1,601,598	-	-	-	1,601,598
Food services program	-	-	-	109,725	109,725
Capital projects	-	2,016,891	-	140,263	2,157,154
Debt service	-	-	3,797,768	-	3,797,768
Total Restricted	1,601,598	2,016,891	3,797,768	249,988	7,666,245
Assigned:					
Local site donations-carryover	69,089	-	-	-	69,089
Cash flow contingency	1,100,000	-	-	-	1,100,000
Contingency CCSS; SBAC	700,000	-	-	-	700,000
Postemployment benefits	1,996,299	-	-	-	1,996,299
Adult education program	190,366	-	-	-	190,366
Deferred maintenance program	459,633	-	-	-	459,633
Total Assigned	4,515,387	-	-	-	4,515,387
Unassigned:					
Reserve for economic uncertainties	2,769,278	-	-	-	2,769,278
Remaining unassigned balances	2,870,029	-	-	-	2,870,029
Total Unassigned	5,639,307	-	-	-	5,639,307
Total	\$ 11,761,892	\$ 2,016,891	\$ 3,797,768	\$ 253,377	\$ 17,829,928

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2014*

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Original Balance, July 1, 2013	Adjustments for Restatements	Adjusted Balance, July 1, 2013	Additions	Retirements	Balance, June 30, 2014
Capital assets not being depreciated:						
Land	\$ 240,413	\$ -	\$ 240,413	\$ -	\$ -	\$ 240,413
Construction in progress	37,994	-	37,994	2,000	8,904	31,090
Total capital assets not being depreciated	278,407	-	278,407	2,000	8,904	271,503
Capital assets being depreciated:						
Improvement of sites	14,059,685	-	14,059,685	35,228	-	14,094,913
Buildings	60,545,811	-	60,545,811	313,311	-	60,859,122
Equipment	1,605,069	-	1,605,069	33,819	-	1,638,888
Total capital assets being depreciated	76,210,565	-	76,210,565	382,358	-	76,592,923
Accumulated depreciation for:						
Improvement of sites	(8,122,988)	-	(8,122,988)	(665,280)	-	(8,788,268)
Buildings	(26,289,864)	-	(26,289,864)	(1,338,901)	-	(27,628,765)
Equipment	(1,182,277)	101,639	(1,080,638)	(133,433)	-	(1,214,071)
Total accumulated depreciation	(35,595,129)	101,639	(35,493,490)	(2,137,614)	-	(37,631,104)
Total capital assets being depreciated, net	40,615,436	101,639	40,717,075	(1,755,256)	-	38,961,819
Governmental activity capital assets, net	\$ 40,893,843	\$ 101,639	\$ 40,995,482	\$ (1,753,256)	\$ 8,904	\$ 39,233,322

**NOTE 7 – GENERAL LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2014 were as follows:

	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 47,780,315	\$ -	\$ 2,465,000	\$ 45,315,315	\$ 2,720,000
Accreted interest	10,242,568	1,539,145	-	11,781,713	-
Unamortized premium, net	2,898,547	-	181,160	2,717,387	181,160
Total - Bonds	60,921,430	1,539,145	2,646,160	59,814,415	2,901,160
Capital Leases	13,104	-	8,279	4,825	4,825
Other Postemployment Benefits	2,209,390	444,553	-	2,653,943	-
Compensated Absences	188,869	-	9,085	179,784	-
Totals	\$ 63,332,793	\$ 1,983,698	\$ 2,663,524	\$ 62,652,967	\$ 2,905,985

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Capital leases payments are made by the General Fund. Compensated absences and employment benefits will be paid for by the fund for which the employee worked.

## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 7 – GENERAL LONG-TERM DEBT (continued)

##### A. General Obligation Bonds

###### Election of 1999

An election was held on December 7, 1999, at which more than two-thirds of the voters in the District authorized the issuance and sale of \$13.0 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to repair roofs, replace fire alarms, replace portable classrooms with permanent classrooms, make earthquake safety improvements, renovate and update classrooms, acquire school facilities, and improve school sites and facilities.

###### Election of 2002

An election was held on November 5, 2002, at which time more than fifty-five percent of the voters in the District authorized the issuance and sale of \$49.5 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to finance the upgrading, construction, acquisition and equipping of school libraries, art facilities, classrooms, and science labs, modernization of plumbing, bathroom, and locker facilities, upgrading of technology infrastructure, installation of energy efficient heating and cooling systems, removal of hazardous conditions, and to pay all necessary legal, financial, and contingent costs associated with the bonds.

###### 2011 Refunding General Obligation Bonds

On July 21, 2011, the District issued \$28,125,000 of Refunding General Obligation Bonds. The bonds bear fixed interest rates averaging 3.4 percent with annual maturities from August 1, 2012 through August 1, 2028. The net proceeds of \$30,768,168 (after premiums of \$2,907,891 and issuance costs of \$264,723) were used to prepay a portion of the District's outstanding General Obligation Bonds.

Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$1,040,604 remain to be amortized. As of June 30, 2014, the principal balance outstanding on the defeased debt has been fully repaid.

A summary of outstanding general obligation bonds issued is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014
2002B	8/4/2004	8/1/2029	4.93%-5.70%	\$ 39,495,315	\$ 19,975,315	\$ -	\$ 1,950,000	\$ 18,025,315
2011Ref.	7/21/2011	8/1/2028	2.0%-5.0%	28,125,000	27,805,000	-	515,000	27,290,000
					<u>\$ 47,780,315</u>	<u>\$ -</u>	<u>\$ 2,465,000</u>	<u>\$ 45,315,315</u>

## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 7 – GENERAL LONG-TERM DEBT

##### A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2014 were as follows:

Fiscal Year	Principal	Interest	Total
2014-2015	\$ 2,720,000	\$ 1,137,500	\$ 3,857,500
2015-2016	3,030,000	1,022,500	4,052,500
2016-2017	3,350,000	894,900	4,244,900
2017-2018	3,690,000	754,100	4,444,100
2018-2019	2,551,377	2,252,298	4,803,675
2019-2024	14,101,604	13,472,421	27,574,025
2024-2029	14,251,070	17,557,930	31,809,000
2029-2030	1,621,264	4,983,737	6,605,000
Total	<u>\$ 45,315,315</u>	<u>\$ 42,075,386</u>	<u>\$ 87,390,700</u>

##### B. Capital Leases

The District leases maintenance trucks under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

	Fiscal Year	Lease Payment
	2014-15	\$ 5,326
Less amount representing interest		<u>(501)</u>
Present value of minimum lease payments		<u>\$ 4,825</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment.

#### NOTE 8 – JOINT VENTURES

The San Rafael City High School District participates in a joint venture under a joint powers agreement (JPA), the Marin Schools Insurance Authority (MSIA). The relationship between the San Rafael City High School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provide workers' compensation, property and liability and health insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 8 – JOINT VENTURES (continued)

Condensed audited financial information for the year ended June 30, 2014 is as follows:

	MSIA
Total Assets	\$ 25,150,985
Total Liabilities	17,821,466
Net Position	\$ 7,329,519
Operating Revenues	\$ 12,436,284
Operating Expenses	10,407,758
Operating Income (Loss)	2,028,526
Non-Operating Income (Expense)	223,023
Change in Net Position	\$ 2,251,549

#### NOTE 9 – COMMITMENTS AND CONTINGENCIES

##### State and Federal Allowances, Awards, and Grants

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

#### NOTE 10 – RISK MANAGEMENT

##### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2014, the District participated in the MSIA public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

##### Workers' Compensation

For fiscal year 2014, the District participated in the MSIA public entity risk pool for workers compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

##### Employee Medical Benefits

The District has contracted with CalPERS to provide employee medical and surgical benefits. Additional dental benefits and basic life insurance benefits are provided through the MSIA public entity risk pool.

## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2014*

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#### **NOTE 11 – EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under multiple-employer defined benefit pension 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).

##### **Plan Description and Provisions**

##### **Public Employees' Retirement System (PERS)**

###### **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 comprehensive annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

###### **Funding Policy**

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2013-14 was 11.442%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2013-14	\$ 428,113	100%
2012-13	\$ 409,969	100%
2011-12	\$ 400,901	100%

##### **State Teachers' Retirement System (STRS)**

###### **Plan Description**

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

## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 11 – EMPLOYEE RETIREMENT PLANS (continued)

##### State Teachers' Retirement System (STRS) (continued)

###### Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	\$ 1,030,854	100%
2012-13	\$ 939,866	100%
2011-12	\$ 910,152	100%

###### On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately \$0.5 million to STRS (4.267% of salaries subject to STRS in 2013-14).

#### NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

San Rafael City High School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

##### Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	105
Active plan members*	234
Total	<u>339</u>

\* As of January 1, 2012 actuarial valuation

##### Eligibility

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

Classified	Retirees who are at least 55 and have at least 10 consecutive full-time years of service with the District.
Certificated	Retirees who are at least 55 and have at least 10 consecutive full-time years of service with the District.

## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

##### District Benefits

Classified	The District will pay the minimum monthly premium amount specified by PEMHCA, and the retiree will pay the remaining premium amount. The minimum is \$67.20 per month for 2012.
Certificated	The District will pay the minimum monthly premium amount specified by PEMHCA, and the retiree will pay the remaining premium amount. The minimum is \$67.20 per month for 2012. In addition, the District will pay an additional \$230.00 per month toward the cost of medical and dental benefits for five years after retirement or until age 65, whichever comes first.

##### Survivor Benefits

District's contribution stops after retiree's death, surviving spouse may continue to pay the PEMHCA minimum monthly contribution amount to continue PEMHCA health coverage.

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2013-14, the District contributed \$125,969.

##### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 617,305
Interest on net OPEB obligation	82,852
Adjustment to ARC	<u>(129,635)</u>
Annual OPEB cost	570,522
Contributions made	<u>(125,969)</u>
Increase (decrease) in net OPEB obligation	444,553
Net OPEB liability - July 1, 2013	<u>2,209,390</u>
Net OPEB liability - June 30, 2014	<u><u>\$ 2,653,943</u></u>



## SAN RAFAEL CITY HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

##### Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013-14 and the preceding two years are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 517,988	22.5%	\$ 1,758,742
2013	\$ 580,065	22.3%	\$ 2,209,390
2014	\$ 570,522	22.1%	\$ 2,653,943

##### Funded Status and Funding Progress - OPEB Plans

As of January 1, 2012, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$4.9 million and the unfunded actuarial accrued liability (UAAL) was \$4.9 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

##### 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 of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2012
Actuarial Cost Method	Projected Unit Benefit Cost
Amortization Method	Level Dollar
Remaining Amortization Period	26 years
Asset Valuation	N/A
Actuarial assumptions:	
Investment rate of return	3.75%
Healthcare cost trend rate	4.0%

## **SAN RAFAEL CITY HIGH SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2014*

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#### **NOTE 13 – ADJUSTMENTS FOR RESTATEMENT**

The beginning net position on the Statement of Activities was restated by \$101,639 due to adjustments to accumulated depreciation for equipment on the schedule of capital assets and depreciation. Combined with the restatement described in Note 1.G., the total adjustments for restatement were (\$210,443).

#### **NOTE 14 – FUTURE GASB PRONOUNCEMENT**

The following statement issued by the Governmental Accounting Standards Board (GASB) will become effective in 2014-15 and is expected to have a significant impact on the District's financial reporting:

**Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27 (Issued 06/12)***

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

#### **Cost-Sharing Employers**

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

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***Required Supplementary Information***

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**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
**Budgetary Comparison Schedule – General Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
<b>Revenues</b>				
LCFF Sources	\$ 20,710,977	\$ 20,951,283	\$ 21,109,093	\$ 157,810
Federal Sources	698,246	950,019	850,421	(99,598)
Other State Sources	387,911	874,626	1,193,888	319,262
Other Local Sources	4,243,685	4,652,737	4,281,094	(371,643)
Total Revenues	26,040,819	27,428,665	27,434,496	5,831
<b>Expenditures</b>				
Current:				
Certificated Salaries	12,283,345	12,770,566	12,619,830	150,736
Classified Salaries	3,910,466	3,895,881	3,771,087	124,794
Employee Benefits	4,872,635	4,818,303	4,566,088	252,215
Books and Supplies	1,074,116	2,210,491	1,409,272	801,219
Services and Other Operating Expenditures	3,884,453	4,364,292	3,954,597	409,695
Capital Outlay	95,000	134,660	59,057	75,603
Intergovernmental Transfers	450,400	520,356	525,098	(4,742)
Debt Service	9,292	9,320	9,290	30
Total Expenditures	26,579,707	28,723,869	26,914,319	1,809,550
Excess (Deficiency) of Revenues Over (Under) Expenditures	(538,888)	(1,295,204)	520,177	1,815,381
<b>Other Financing Sources (Uses)</b>				
Interfund transfer in	15,000	15,000	15,000	-
Interfund transfers out	(690,586)	(555,586)	(778,461)	(222,875)
Total Other Financing Sources and Uses	(675,586)	(540,586)	(763,461)	(222,875)
Net Change in Fund Balance	(1,214,474)	(1,835,790)	(243,284)	1,592,506
Fund Balance, July 1, 2013	9,358,878	9,358,878	9,358,878	-
Fund Balance, June 30, 2014	\$ 8,144,404	\$ 7,523,088	\$ 9,115,594	\$ 1,592,506

\* The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education, Deferred Maintenance, and Special Reserve for Postemployment Benefits Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT***Schedule of Funding Progress**For the Fiscal Year Ended June 30, 2014*

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Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2008	\$ -	\$ 3,820,122	\$ 3,820,122	0.0%	N/A	N/A
January 1, 2010	\$ -	\$ 4,059,805	\$ 4,059,805	0.0%	N/A	N/A
January 1, 2012	\$ -	\$ 4,943,154	\$ 4,943,154	0.0%	N/A	N/A

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial 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 total unfunded actuarial liability (or funding excess) to annual covered payroll.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2014, the District incurred the following excess of expenditures over appropriations in the individual major fund presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>General Fund</u>
Intergovernmental transfers	\$ 4,742
Interfund transfers out	222,875



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## ***Supplementary Information***

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**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2014*

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The San Rafael City High School District was established in 1861. The District boundaries encompass the city of San Rafael, as well as small portions of the city of Larkspur and the town of Ross and some unincorporated areas of central Marin County. There were no changes in the boundaries of the District during the current year. The District provides secondary education for students residing in two elementary school districts: Dixie School District and San Rafael City Elementary School District. The District is currently operating two high schools, a continuation school and an adult education program.

<b>GOVERNING BOARD</b>		
<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Natu Tuatagaloa	President	November, 2017
Greg Knell	Vice President	November, 2015
Paul Cohen	Member	November, 2015
Linda Jackson	Member	November, 2015
Rachel Kertz	Member	November, 2017

**DISTRICT ADMINISTRATORS**<sup>1</sup>

Michael R. Watenpaugh, Ed.D ,  
*Superintendent*

Rebecca Rosales,  
*Deputy Superintendent, Curriculum and Instruction*

Christine Thomas,  
*Chief Business Official*

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<sup>1</sup> Effective July 1, 2014, the District restructured the leadership positions in order to improve the support services provided. Dr. Harriet MacLean became Interim Assistant Superintendent, Education Services and Rebecca Rosales filled the position of Deputy Superintendent, Human Resources.

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT***Schedule of Average Daily Attendance**For the Fiscal Year Ended June 30, 2014*

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**Second Period Report - Certificate No. (299B3606)**

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<b>Regular ADA:</b>	<b><u>Grades 9-12</u></b>
Regular ADA	2,024.53
Extended Year Special Education	0.66
Special Education - Nonpublic Schools	12.39
Extended Year Special Education - Nonpublic Schools	1.37
Total ADA	<u>2,038.95</u>
<b>Other (included in Regular ADA amounts):</b>	
Full-Time Independent Study	<u>3.68</u>
Continuation Education	<u>53.63</u>

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**Annual Report - Certificate No. (1A2D4BE0)**

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<b>Regular ADA:</b>	<b><u>Grades 9-12</u></b>
Regular ADA	2,023.89
Extended Year Special Education	0.66
Special Education - Nonpublic Schools	12.42
Extended Year Special Education - Nonpublic Schools	1.37
Total ADA	<u>2,038.34</u>
<b>Other (included in Regular ADA amounts):</b>	
Full-Time Independent Study	<u>4.47</u>
Continuation Education	<u>54.74</u>

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**Basic Aid "District of Choice" ADA**  
**Second Period Report - Certificate No. (49E69F76)**

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	<b><u>Grades 9-12</u></b>
Regular ADA	<u>80.58</u>

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**Annual Report - Certificate No. (FF5258B1)**

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	<b><u>Grades 9-12</u></b>
Regular ADA	<u>83.47</u>

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT***Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2014*

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<u>Grade Level</u>	<u>1986-87 Minutes</u>		<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
	<u>Previously Required</u>	<u>Reduced*</u>			
Grade 9	64,800	63,000	65,067	180	Complied
Grade 10	64,800	63,000	65,067	180	Complied
Grade 11	64,800	63,000	65,067	180	Complied
Grade 12	64,800	63,000	65,067	180	Complied

\* Amounts reduced as permitted by Education Code Section 46201.2 (a).

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT***Schedule of Financial Trends and Analysis**For the Fiscal Year Ended June 30, 2014*

General Fund	(Budget) <sup>2</sup> 2015	2014 <sup>4</sup>	2013	2012
Revenues and other financing sources	\$ 27,340,073	\$ 27,449,496	\$ 25,193,038	\$ 24,985,362
Expenditures	28,886,400	26,914,319	24,551,764	24,247,161
Other uses and transfers out	-	778,461	700,271	708,853
Total Outgo	28,886,400	27,692,780	25,252,035	24,956,014
Change in fund balance (deficit)	(1,546,327)	(243,284)	(58,997)	29,348
Ending fund balance	\$ 7,569,267	\$ 9,115,594	\$ 9,358,878	\$ 9,417,875
Available Reserves <sup>1</sup>	\$ 4,550,169	\$ 5,639,307	\$ 6,295,361	\$ 7,761,660
Available Reserves as a percentage of Total Outgo	15.8%	20.4%	24.9%	31.1%
Total Long-Term Debt	\$ 61,370,220	\$ 62,652,967	\$ 63,332,793	\$ 63,791,136
Average Daily Attendance at P-2 <sup>3</sup>	2,228	2,120	1,970	1,908

The General Fund balance has decreased by \$302,281 over the past two years. The fiscal year 2014-15 adopted budget projects a decrease of \$1,546,327. For a district of 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 has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit during the 2014-15 fiscal year. Total long-term debt has decreased by \$1,138,169 over the past two years.

Average daily attendance (ADA) has increased by 212 over the past two years. An increase of 108 ADA is anticipated during fiscal year 2014-15.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> As of September 2014.

<sup>3</sup> Includes Basic Aid "District of Choice" ADA.

<sup>4</sup> The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education, Deferred Maintenance, and Special Reserve for Postemployment Benefits Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2014*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 138,249	
National School Lunch Program	10.555	13523	231,525	
USDA Donated Foods	10.555	N/A	18,441	
Total Child Nutrition Cluster				\$ 388,215
Total U.S. Department of Agriculture				388,215
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		214,135
Title I, Part G, Advanced Placement Test Fee Reimbursement Program	84.330B	14831		7,965
Title II, Part A, Teacher Quality Local	84.367	14341		77,196
English Language Acquisition Grants Cluster:				
Title III, Immigrant Education	84.365	15146	25,003	
Title III, Limited English Proficient	84.365	14346	41,241	
Total English Language Acquisition Grants Cluster				66,244
Carl Perkins Act - Secondary	84.048	14894		50,025
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	307,686	
Local Assistance, Part B, Section 611, Early Intervening Services	84.027	10119	25,292	
Mental Health Allocation Plan, Part B, section 611	84.027A	14468	101,879	
Total Special Education Cluster				434,857
Total U.S. Department of Education				850,422
Total Expenditures of Federal Awards				\$ 1,238,637



**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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*There were no differences between the Annual Financial and Budget Report and the  
Audited Financial Statements in any funds.*

## **SAN RAFAEL CITY HIGH SCHOOL DISTRICT**

### *Note to the Supplementary Information*

*June 30, 2014*

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#### **NOTE 1 – PURPOSE OF SCHEDULES**

##### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) 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.

##### **Schedule of Instructional Time**

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. 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.

Districts must maintain their instructional minutes at the 1986-87 requirement, as reduced by Education Code Section 46201.2(a).

##### **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.

##### **Schedule of Expenditures of Federal Awards**

The schedule of expenditures of Federal awards includes the Federal grant activity 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 the United States of America Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

##### **Subrecipients**

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

##### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

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***Other Independent Auditors' Reports***

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**INDEPENDENT AUDITORS' 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  
San Rafael City High School District  
San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Rafael City High School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise San Rafael City High School District's basic financial statements, and have issued our report thereon dated December 10, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Murrieta, California  
December 10, 2014

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education  
San Rafael City High School District  
San Rafael, California

### Report on Compliance for State Programs

We have audited San Rafael City High School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, published by the Education Audit Appeals Panel, for the year ended June 30, 2014. San Rafael City High School District's state programs are identified below.

### Management's Responsibility

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

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of San Rafael City High School District's State programs based on our audit of the types of compliance requirements referred to below. 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about San Rafael City High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each State program. However, our audit does not provide a legal determination of San Rafael City High School District's compliance.

Description	Procedures in Audit Guide	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Not applicable
Independent Study	23	No (see below)
Continuation Education	10	Yes
Instructional Time for School Districts	10	Yes
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable



Description	Procedures in Audit Guide	Procedures Performed
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No (see below)
After School Education and Safety Program:		
General Requirements	4	Not applicable
After School	5	Not applicable
Before School	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	4	Not applicable
Charter School Facility Grant Program	1	Not applicable

We did not perform testing for independent study because the ADA was under the level that requires testing. We did not perform testing for California Clean Energy Jobs Act because the District did not have any expenditures during the year.

#### ***Opinion on Compliance with State Programs***

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

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

*Nigro+Nigro, PC*

Murrieta, California  
December 10, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE**

Board of Education  
San Rafael City High School District  
San Rafael, California

**Report on Compliance for Each Major Federal Program**

We have audited San Rafael City High 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 San Rafael City High School District's major federal programs for the year ended June 30, 2014. San Rafael City High School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of San Rafael City High School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Rafael City High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, San Rafael City High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

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

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

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

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

Murrieta, California  
December 10, 2014

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## ***Findings and Questioned Costs***

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**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	
CFDA Numbers	<u>Name of Federal Program or Cluster</u>
84.027	<u>Special Education Cluster (IDEA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

***State Awards***

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

***There were no financial statement findings in 2013-14.***

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

***There were no federal award findings or questioned costs in 2013-14.***



**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

*There were no state award findings or questioned costs in 2013-14.*

**SAN RAFAEL CITY HIGH SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2014*

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*There were no findings or questioned costs in 2012-13.*

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To the Board of Education  
San Rafael City High School District  
San Rafael, California

In planning and performing our audit of the basic financial statements of San Rafael City High School District for the year ending June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 10, 2014, on the financial statements of San Rafael City High School District.

#### EXPENDITURES

**Observation:** Our testing of thirty-two expenditures identified ten that included invoices for services performed or goods received prior to approval by either a purchase order or a signed contract.

**Recommendation:** We recommend that all expenditures be approved prior to receiving goods or services to ensure their necessity by the appropriate levels of management before the District is obligated to pay.

#### CASH RECEIPTS

**Observation:** During our review of cash receipts, we noted that when sites turn in funds collected to the District Office, they do not include supporting documentation to substantiate the amount of funds being submitted for deposit. We also noted that when the transportation department turns in bus pass fees to the Business Office, they do not include copies of the receipts that were issued upon the collection of the funds. The bus pass fee receipts are kept in a receipt book and are not separated by deposit, which prevented the reconciliation of the cash collections and the determination of completeness.

**Recommendation:** We recommend that all cash collections turned in for deposit be accompanied by sequential receipts or other supporting documentation so that District Office staff can verify that the deposit is complete.

## **ASSOCIATED STUDENT BODY (ASB) FUNDS**

During our review of the associated student body (ASB) accounts at **San Rafael High** and **Terra Linda High**, we noted the following:

### **Bank Reconciliations**

**Observation:** Several bank reconciliations were not prepared in a timely manner.

**Recommendation:** Timely and accurate bank reconciliations are prudent and necessary to ensure that the accounting records match the amounts held on deposit. We recommend the bookkeeper perform monthly bank reconciliations within two weeks after the statement arrives.

### **Cash Receipts**

**Observation:** While reviewing cash receipts, we noted that funds were collected and deposited without sufficient supporting documentation being kept on file. We also noted deposits that were not made in a timely manner.

**Recommendation:** We recommend that before any events are held, control procedures are established that will allow for the reconciliation between money collected and fundraiser sales. Records should be sufficient to provide an audit trail from the initial cash receipt to the final deposit of the funds into the bank. We also recommend that the site emphasize to the advisors and teachers that deposits should be made to the bookkeeper on a weekly basis or more often as needed.

### **Cash Disbursements**

**Observation:** Disbursements were made without evidence of receipt of goods or services being properly documented. We also noted disbursements that were not properly approved by a District representative, ASB Advisor, and/or the student representative until after the expense had already been incurred.

**Recommendation:** We recommend that sites document the physical receipt of goods or services on the corresponding invoice, packing slip, or other documentation, such as writing, "okay to pay" or "received" and initialing the document prior to issuing the check for payment. We also recommend that all disbursements from ASB funds are authorized by a student representative, an advisor, and a district representative (usually a principal or vice principal) prior to disbursing the funds. As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of the student-body funds and falls within budgetary guidelines.

We will review the status of the current year comments during our next audit engagement.



Murrieta, California  
December 10, 2014